

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

August 13, 2007

REVENUE MEMORANDUM ORDER NO. 20-2007

SUBJECT : Simplified Processing of Application to Avail Taxpayer's Remedies Under Section 204(A), Compromise Settlement, and Section 204(B), Abatement, Both of the National Internal Revenue Code of 1997.

TO : All Internal Revenue Officers, Employees and Others Concerned.

I. Background

The National Internal Revenue Code of 1997 (Code) particularly, Sections 204(A) and (B), in relation to Section 7, empowers the Commissioner of Internal Revenue (CIR) to compromise or abate internal revenue tax liabilities as a sort of taxpayer's remedy. These provisions have been implemented by several Revenue Regulations (RR), particularly RR Nos. 6-2000, 7-2001 and 30-2002, for compromise settlement, and RR No. 13-2001, for abatement. These RRs provided for the guidelines and procedures in the processing of the application for compromise settlement and abatement, including the offices which are tasked to process and approve the applications.

Based on the aforesaid RRs, receiving, processing and evaluation of the application, including the initial recommendation for the approval/disapproval thereof, were lodged in the Revenue Regional Offices thru the Revenue District Offices, for regional office cases and to the ACIR/HREA of the Large Taxpayers Service thru its investigating Offices being the offices which have jurisdiction over the taxpayers. Technical Working Groups (TWG) were created, both in the National Office and the Regional Offices, to review applications and make the final recommendation to the approving authority, after the said application has been processed, analyzed and recommended for approval/disapproval. However, it has come to the attention of the National Office that applications for abatement and/or compromise settlement have been forwarded by the investigating offices to the TWGs without any evaluation and recommendation as to whether the application can be approved or not and leave the initial analysis of the case to the latter which is supposed to be the reviewing office.

Inasmuch as the responsibilities/functions of the concerned offices were already spelled-out in the existing issuances, this Order is thus issued to mandate the concerned offices to be mindful of their responsibilities with regards to the processing of application for compromise settlement and abatement cases for a simplified processing of application for availing taxpayer's remedies.

II. Policies

(a) Abatement

Under existing rules, the BIR processes applications for the abatement of only the surcharges, interests and compromise penalties. Any application for the abatement of the basic tax assessed or any portion thereof, if any, are not covered by any existing regulations and therefore shall not be processed.

The RDO/investigating offices of the LTS having jurisdiction over the taxpayer-applicant shall, upon receipt of the application for abatement together with the required supporting documents, process the application, make the necessary evaluation and prepare a report containing its recommendation to the duly constituted Technical Working Committee (TWC). The report shall likewise state the basis of the recommendation as provided under Section 204(B) of the Code and RR No. 13-2001.

The TWC shall review the report and recommendation of the investigating offices and thereafter prepare the final recommendation for the approval of the Commissioner.

In all instances, no application for abatement shall be initially processed/evaluated by the investigating office without the payment of 100% of the basic tax.

(b) Compromise Settlement

Pursuant to Section 204(A), in relation to Section 7, of the Code, as implemented by RR Nos. 6-2000, 7-2001 and 30-2002, recommendation/final report on the application for compromise shall be signed/approved as herein stated:

1) Concerned Regional Evaluation Board (REB)

- Regional office cases involving basic tax assessment amounting to Five hundred thousand pesos (P500,0000) or less, and minor criminal violations discovered by regional and district officials which were already delegated to the REB.

2) CIR

- Other cases which were not delegated
- Cases which, by law, have been entrusted to the CIR

3) National Evaluation Board (NEB)

- Cases where the basic tax exceeds One million pesos (P1,000,000) or where the settlement offered is less than the prescribed minimum amount (10% for cases of financial incapacity; 40% for cases of doubtful validity of the assessment) which, by law, have been entrusted to the NEB

Prior to its approval/disapproval, application for compromise settlement shall likewise be processed, evaluated and recommended by the investigating offices having jurisdiction over the taxpayer-applicant. Processing and evaluation of regional office cases shall be undertaken by the respective district offices while LTS cases shall be processed and evaluated by the LTS investigating offices before submitting the recommendation thereon to the respective TWGs. The concerned TWG shall review the submitted report and recommendation and prepare its final recommendation for the approval of the CIR/REB/NEB.

In all instances, application for compromise settlement shall not be forwarded to the TWGs without being processed, evaluated and provided with recommendation by the originating office.

The concerned RDO/head of the LTS investigating office is hereby directed to require all applicants to pay the basic tax assessed, for abatement cases, and the offers of compromise, for compromise settlement, upon filing of the application for abatement/compromise settlement before the application can be initially processed. In case of ultimate disapproval of the application by the approving authority, payments already made pursuant to these applications shall be treated as partial or installment payments of the assessments.

III. Effectivity

This Order takes effect immediately.

(Original Signed)

LILIAN B. HEFTI

OIC-Commissioner of Internal Revenue