REVENUE REGULATIONS NO. 8-2007 issued on August 1, 2007 prescribes the additional compliance requirements from taxpayers mandated to adopt the Philippine Financial Reporting Standards (PFRS) in recording business transactions and preparing financial statements.

The Philippines has adopted the International Financial Reporting Standards (IFRS) as the PFRS that should be observed by big corporate taxpayers in the recording of their business transactions and preparation of Financial Statements starting year 2005. Under the PFRS, the recording and the recognition of business transactions for financial accounting purposes, in a majority of situations, differ from the application of tax rules on the same transactions resulting to disparity of reports for financial accounting vis-a-vis tax accounting. Hence, there is a need to reconcile the disparity in a systematic and clear manner to avoid irritants between the taxpayers and the tax enforcer.

Accordingly, concerned taxpayers are mandated to maintain books and records that would reflect the reconciling items between Financial Statements figures and/or data with those reflected/presented in the filed Income Tax Return (ITR). The recording and presentation of the reconciling items in such books and records shall be done in such a manner that would facilitate the understanding by the examiners/auditors of the Bureau of Internal Revenue tasked to undertake audit/investigation functions, providing in sufficient detail the computation of the differences and the reasons therefore aimed at bringing into agreement the PFRS and ITR figures.

The keeping of books and records for the reconciling items referred to in the Regulations shall start for taxable year 2007. For this purpose ‘taxable year 2007’ shall mean calendar year ending December 31, 2007 and all fiscal years ending not later than June 30, 2008.