



TAX LAW FOR BUSINESS
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*BDB Law's "Tax Law for Business" appears in the opinion section of **Business Mirror** every Thursday.*

Registration of computerized accounting systems by large taxpayers

Late last year, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 9-2009 mandating large taxpayers classified under Revenue Regulations No. 1-98 to maintain and/or adopt Computerized Accounting System (CAS) or components thereof. The said regulation required the large taxpayers who are maintaining their books of account and accounting records in manual form to register their CAS not later than December 31, 2009.

However, RR 9-2009 took effect in January 2010. Thus, the deadline provided for large taxpayers to shift from the manual to CAS had already lapsed even before the said regulations could take effect. Recently, the BIR issued Revenue Memorandum Circular (RMC) No. 68-2010 allowing large taxpayers who failed to comply within the deadline set forth in RR No. 9-2009 to file a letter requesting an extension of time within which to comply with the requirements provided under RR No. 9-2009.

The letter request must be addressed to the Assistant Taxpayers Service (ACIR-LTS) and must be accompanied by a Sworn Statement stating, among others, the reason or justification for failing to comply with the requirements and the specific timeline within which to effect the registration of its CAS and/or components.

The Chief of LTAD or LTDO, as head of the Computerized System Evaluation Team (CSET), shall evaluate the propriety of the request for extension by the taxpayer and recommend to the ACIR-LTS, the approval or disapproval of such request. Accordingly, all letter-reply to the request for extension shall be signed by the ACIR- LTS. However, the said RMC specifically provides that the grace period that may be granted to the taxpayer shall not be later than December 31, 2010.

The large taxpayers covered by this circular are the following:

1. Those using an excel program in their recordkeeping or maintaining their books of accounts and other accounting records in manual form;
2. Those already using computerized accounting system (CAS) and/or components thereof, whether off-the-shelf or customized system, without securing the required Permit to Use/Adopt CAS and/or Components thereof, from the Large Taxpayers Service; and
3. Those using computerized accounting systems and/or components thereof and were issued permit to use such system prior to taxable year 2002, but are required to apply for revalidation of existing permit on or before December 31, 2010.

For purposes of determining the accounting software to be used, the large taxpayers should ensure that the chosen software will meet the electronic recordkeeping requirements of the BIR pursuant to RR 9-2009, which requires, among others, that the electronic records used to establish tax compliance shall contain sufficient transaction-level detail information so that the details underlying the electronic records can be identified and made available to the BIR upon request. At the time of an examination, the retained records must be capable of being retrieved and converted to a standard record format in accordance with RR No. 16-2006.

The selection and customization of the accounting software to be used requires some time to complete. In addition, the application and approval process of the CAS may take at least 40 days to conclude for application requiring systems demo with cross RDO evaluation. However, the large taxpayer may also be using accounting software that was previously accredited by the BIR. This way, the application and approval process will only take 10 days since no systems demo with cross RDO evaluation shall be required. But since this is a mandatory requirement, large taxpayers should look into this requirement seriously to avoid incurring penalties and other unnecessary consequences.

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