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DU-BALADAD AND ASSOCIATES

ADVISORY

SERIES OF 2026

Amendments to the Securities and
Exchange Commission (SEC)
Rules on Audit Threshold and
Submission of Audited Financial
Statements

SECURITIES AND EXCHANGE COMMISSION
Memorandum Circular No. 4 Series of 2026
January 20, 2026

AMENDMENTS TO THE SECURITIES AND EXCHANGE COMMISSION (SEC)
RULES ON AUDIT THRESHOLD AND SUBMISSION OF AUDITED FINANCIAL
STATEMENTS

I. Increase in the audit threshold

The audit threshold was increased from PhP600,000.00 to PhP3,000,000.00 for both stock and non-stock corporations.

II. Coverage of Audit Requirement

Corporations with total assets or total liabilities at or below the prescribed threshold shall not be required to submit audited financial statements. Instead, such corporations shall submit financial statements accompanied by a Statement of Management's Responsibility signed under oath by the following:

CORPORATIONS	SIGNATORIES
Stock and Non-stock	Chairman of the Board, President or Chief Executive Officer, Treasurer or Chief Financial officer, and all duly authorized by the Board of Directors
One Person Corporations	President and Treasurer
In the absence of the authorized signatories	Specific officer or director expressly delegated by the Board of Directors

However, the following entities are required to submit audited financial statements:

GROUP	ENTITIES
A	<ol style="list-style-type: none">1. Issuers of registered securities which have sold a class of securities except those issuers of registered timeshares, proprietary and non-proprietary membership certificates which are covered in Group B. This category shall also cover corporations applying for the registrations of their securities;2. Issuers with a class of securities listed for trading in an Exchange;3. Public companies or those which have total assets of at least PHP50,000,000.00 or such amount as the Commission shall prescribe, and having 200 or more holders each holding at least 100 shares of a class of its equity securities;4. Clearing agency and clearing agency as depository; and,

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	5. Stock and securities exchange/s and other self-regulatory organizations.
B	<ol style="list-style-type: none"> 1. Issuers of registered timeshares, proprietary and non-proprietary membership certificates, and corporations applying for the registration of such securities; 2. Investment houses; 3. Brokers and dealers of securities; 4. Investment companies that are not in the process of registering securities or have no registered securities yet; 5. Government securities eligible dealers; 6. Universal banks registered as underwriters of securities; 7. Investment company advisers; 8. Special purpose corporations registered under the Securitization Act of 2004 and its implementing rules; and, 9. Such other corporations which may be required by law to be supervised by the Commission.
C	<ol style="list-style-type: none"> 1. Financing companies whose assets in the preceding year are above PhP10,000,000.00; 2. Lending companies whose assets in the preceding year are above PhP5,000,000.00; 3. Transfer agents; 4. Non-stock, non-profit corporations including foundations which solicit or receive annual donations or contributions and/ or with fund balance amounting to more than PhP25,000,000.00 and PhP100,000,000.00, respectively, over the preceding 3 years, or such higher amount that the Commission may set through order or guidelines. A non-stock, non-profit corporation that is already scoped in by the above requirement can only be excluded if its annual donations or contributions and/ or fund balance fall below PhP25,000,000.00 and PhP100,000,000.00, respectively, over the preceding 3 years; and, 5. Such other corporations that the Commission may consider as imbued with public interest regardless of the lack of a requirement to obtain a secondary license from the Commission.

III. Amendment to Small and Micro Entity Definitions

BEFORE	AMENDED
Small entities are those that meet all of the following criteria: 1. Total assets of between PhP3,000,000.00 to	Small entities are those that meet all of the following criteria: 1. Total assets or total liabilities exceeding PhP3,000,000.00 but not

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PhP100,000,000.00 or total liabilities between PhP3,000,000.00 to PhP100,000,000.00. If the entity is a parent company, the said amounts shall be based on the consolidated figures; xxx	exceeding PhP100,000,000.00. If the entity is a parent company, the said amounts shall be based on the consolidated figures; xxx
Micro entities are those that meet all of the following criteria: 1. Total assets and liabilities are below PhP3,000,000.00; xxx	Micro entities are those that meet all of the following criteria: 1. Total assets or total liabilities at or below PhP3,000,000.00; xxx

Micro entities may opt to use either their income tax basis or Philippine Financial Reporting Standards for Small Entities as their financial reporting framework so long that it consists of a Statement of Management’s Responsibility signed under oath, Statement of Financial Position, Statement of Income and Notes to Financial Statements, with two (2) comparative periods, if applicable.

IV. Covered period of the amended threshold

Financial statements covering fiscal years ending on or after December 31, 2025.

V. Effectivity

The Memorandum Circular shall take effect fifteen (15) days after publication in the Official Gazette or in two (2) newspapers of general circulation.

Source:
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January 20, 2026

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Du-Baladad and Associates (BDB Law) is a multi-awarded, global tax law firm in the Philippines that offers services around 3 major areas of practice – **tax**, **legal** and **consulting**.

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