



TAX LAW FOR BUSINESS  
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## **Guidelines and procedures in the change of accounting period**

The requirement for the approval of any contemplated change in the accounting period, as well as the consequent requirement for filing a short-period return, has long been in existence. But there has been no prescribed uniform rule and guideline in securing the approval for change in the accounting period.

Also, there was no designated office in the Bureau of Internal Revenue (BIR) to approve the change in the accounting period. Thus, some taxpayers would resort to a ruling from the BIR national office as a means of obtaining the approval.

But even then, there was no fixed period within which to file the request for a ruling or secure the approval of the BIR. And as to when the short-period return should be filed was also anybody's game.

Perhaps realizing the lack of rules, the BIR issued Revenue Regulations (RR) 03-2011 on March 7, 2011. RR 03-2011 defines the policies, guidelines and procedure on the application for a change in the accounting period under Section 46 of the 1997 Tax Code.

Based on the regulations, the request for approval of the change in the accounting period should be filed not less than 60 days before the start of the proposed new accounting period. Considering this period, the taxpayer should take into account the timeline in securing the approved amended bylaws from the Securities and Exchange Commission (SEC).

The following are the documentary requirements to be submitted when seeking approval for change in the accounting period:

1. Letter request addressed to the Revenue District Officer (RDO) having jurisdiction over the place of business of the taxpayer, indicating:
  - a. The original accounting period and the proposed new accounting period to be adopted.
  - b. The reasons for desiring to change the accounting period.

2. Duly filled out BIR Form 1905;
3. Certified true copy of the SEC-approved amended bylaws showing the change in the accounting period;
4. Sworn certification of “non-forum shopping,” stating that such request has not been filed or previously acted upon by the BIR National Office, signed by the taxpayer or his/her duly authorized representative.
5. A sworn undertaking by a responsible officer of the taxpayer to file a separate final or adjustment return for the period between the close of the original accounting period and the dated designated as the close of the new accounting period on or before the 15th day of the fourth month following the end of the period covered by the final/adjustment return.

In addition, the sworn undertaking should include a clause that failure to comply with such undertaking, i.e., to file a separate final or adjustment return, will result in the invalidation of the approval of the change in the accounting period, and will subject the taxpayer to criminal offense for failure to file return or supply correct and accurate information.

The officer of the day in the concerned RDO shall pre-evaluate the application if it satisfactorily complies with the prescribed guidelines. Sufficient time will be given to the applicant to comply for any deficiency in the requirements. But failure to submit any document required within the period allowed the taxpayer will be a ground for the BIR to archive the application.

The RDO has five days from the receipt of the application, together with complete documentary requirements, to transmit his endorsement letter to the legal division of the Revenue Region for evaluation. If everything is in order, the chief of the legal division shall sign a memorandum endorsement for the regional director’s issuance of a certificate granting the change in the accounting period. It is now clear that the office of the regional director of the revenue region having jurisdiction over the taxpayer is the office tasked to issue the approval of any change in the accounting period, but it must undergo evaluation by the legal division of the region and the RDO where the application shall be filed. The certification approving the adoption of a new accounting period must be released within 30 working days from the date of receipt of the complete documentary requirements.

This new issuance is a welcome development for taxpayers. It provides clearly the documentary requirements in securing the change in the accounting period, the period required for making the necessary request, as well the offices required to evaluate and approve the application. We just hope the BIR would, likewise, strictly follow the period given to its officers to act on the application and issue the certification.

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