

REVENUE REGULATIONS NO. 25-2020 issued on September 30, 2020 prescribes the Rules and Regulations to implement Section 4 (bbbb) of Republic Act (RA) No. 11494 (Bayanihan to Recover as One Act) relative to Net Operating Loss Carry-Over (NOLCO) under Section 34 (D)(3) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

The NOLCO shall be separately shown in the taxpayer's Income Tax Return (also shown in the Reconciliation Section of the Tax Return) while the unused NOLCO shall be presented in the Notes to the Financial Statements showing, in detail, the taxable year in which the net operating loss was sustained or incurred, and any amount thereof claimed as NOLCO deduction within five (5) consecutive years immediately following the year of such loss. The NOLCO for taxable years 2020 and 2021 shall be presented in the Notes to the Financial Statements separately from the NOLCO for other taxable years. Failure to comply with this requirement will disqualify the taxpayer from claiming the NOLCO.