



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

July 10, 2009

REVENUE MEMORANDUM ORDER NO. 27 - 2009

TO : All Internal Revenue Officials and Others Concerned

SUBJECT : Re-classification of Revenue District Offices

I. OBJECTIVE

This Order is issued to update the classification of Revenue District Offices (RDOs) to serve as reference in their Key Performance Indicators (KPI) for compliance in the performance contracts.

II. DATA USED AND METHODOLOGY

1. It was predetermined that there shall be four (4) classes of RDOs under the revised classification as agreed by MANCOM and implementing offices: A, B, C, D
2. The class indicator (CI) of each RDO was computed based on the following:
 - a. 2007 RDO Goal Allocation;
 - b. Average ratio of RDO collection to total BIR collection from 2004 – 2007;
 - c. Weighted number of annual income tax returns filed in 2007 by RDO:
BIR Form 1701-30%, BIR Form 1702-70%;
 - d. Weighted number of registered taxpayers as of December, 2007 by RDO:
Professionals & Single Proprietors (PSP) - 30%, Corporations (CORP) - 70%.
3. The working formula is as follows:

$$CI = 35 \% (A) + 35\% (B) + 15\% (C) + 15\% (D)$$

where :

$$A = \text{RDO Goal Share} = \frac{\text{RDO Goal}_{07}}{\text{BIR Goal}_{07}} \times 100\%$$

B = Average Ratio of Collection by RDO

$$B = \frac{\frac{\text{RDO coll}_{04}}{\text{Total BIR coll}_{04}} + \frac{\text{RDO coll}_{05}}{\text{Total BIR coll}_{05}} + \frac{\text{RDO coll}_{06}}{\text{Total BIR coll}_{06}} + \frac{\text{RDO coll}_{07}}{\text{Total BIR coll}_{07}}}{4} \times 100\%$$

$$C = \frac{\text{RDO (30\% of 1701 returns + 70\% of 1702 returns)}}{\text{BIR (30\% of 1701 returns + 70\% of 1702 returns)}} \times 100\%$$

$$D = \frac{\text{RDO (30\% of PSP + 70\% of CORP)}}{\text{BIR (30\% of PSP + 70\% of CORP)}} \times 100\%$$

4. Quartile values were derived from the distribution of the different CIs to divide the RDOs into four (4) classes. These values, denoted by Q_1 , Q_2 , and Q_3 , are such that 25% of the CI distributions fall below Q_1 , 50% fall below Q_2 , and 75% fall below Q_3 . From the distribution of CIs of RDOs, the following quartile values are:

$$Q_1 = 0.20 \quad Q_2 = 0.45 \quad Q_3 = 0.87$$

5. The derived values for Q_1 , Q_2 and Q_3 were used as the class limits of the four groups of RDOs. The following table shows the distribution of RDOs by class:

DISTRIBUTION OF REVENUE DISTRICTS BY CLASS

Class	Class Limits	No. of RDOs
A	0.87 and above	21
B	0.45 – 0.86	27
C	0.20 – 0.44	36
D	0.19 and below	44
	T O T A L	128

The list of RDOs under the reclassification scheme is shown in Annex A.

III. UPDATING OF REVENUE DISTRICT OFFICE CLASSIFICATION

RDO classification shall be updated every two (2) years.

IV. REPEALING CLAUSE

This order repeals all existing regulations that are inconsistent herewith.

V. EFFECTIVITY

This Order takes effect immediately.

(Original Signed)
SIXTO S. ESQUIVIAS IV
Commissioner of Internal Revenue