

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

August 7, 2017

REVENUE MEMORANDUM ORDER NO. 19-2017

SUBJECT: **UPDATED GUIDELINES AND PROCEDURES ON THE DISPOSAL OF UNSERVICEABLE PROPERTIES**

TO: **All Internal Revenue Officials, Employees and Others Concerned**

A. OBJECTIVES

1. To prescribe uniform procedures on disposal of unserviceable properties and provide in one revenue issuance pertinent policies, principles, rules and regulations governing disposal of BIR properties, including those promulgated by fiscal authorities like the Commission on Audit (COA) and the Department of Budget and Management (DBM).
2. To ensure systematic and timely disposal of property to avoid further deterioration of its value.
3. To generate greater benefits to the government in terms of higher appraisal value for the property, lesser storage cost and better management of limited office space.

B. DEFINITION OF TERMS

1. **Unserviceable property** – refers to government property that is no longer needed or has become useless for any cause, such as, it can no longer be repaired or reconditioned; maintenance cost/cost of repair is more than or outweighs the benefits and services that will be derived from its continued use; obsolete or outmoded because of change of technology or unnecessary due to change in the agency's function or mandate.

2. **Beyond Economic Repair** – when the cost of repair and maintenance becomes prohibitive and disadvantageous to the government considering such factors as:
 - 2.1 Maintenance Expenses
 - 2.2 Downtime
 - 2.3 Replacement cost of spare parts
 - 2.4 Frequency of breakdown
 - 2.5 Alternative modes such as rental of equipment or outright replacement
3. **Economically Repairable** – that which can be rehabilitated and maintained at a cost economical to the BIR, considering the five (5) factors mentioned in item 2.0 above.
4. **Equipment** – any property, other than land, structures and fixed facilities, having useful life greater than a year, the cost of which amounts to ₱15,000.00 or more and which when used does not suffer any material or substantial change or alteration in size or form.
5. **Expendable property** – that which can be consumed, spent, or used-up, such as supplies.
6. **Materials** – are expendable commodities used in the process of manufacture or construction including parts or remnants from destroyed or damaged fixed assets.
7. **Non-expendable property** – that which cannot be consumed, spent, or used-up, such as equipment.
8. **Obsolete property** – that which has lost its efficiency either due to technological advancement, change of procedures, reorganization of office or completion of project.
9. **Scrap/junk** – fragments of discarded materials that have no value except for its basic material contents and which cannot be reprocessed and reused on the operations of other government agencies.
10. **Supplies** – are expendable commodities which are normally consumed within a year in connection with government operations.

C. POLICIES, PROCEDURES AND GENERAL GUIDELINES

1. There shall be established Disposal Committees in the National Office and the Regional Offices with the following officials as members:

National Disposal Committee:

Chairman	-	Head Revenue Executive Assistant, Administrative Service
Members	-	Chief, Property Division (PropD) Chief, General Services Division (GSD) Chief, Automotive & Equipment Maintenance Section, PropD

Regional Disposal Committee

Chairman	-	Assistant Regional Director
Members	-	Chief, Administrative and Human Resource Management Division (AHRMD) Chief, Property and Supplies Section, AHRMD

2. The Secretariat shall be created by the committee consisting of personnel from the PropD and/or the GSD or the AHRMD of the Regional Office, as the case may be, to handle all the Committees' technical and administrative matters, including the safekeeping and filing of committee documents and records.
3. The Disposal Committees shall have the following functions:
 - 3.1 Inspect the unserviceable equipment and property to verify justification for disposal;
 - 3.2 Conduct an appraisal of unserviceable property in accordance with the guidelines stated under Appendix A hereof;
 - 3.3 Set the final appraised value of all disposable property;
 - 3.4 Recommend to the Assistant Commissioner, Administrative Service, (ACIR-AS)/Regional Director for approval, the manner of disposal;

- 3.5 Where public bidding has been selected as the mode of disposal,
 - 3.5.1 Conduct public bidding for the sale of disposable property
 - 3.5.2 Recommend to the ACIR-AS/Regional Director, award to the highest bidder
- 3.6 Where transfer of property to another government agency without cost has been selected as the mode of disposal,
 - 3.6.1 Post in the BIR website the list of properties to be disposed.
 - 3.6.2 The following rules shall be observed in the selection of government agency – donee:
 - 3.6.2.1 When there is more than one government agency expressing or requesting the same Surplus/Disposable Property; the order of priority shall be as follows:
 - a.) Government agencies that have been adversely affected by calamities, natural or otherwise.
 - b.) DepEd;
 - c.) DSWD;
 - d.) DND; and
 - e.) Other Government Agencies
 - 3.6.2.2 Priority shall be given to requests for particular property/asset by government agencies which has never been previously provided by BIR with the same disposable/surplus property/asset; and
 - 3.6.2.3 The recipient shall be determined on a “first-come, first-serve” basis
 - 3.6.3 Recommend to the ACIR-AS/Regional Director, award of the property to the qualified donee.
 - 3.7 Award the property to the highest bidder/qualified donee as approved by the ACIR-AS/Regional Director.

4. The Accountable officials and employees/Chief, PropD, and the Chief, AHRMD, Regional Office, as the case may be, in possession of unserviceable property shall submit to the Disposal Committee concerned the Inventory and Inspection Report of Unserviceable Property (IIRUP), as appropriate, to evidence the surrendered property.
5. Property shall be considered disposable if any or all of the following conditions are met:
 - 5.1 Property which can no longer be repaired or reconditioned;
 - 5.2 Property whose maintenance cost/costs of repair more than outweighs the benefits and services that will be derived from its continued use;
 - 5.3 Property that has become obsolete or outmoded because of change in technology;
 - 5.4 Serviceable property that has been rendered unnecessary due to change in the BIR's functions or mandate;
 - 5.5 Unused supplies and materials that have become dangerous to use because the storage or use of which is determined to be hazardous.
6. The members of the Disposal Committee, as a group or individually, shall invariably conduct an inspection of the property to be disposed to obtain first hand observation of the physical and operational condition of the property, their marketability or ability to attract prospective buyers.
7. The Disposal Committee shall compute for the appraised value of the property for the purpose of setting the minimum selling price so that the government will receive fair compensation for the items sold.

The committee shall be guided in the appraisal of unserviceable property, by pertinent rules promulgated by fiscal authorities (Appendix A).

8. The Disposal Committee concerned shall recommend to the ACIR-AS/Regional Director the proper mode of disposal.
9. Property may be disposed in any of the following modes, as appropriate and deemed most advantageous to the government:
 - 9.1 **Public Bidding** – As a general rule, sale or disposal of government property shall be through public bidding. Public bidding may be done through **sealed public bidding** or when circumstances warrant, by *viva voce*.

9.1.1 **Sealed public bidding** is characterized by the submission of sealed bids by prospective buyers, whereby the time, date and place of opening of bids is indicated in the Invitation to Bid, the evaluation of bid tenders by the Disposal Committee, and the awarding to the highest complying bidder.

9.1.2 ***Viva Voce (Living Voice)***

Disposable property of insignificant value or such nature that requires immediate disposal shall be sold through public auction by *viva voce* whereby, bids are orally offered during the public auction. Other situations for *viva voce* are those involving the disposal of waste materials and/or spare parts of insignificant value.

9.2 **Sale thru negotiation**

Negotiated sale is resorted to as a consequence of failure of public bidding for two (2) consecutive times. There is failure of public auction in any of the following instances:

- If there is only one offeror. In this case, the bid, if sealed shall not be opened.
- If all the tenders are non-complying or unacceptable. A tender is non-complying or unacceptable when it does not comply with the legal, technical or financial requirements for pre-qualification.

9.3 **Transfer to other government agencies**

Where the property or assets involved are no longer serviceable or needed by the Bureau, they may be transferred to other government entities/agencies without cost or at an appraised value upon authority of the ACIR-AS/Regional Director and the head of the receiving agency, and upon due accomplishment of a Property Transfer Report (PTR).

9.4 **Condemnation or Destruction**

This mode shall be resorted to only when the unserviceable property has no commercial value, is beyond economic repair; there is no willing receiver; and/or the appraised value is less than the administrative cost of sale. Valueless, unsalable or hazardous property can be condemned or destroyed by burning, pounding, breaking, shredding, throwing or any other method by which the property is disposed beyond economic recovery.

9.5 **Barter** – This is a modified form of transfer of property wherein an agency transfers property to another government agency in exchange for another piece of property. The value of the property being transferred may or may not be equivalent to that being received.

In effecting barter of property, the PTR shall be prepared by each party and transmitted together with the property to the other party.

9.6 Donation of property

Property recommended for disposal may be donated to charitable, scientific, educational or cultural associations on exceptional and meritorious cases with the approval of the COA and the DBM.

10. The auditor concerned or his representative shall be invited at all times to witness the proceedings of the opening of the bids and actual disposal of the property.

D. REPORTS

1. **Inventory and Inspection Report of Unserviceable Property (IIRUP)** - this form (*Appendix 74*) shall be used as basis to record dropping from the books the unserviceable properties carried in the Property, Plant and Equipment accounts. (GAM Vol. II)
2. **Waste Materials Report (WMR)** - this form (*Appendix 65*) shall be used to report all waste materials previously taken up in the books of accounts as assets so that they may be properly disposed of and derecognized from the books. (GAM Vol. II)
3. **Property Transfer Report (PTR)** – this form (*Appendix 76*) shall be used when there are transfers of property from one Accountable Officer/Agency/Fund Cluster to another Accountable Officer/Agency/Fund Cluster. (GAM Vol. II)

E. RESPONSIBILITIES

1. Accountable Officer/Employee

Returns unserviceable property thru his office head, with letter of request and IIRUP or WMR as the case may be, to the Chief, PropD, and the Chief, AHRMD, for Regional Offices.

2. Chief, Property Division/Chief, Administrative and Human Resource Management Division

- 2.1 Records items received and determines condition of equipment;
- 2.2 Prepares and issues receipt for returned items;
- 2.3 Transfers accountability of returned items to Chief, PropD/Chief, AHRMD, Regional Office;

- 2.4 Stores surrendered unserviceable items;
- 2.5 Conducts physical count of returned items, classifies and segregates each item by condition of equipment;
- 2.6 Updates accountability of the Chief, PropD/Chief, AHRMD upon disposal of property;
- 2.7 Forwards copies of all documents related to disposal of property to Chief, Accounting Division/Chief, Finance Division;
- 2.8 Performs the following, in case disposal is thru public bidding:
 - 2.8.1 Prepares Invitation to Bid and forwards invitation with supporting documents to the ACIR-AS or Regional Director concerned, for approval;
 - 2.8.2 Publicizes invitation in a newspaper of general circulation or resorts to substitute publication;
 - 2.8.3 Serves notice of award to winning bidder;
 - 2.8.4 Issues gate pass and releases disposed items to winning bidder, once the office received a copy of Official Receipt evidencing payment for the said items;
 - 2.8.5 Forwards copies of documents on public bidding to Chief, Accounting Division/Chief, Finance Division.
- 2.9 Performs the following, in case disposal is thru transfer to another government agency:
 - 2.9.1 Forwards letter-offer signed by the ACIR-AS/Regional Director, to other government agencies;
 - 2.9.2 Forwards letter of approval signed by the ACIR-AS/Regional Director, to recipient of disposable items;
 - 2.9.3 Prepares items to be transferred;
 - 2.9.4 Prepares PTR and gate pass; and
 - 2.9.5 Prepares and sends letters to COA relative to approved transfer.

2.10 Performs the following, in case disposal is by outright condemnation:

- 2.10.1 Forwards the recommendation for condemnation of unserviceable properties to the ACIR-AS/Regional Director for approval;
- 2.10.2 Prepares gate pass for release of items for condemnation;
- 2.10.3 Releases items for condemnation; and
- 2.10.4 Brings items to be disposed to the place of condemnation.

2.11 Performs the following, in case disposal is thru barter:

- 2.11.1 Inspects property to be disposed by another government agency
- 2.11.2 Prepares:
 - a.) Items to be exchanged
 - b.) PTR and gate pass
- 2.11.3 Forwards:
 - a.) Letter proposal signed by the ACIR-AS/ Regional Director, to another government agency
 - b.) Letter of approval signed by the ACIR-AS/Regional Director, to government agency
 - c.) Letter signed by the ACIR-AS/Regional Director, to COA on exchange of property
- 2.11.4 Picks up item to be exchanged from government agency
- 2.11.5 Signs PTR prepared by the government agency.

2.12 Performs the following, in case disposal is thru donation of property:

- 2.12.1 Forwards requests signed by the ACIR-AS/Regional Director, to COA and DBM for approval of the proposal to donate property.

- 2.12.2 Forwards letter-offer signed by the ACIR-AS/ Regional Director, to prospective donee (charitable, scientific, educational or cultural association).
- 2.12.3 Forwards letter of approval signed by the ACIR-AS/ Regional Director, to recipient of item.
- 2.12.4 Prepares item to be donated.
- 2.12.5 Prepares PTR, Deed of Donation and gate pass.

2.13 Performs the following, in case disposal is thru negotiated sale:

Notifies prospective buyers in negotiated sale.

- a.) Notice shall be e-mailed to Procurement Division for posting to website.
- b.) Soft copy of Notice will be provided to General Services Division so that it can be shown on the TV monitor at the BIR Ground Floor.

3. Chief, General Services Division/Chief, Administrative and Human Resource Management Division

3.1 Accepts payment and issues Official Receipt to the winning bidder.

4. Chief, Accounting Division/Chief, Finance Division

4.1 Prepares Journal Entry Voucher (JEV) for dropping of disposed assets from books of accounts, using as basis the pertinent portions of IIRUP, WMR or PTR, whichever is applicable, and other documents, and

4.2 Submits JEV and supporting documents to COA for post audit.

5. Disposal Committee

5.1 Conducts inspection of property.

- 5.1.1 Verify stated serial number, motor number, property number and other specifications needed for establishing correct identification of the property.

5.1.2 Determine the physical condition/general appearance of the property relative to:

- a.) the equipment being operational, economically repairable or beyond economic repair
- b) the availability of spare parts and the general obsolescence of the equipment, and
- c) the quality, degree and extent of maintenance and repair done on the equipment.

5.1.3 In cases where the equipment is declared to be junk, determine the total estimated weight per lot to form as basis of the appraised value. The cost per unit of the property/supplies inspected will depend on the kind of material appraised.

5.2 Computes for the appraised value of the property considering obsolescence, market demand, physical condition and result of previous biddings to similar property. Pertinent COA rules and regulations as embodied in Appendix A shall be used for this purpose.

5.3 Determines mode of disposal of unserviceable property.

5.4 Prepares and sends letters of recommendation to ACIR-AS/Regional Director on mode of disposal, together with the minutes of meeting.

5.5 Performs the following, in case disposal is thru public bidding:

5.5.1 Conducts opening of sealed bids;

5.5.2 Evaluates bids and determine the highest complying bidder;

5.5.3 Prepares and forwards recommendation, notice of award and supporting documents to ACIR-AS/Regional Director

5.5.4 Fixes the period for the winning bidder to claim the award but not more than 30 days after the awarding.

5.6 Performs the following, in case disposal is thru transfer to another government agency:

5.6.1 Receives letter-request from interested government agency.

5.6.2 Conducts selection of government agency – donee in accordance with Item C.3.6.2 hereof.

5.6.3 Prepares recommendation for the selected government agency – donee to be approved by the ACIR-AS/Regional Director.

5.7 Performs the following, in case disposal is thru barter:

5.7.1 Determines if the properties to be exchanged have equivalent value

5.7.2 Conducts selection of property to be accepted in exchange for the BIR property, and

5.7.3 Prepares and forwards letter of recommendation for the selected property to ACIR-AS/Regional Director for approval.

5.8 Performs the following, in case disposal is thru negotiated sale:

5.8.1 Prepares and forwards letter of recommendation, minutes of meeting, mode of disposal with supporting documents to ACIR-AS/Regional Director.

5.8.2 Fixes the floor price of disposable items.

5.8.3 Negotiates with bidders of the first and/or second failed bidding and other prospective bidders. (Note: The price to be agreed upon by the Disposal Committee shall not be lower than the floor price or the highest offer submitted at the failed public bidding whichever is higher.)

5.8.4 Identifies the highest complying bidder.

5.8.5 Prepares and forwards recommendation, notice of award and supporting documents to ACIR-AS/Regional Director

5.9 Performs the following, in case disposal is thru outright condemnation:

5.9.1 Retrieves and sends documents on mode of disposal to ACIR-AS/Regional Director.

5.9.2 Schedules the date and time of outright condemnation and informs Commission on Audit about the disposal, and

- 5.9.3 Supervises the condemnation of property and prepares and sends report thereon with supporting documents to Chief, PropD/ Chief, AHRMD.
- 5.10 Retrieves and sends documents on mode of disposal to ACIR-AS/ Regional Director for review and approval, if disposal is thru transfer to another government office.
- 5.11 Receives letter of intent of government agency and donee institution, in cases of disposal thru barter and donation of property, respectively.

6. Assistant Commissioner, Administrative Service/Regional Director

- 6.1 Reviews, approves /disapproves letter of recommendation of Disposal Committee on mode of disposal and sends letter with supporting documents to the Chief, PropD, or the Chief, AHRMD, as the case may be.
- 6.2 Approves Invitation to Bid and returns documents to the Chief, PropD, or the Chief, AHRMD, Regional Office, if disposal is thru public bidding, and
- 6.3 Approves/disapproves notice of award to the highest qualified bidder, and sends documents to the Chief, PropD, or the Chief, AHRMD, Regional Office, if disposal is thru public bidding.
- 6.4 Approves/disapproves recommendation of Disposal Committee as to which government agency - donee will be selected.
- 6.5 Approves/disapproves notice of award to the selected government agency – donee and sends documents to the Chief, PropD, or the Chief, AHRMD, Regional Office, if disposal is thru transfer to another government agency without cost.
- 6.6 Approves/disapproves recommendation of Disposal Committee as to which property will be accepted in exchange for the BIR property, if disposal is thru barter.

F. FUNCTIONAL FLOWCHART

The attached functional flowchart (Appendix B) detailing the procedures in the disposal of unserviceable property should be followed and properly implemented.

G. REPEALING CLAUSE

All revenue memorandum orders and circulars inconsistent herewith are hereby amended/modified accordingly.

H. EFFECTIVITY

This Order shall take effect immediately.

(Original Signed)
CAESAR R. DULAY
Commissioner of Internal Revenue

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