

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

Quezon City

August 8, 2007

**REVENUE MEMORANDUM ORDER NO. 19-2007**

**Subject:** The Consolidated Revised Schedule of Compromise Penalties for Violations of the National Internal Revenue Code

**To :** All Internal Revenue Officers and Others Concerned

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**I. Objectives:**

This Order is issued:

- A. To update and align the Schedule of Compromise Penalties with that of the penalties provided for in the National Internal Revenue Code of 1997 (NIRC) and to delete from the coverage thereof certain acts commonly resorted to by taxpayers as means of tax evasion;
- B. To reflect the changes in the Schedule which include the Code Section, Nature of Violation, Criminal Penalty Imposed under the NIRC and Amount of Compromise Penalty;
- C. To adopt and implement a uniform application of the various compromise penalties for criminal violations of the NIRC; and
- D. To provide supplemental guidelines on compromise penalties for resident taxpayers and non-residents as well.

**II. Policies:**

In order to attain these objectives, the following are hereby prescribed for the information and strict compliance by all concerned:

- 1. In all cases of criminal violations of the NIRC, not involving the commission of fraudulent act, it is directed that henceforth, compromise penalties to be imposed shall follow strictly the amounts in the attached "Revised Schedule of Compromise Penalties", marked as Annex "A" and made an integral part hereof.

2. Certain acts/violations which are commonly resorted to by taxpayers as means of tax evasion are deleted from the coverage thereof for having met the requirements of the definition of fraudulent acts.

### **III. Guidelines and Instructions:**

1. The internal revenue officers concerned shall apply the Revised Schedule of Compromise Penalties embodied in Annex "A" to ensure uniformity of action.
2. Cases involving fraud shall be referred to the concerned Division having jurisdiction over the case, for the institution of the corresponding criminal action.
3. In no case shall the compromise penalty differ in amount from those specified in the aforementioned Schedule, except when duly approved by the Commissioner or concerned Deputy Commissioner, or in proper cases, by the Regional Directors.
4. Although all amounts of compromise penalties incident to violations shall be itemized in the assessment notice and/or demand letter, the same should not form part of assessment notice that reflects deficiency basic tax, surcharge and interest but should appear in a separate assessment notice/demand letter as the amount suggested to the taxpayer to pay in lieu of criminal prosecution. If paid, the compromise penalties shall be collected and accounted for under the usual procedures, as internal revenue collection.
5. Since compromise penalties are only amounts suggested in settlement of criminal liability, and may not therefore be imposed or exacted on the taxpayer, the violation shall be referred to the appropriate office for criminal action in the event that a taxpayer refuses to pay the suggested compromise penalty
6. The schedule of compromise penalties herein prescribed shall not prevent the Commissioner or his duly authorized representative from accepting a compromise amount higher than what is provided hereof. A compromise offer lower than the prescribed amount may be accepted after approval by the Commissioner of Internal Revenue or the concerned Deputy Commissioner/ Assistant Commissioner/ Regional Director.
7. In cases where Apprehension Slips were issued, all offers of compromise shall be made by accomplishing the form as shown in Annex "B".

**IV. Repealing Clause:**

All other orders which are inconsistent herewith are hereby repealed or revoked accordingly.

**V. Effectivity:**

This Order shall take effect immediately.

(Original Signed)

**LILIAN B. HEFTI**

OIC-Commissioner of Internal Revenue