
December 12, 1979

REVENUE REGULATIONS NO. 10-79

SUBJECT : *Amendment of Revenue Regulations No. 12-77*

TO : *All Internal Revenue Officers and Others Concerned*

Pursuant to the provisions of Section 326 in relation to Section 4 of the National Internal Revenue Code, these regulations are hereby promulgated and shall be known as Revenue Regulations No. 10-79.

SECTION 1. Subparagraph (1) of paragraph (a) of Section 4 of Revenue Regulations No. 12-77 is hereby amended to read as follows:

"Sec. 4. *Proof of loss.* — (a) *In general.* The declaration of loss, being one of the essential requirements of substantiation of a claim for a loss deduction, is subject to verification and does not constitute sufficient proof of the loss that will justify its deductibility for income tax purposes. Therefore, the mere filing of a declaration of loss does not automatically entitle the taxpayer to deduct the alleged loss from gross income. The failure, however, to submit the said declaration of loss within the period prescribed in these regulations will result in the disallowance of the casualty loss claimed in the taxpayer's income tax return. The taxpayer should therefore file a declaration of loss and should be prepared to support and substantiate the information reported in the said declaration with evidence which he should gather immediately or as soon as possible after the occurrence of the casualty or event causing the loss.

FOR PURPOSES OF PRE-AUDIT, A TAXPAYER CLAIMING DEDUCTION FOR CASUALTY, THEFT, ROBBERY, OR EMBEZZLEMENT LOSS SHALL ATTACH TO HIS RETURN A COPY OF HIS DECLARATION OF LOSS (SHOWING THE IMPRINT OF THE DATE OF RECEIPT THEREOF BY THE REVENUE RECEIVING OFFICE). FAILURE TO ATTACH A COPY OF HIS DECLARATION OF LOSS WILL RESULT IN THE DISALLOWANCE OF THE LOSS IN THE PRE-AUDIT OF HIS INCOME TAX RETURN, WITHOUT PREJUDICE, HOWEVER, TO THE SAID LOSS BEING TAKEN UP UPON INVESTIGATION OF THE RETURN.

SECTION 2. *Effectivity of these Regulations.* — The additional requirement for the attachment of a copy of declaration of loss to the return shall be effective beginning with the 1979 individual income tax returns. ^{cdta}

CESAR VIRATA
Minister of Finance

Recommending Approval:

RUBEN B. ANCHETA
Acting Commissioner

ANNEX A

December 17, 1979

MEMORANDUM FOR:

The Acting Commissioner
(Thru The Revenue Service Chief, Assessment)

Attached is the proposed draft regulations amending Section 4 of Revenue Regulations No. 12-77, by requiring that a copy of the declaration of loss be attached to the return.

Under the present regulations, the declaration of loss is required to be filed within 45 days from the date of the occurrence of casualty or robbery, theft or embezzlement.

Upon the pre-audit of individual returns, particularly refundable returns, any amount of loss declared, as determined or computed by the taxpayer, is automatically allowed with or without the declaration of loss, which is required to contain the items of information necessary to the computation of the amount of loss to be allowed.

Based on our pre-audit experience of refundable returns, most filers claim deductions for losses. Since not all returns are verified, imaginary, erroneous, as well as inflated losses are in effect allowed in full as deductions. In the case of refundable returns, the amount of tax corresponding to the unallowable loss deduction should not have been refunded. Moreover, even assuming that the return will ultimately be verified within the 5-year period, the government, in the meantime, is deprived of the use of the revenue.

Respectfully submitted,

MANUEL M. SAN DIEGO
Chief, Withholding Tax Division
TAN: 1516-149-0

ANNEX B

B.I.R. Form No. 1746

*DECLARATION OF LOSS ARISING FROM CASUALTY, ROBBERY, THEFT OR
EMBEZZLEMENT*

Name of taxpayer: _____

Address: _____

T.A.N. _____

A. NATURE OF LOSS

1. Event causing the loss _____
2. Date of occurrence of event _____
3. Description of damaged property and its location (an itemized list should be attached)

4. Facts and circumstances surrounding the loss of the property: _____
5. Name of insurance company or other entity from which recovery claim may be made:

B. VALUATION OF LOSS

1. *Nonbusiness property*

Original cost or adjusted basis P _____

Value immediately before casualty P _____

Value immediately after casualty _____

Amount of insurance recoverable _____

2. *Business property — Total destruction*

Acquisition cost of property P _____

Accumulated depreciation _____

Amount of insurance recovered _____

3. *Business property — partial damage*

Net book value immediately before P _____

Amount of replacement cost to restore the
property back to its normal operating condition _____

SUBSCRIBED AND SWORN to before me this _____ day of _____, 19____
affiant exhibited his/her residence certificate No. A- _____ issued at _____ on _____,
19____. aisa dc

NOTARY PUBLIC

Until December 31, 19____

Doc. No. _____

Page No. _____

Book No. _____

Series of 19____