

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

August 10, 2006

REVENUE MEMORANDUM ORDER NO. 17-2006

SUBJECT : Amendments to the Existing Policies and Procedures for Centralized Processing and Issuance of (a) Returns Processing System Assessment Notices and (b) Manual Assessment Notices by the Large Taxpayers Service Including the Large Taxpayer District Offices and Concerned Divisions Under Them.

TO : All Internal Revenue Officials/Officers and Others Concerned.

I. OBJECTIVES

This Order is issued to:

- A. To amend/supplement certain provisions of existing revenue issuances and memoranda on the policies and procedures for centralized processing and issuance of Returns Processing System (RPS) assessment notices and manual assessment notices by the Large Taxpayer Service (LTS), including the Large Taxpayer District Offices (LTDOs) and concerned divisions under them; and
- B. Identify all concerned offices and revenue officials/personnel responsible in the implementation of this Order to expedite the processing and issuance of a valid RPS/manual assessment notices and to ensure collection of additional revenues for the government.

II. POLICIES

- A. To redefine the functions of the offices and responsibilities of revenue officials/personnel identified in this Order, whether or not under the LTS, with respect to the centralized processing and issuance of RPS/manual assessment notices.
- B. The Revenue Officers (ROs) performing audit functions of Large Taxpayer Audit and Investigation Division I (LTAID I), Large Taxpayer Audit and Investigation Division II (LTAID II) and LTDOs, including those in the Office of the Assistant Commissioner (ACIR), LTS and Audit Review Unit (ARU) performing review functions, shall be provided with appropriate access to Integrated Tax System (ITS), e.g., Taxpayer Accounting System (TAS), Returns Processing System (RPS), Collection and Banks Reconciliation System (CBR), Electronic Filing and Payment System (eFPS) and other applicable systems to view the encoded information pertaining to large taxpayers, so they can easily review and evaluate the correctness of the proposed RPS/manual assessment before approval and signature of the ACIR-LTS, or in his absence or upon written instruction, the Head Revenue Executive Assistant (HREA) concerned, and the Chief, LTDO, or Assistant Chief, LTDO, in the absence of the former or upon written instruction.

- C. The RPS and manual assessment notices are different from assessment notices issued arising from regular audit/investigation of returns. The RPS assessment notices are issued pursuant to Section 228 of the Tax Code, in which case, no prior notice (e.g., preliminary assessment notice) is required before final assessment can be issued. However, for manual assessment notices, the following steps shall be undertaken: (1) consolidate the proposed assessment/s in the regular audit/investigation in case there is an on-going audit/investigation covered by a Letter of Authority (LA), Tax Verification Notice (TVN), or Letter Notice (LN); otherwise, (2) proceed with the issuance of reminder letter/s (first and final notices), preliminary assessment notice and final assessment notice/formal letters of demand, in sequential order, following strictly the applicable procedures under Revenue Regulations No. 12-99 and other related issuances.

III. COVERAGE

This Order shall cover policies and procedures for centralized processing and issuance of Returns Processing System (RPS) assessment notices arising from tax return information discrepancies, late filing of tax returns or non-payment/underpayment of taxes and manual assessment notices arising from (i) violation of the provisions of the Tax Reform Act of 1997, as amended (Tax Code), (ii) non-compliance with administrative requirements, or findings of discrepancy/ies after verification/evaluation of the information/data from the submitted requirement/s or document/s which will result in deficiency tax/es that will have to be assessed, by the Large Taxpayer Service (LTS), including the Large Taxpayer District Offices (LTDOs) and concerned divisions under them.

IV. PROCEDURES

A. COMPUTER OPERATIONS NETWORK AND ENGINEERING DIVISION (CONE)/ ISOS-DATA CENTER (ISOS-DC)

1. CONE shall generate every Monday the list of suspended returns/payments of the previous week and prepare the Summary Report of RPS Assessment containing the following details: Outbound Correspondence Number (OCN), TIN/Name of Large Taxpayers, Production Date, Return Period, Tax Type Code, and RDO Number.
2. ISOS-DC shall transmit Summary Report of RPS Assessment via email to Large Taxpayer Document Processing and Quality Assurance Division for regular and excise large taxpayers under LTAID I and LTAID II, respectively, and directly to LTDOs for large taxpayers under their jurisdiction on the same day (Monday).

B. LARGE TAXPAYER DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION (LTDPQAD)

The LTDPQAD shall perform the following functions:

1. Receive email of Summary Report of RPS Assessments from ISOS-DC for quality check;
2. Retrieve tax return/s together with their attachments (e.g., withholding certificates, and other documents);

3. Pre-evaluate the information/data in the Summary Report of RPS Assessments against tax return/s, their attachments, and data in the ITS (TAS, RPS, CBR), eFPS and other applicable system;
4. Validate discrepancy/ies. If due to encoding error, the same shall be resolved by the division; otherwise, prepare the necessary attachments to the RPS assessment notices;
5. Prepare RPS assessment notice/s and transmit the same, together with the necessary attachments, e.g., duplicate copy/ies of the tax return/s, and withholding certificates or other documents, to LTAID I or LTAID II, every Monday of the following week, for verification and validation of the correctness or basis of the assessment;

The data to be provided/transmitted shall bear the following column headings: OCN, TIN and Name of Large Taxpayer, Tax Type, Return Period, Amount Proposed Deficiency Tax and Remarks;

6. In processing and issuing manual assessment notices, perform tasks similar to those indicated for the concerned divisions in subsection C below as they may be applicable to the division, in order to carry out the provisions of this Order; and
7. Receive from LTAID I and LTAID II the returned invalid RPS assessment notices or Preliminary Verification Report of Discrepancy/Findings and proceed with the re-verification and/or correction, if warranted, and perform the necessary tasks in order to complete the process.

**C. *LARGE TAXPAYER ASSISTANCE DIVISION I/
LARGE TAXPAYER ASSISTANCE DIVISION II/
LARGE TAXPAYER FIELD OPERATIONS DIVISION***

The LTAD I/LTAD II and LTFOD shall perform the following functions:

1. Determine compliance of large taxpayers with respect to their filings/submissions of the aforementioned requirement/s or document/s and ascertain the accuracy of declaration of information/data which have corresponding tax effect and which may result in deficiency tax/es that will have to be assessed. Likewise, in case of violation or non-compliance of the requirements and documents required to be submitted, the corresponding penalties shall be determined and imposed accordingly;
2. Prepare Preliminary Verification Report of Discrepancy/Findings on the violation/s or non-compliance committed and/or proposed deficiency tax/es, if any;
3. Transmit the Preliminary Verification Report of Discrepancy/Findings every Monday of the following week as follows:
 - a. LTAD I - to LTAID I;
 - b. LTAD II – to LTAID II; and
 - c. LTFOD – to LTAID I, LTAID II, or LTDOs, as the case may be;

The data to be provided/transmitted shall bear the following column headings: TIN and Name of Large Taxpayer, Type of Violation/Non-Compliance Committed/Discrepancy Found, Applicable Period/Due Date, Amount of Proposed Deficiency Tax and Remarks; and

4. Receive from LTAID I and LTAID II the returned invalid Preliminary Verification Report of Discrepancy/Findings and proceed with the re-verification and/or correction, if warranted, and perform the necessary tasks in order to complete the process.

D. LARGE TAXPAYER PROGRAMS DIVISION (LTPD)

The LTPD shall perform the following functions:

1. Determine compliance of excise large taxpayers on their submission of Official Register Book (ORB);
2. Prepare Preliminary Verification Report of Discrepancy/Findings on the violation/s or non-compliance committed, if any;
3. Transmit the Preliminary Verification Report of Discrepancy/Findings to LTAID II every Monday of the following week;

The data to be provided/transmitted shall bear the following column headings: TIN and Name of Large Taxpayer, Type of Violation/Non-Compliance Committed, Applicable Period/Due Date, Amount of Proposed Deficiency Tax and Remarks; and

4. Receive from LTAID II the returned invalid Preliminary Verification Report of Discrepancy/Findings, if any, and proceed with the re-verification and/or correction, if warranted, and perform the necessary tasks in order to complete the process.

E. LARGE TAXPAYER COLLECTION AND ENFORCEMENT DIVISION (LTCED)

The LTCED, for its part, shall perform the following functions:

1. In processing and issuing manual assessment notices, perform tasks similar to those identified for the concerned divisions under subsections B and C above as they may be applicable to the division, in order to carry out the provisions of this Order;
2. Receive from LTDOs the Summary List of approved, signed and mailed assessment notices (RPS/manual); and
3. Receive from LTAID I and LTAID II the dockets of large taxpayers in case it fails to pay or respond within the period indicated in the aforementioned notices and include the assessments in the Form 40 and for further appropriate action.

*F. LARGE TAXPAYER AUDIT AND INVESTIGATION DIVISION I/
LARGE TAXPAYER AUDIT AND INVESTIGATION DIVISION II*

The LTAID I and LTAID II shall, on the other hand, perform the following functions:

1. Receive from LTDPQAD, LTAD I, LTAD II, LTFOD, LTPD or LTCED, as the case may be, the proposed assessments based on the RPS assessment notices and Preliminary Verification Report of Discrepancy/Findings, together with the necessary attachments;
2. Assign docket/s to RO-Case Officer to validate the accuracy of the RPS assessments or Preliminary Verification Report of Discrepancy/Findings, together with the required attachments, against tax returns, necessary attachments and data in the ITS (TAS, RPS and CBR), eFPS and other applicable systems;
3. In processing and issuing valid manual assessment notices, prepare reminder letters (first and final notices), preliminary assessment notices and final assessment notices/formal letters of demand, in sequential order, following strictly the procedures under Revenue Regulations No. 12-99 and other related issuances;
4. Forward (with separate transmittal sheet) to the Office of ACIR-LTS the verified and valid RPS assessment notices and manually prepared final assessment notices/formal letters of demand, together with the necessary attachments, for approval and signature;

The data to be provided/transmitted shall bear the following column headings: (a) RPS - OCN, TIN and Name of Large Taxpayer, Tax Type, Return Period, Amount and Remarks; and (b) Manual - TIN and Name of Large Taxpayer, Type of Violation/Non-Compliance Committed/Discrepancy Found, Applicable Period/Due Date, Amount of Proposed Deficiency Tax and Remarks;

5. Return (with separate transmittal sheet mentioned in the immediately preceding number) to the concerned originating division the invalid RPS assessments and Preliminary Verification Report of Discrepancy/Findings;
6. Receive from ACIR-LTS the approved and signed RPS assessment notices and final assessment notices/formal letters of demand, together with the necessary attachments, and transmit (with separate transmittal sheet mentioned in the immediately preceding number) to the General Services Division (GSD) for mailing;

Thereafter, it shall furnish LTDPQAD, LTAD I, LTAD II, LTFOD, LTPD, LTCED and ACIR-LTS photocopies of the transmittal sheet for reference and record purposes of said offices;

7. Attend to large taxpayers' response to issued assessment notices; and
8. Transmit to the LTCED the dockets of large taxpayers in case it fails to pay or respond within the period indicated in the aforementioned notices to include the assessments in the Form 40 and for appropriate action.

G. LARGE TAXPAYER DISTRICT OFFICES (LTDOs)

The LTDOs shall perform the following tasks in relation to the foregoing:

1. Receive email of Summary Report of RPS Assessment from ISOS-DC for quality check, verification, validation and application of other audit-related procedures;
2. In processing and issuing RPS/manual assessment notices, perform tasks similar to those identified for the concerned divisions/offices mentioned under this Section as they may be applicable to the division, in order to carry out the provisions of this Order;
3. Summary List of approved, signed and mailed assessment notices (RPS/manual) shall be furnished to LTCED and ACIR-LTS; and

The column headings of the Summary List shall be similar to the Transmittal Sheet mentioned in subsection F(4) above.

H. ASSISTANT COMMISSIONER – LARGE TAXPAYER SERVICE

The ACIR-LTS shall:

1. Receive from LTAID I and LTAID II the verified and valid RPS and manually prepared final assessment notices/letters of demand, together with the necessary attachments;
2. Forward the proposed assessments (RPS/manual) to the Audit Review Unit (ARU) for final review and recommendation;
3. Receive from the ARU the valid assessment notices (RPS/manual) for approval and signature and forward them to LTAID I and LTAID II for mailing by the GSD;
4. Return to concerned divisions the dockets of assessment notices (RPS/manual) received from the ARU for additional documentation and/or explanation/justification, if necessary;
5. Monitor status of large taxpayers' compliance/response to the issued assessment notices;
6. Receive from LTDOs the Summary List of approved, signed and mailed assessment notices (RPS/manual);
7. Prepare a list of possible violations of the provisions of the Tax Code or non-compliance of administrative requirement/s or discrepancy/ies that may be found after verification/evaluation of the information/data from the submitted requirement/s or document/s which will result in deficiency tax/es for purposes of the preparation of pertinent issuance, i.e., LTS MEMO, which will serve as a supplement hereof and as a guide to concerned LTS and non-LTS revenue officials/personnel; and

8. Coordinate with ISOS-DC and other concerned divisions/offices to discuss issues and other concerns relative to the implementation of this Order.

I. AUDIT REVIEW UNIT (ARU)

The ARU shall:

1. Receive from ACIR-LTS the proposed assessments (RPS/manual), together with the necessary attachments, for final review and recommendation; and
2. Transmit dockets of proposed assessments (RPS/manual) either for approval and signature by the ACIR-LTS or with the recommendation to return them to the concerned divisions for additional documentation and/or explanation/justification, if necessary.

J. GENERAL SERVICES DIVISION (GSD)

The GSD shall:

1. Receive and mail approved and signed assessment notices (RPS/manual) transmitted by LTAID I and LTAID II within one (1) day from receipt thereof.

V. REPEALING PROVISION

All existing revenue issuances (including RDAOs) and memoranda issued for this purpose or portion(s) thereof inconsistent herewith are hereby revoked and/or amended accordingly.

VI. EFFECTIVITY

This Order takes effect immediately.

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue