



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**

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**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 :

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

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**

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

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**