

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

April 28, 2009

REVENUE MEMORANDUM ORDER NO. 13-2009

SUBJECT: Prescribing an Office Audit Program in the Assessment Division of Revenue Regional Offices

TO : All Regional Directors, Revenue District Officers, Chiefs of the Assessment Divisions of Regional Offices, Other Revenue Officers and Others Concerned

I. BACKGROUND

The Annual Audit Program for Revenue District Offices (RDOs) is issued to enhance voluntary compliance of taxpayers through quality audit of tax returns based on audit selection criteria designed to uncover taxpayers who have not been compliant or those with low compliance in the payment of their tax liabilities. However, this program is not enough to maximize enforcement activities due to our limited manpower resources in the district offices and due to the multi-tasking assignments of Revenue Officers-Assessment (RO-Ass). Hence, it has been observed that the low compliance and perceived errors, as well as other violations, of taxpayers falling under the small and medium business categories, have not been addressed and corrected. Moreover, there is a need to determine initially the tax gap in absolute amount from these sectors.

II. OBJECTIVES

1. To improve the voluntary compliance of individual and corporate taxpayers belonging to the small and medium categories;
2. To generate additional revenues from the office audit of the aforementioned taxpayers;
3. To identify particular industries and taxpayers groups with substantial violations and tax evasion schemes leading to understatement of tax liabilities; and
4. To utilize data from office audit for possible taxpayer profiling and benchmarking activities.

III. COVERAGE

The Office Audit Program shall cover the audit/investigation of the following tax returns:

1. 2007 tax returns not selected for issuance of Letter of Authority (LA) or Tax Verification Notice (TVN) under RMO No. 20-2008, as amended by RMO No. 21-2008; and

2. Tax returns for taxable year 2008 not covered by the 2009 Annual Audit Program for RDOs to be prescribed in a separate revenue issuance.

Exclusions:

1. Aside from the tax returns selected by the Revenue District Officers under the Annual Audit Program, taxpayers covered by the Taxpayer Account Management Program (TAMP) of the RDOs shall not be referred to the Assessment Division for Office Audit.
2. Taxpayers whose principal place of business are located in the island districts under the jurisdiction of the Regional Office.

IV. AUDIT POLICIES AND GUIDELINES

1. Upon the approval of this Order, the concerned Revenue District Officers shall immediately transmit all 2007 tax returns not selected for issuance of LAs/TVNs to the Office of Regional Director
2. The Regional Director, in consultation with the Chief, Assessment Division and concerned Revenue District Officers shall select taxpayers for office audit and direct the Chief of the Assessment Division to prepare the List of Taxpayers Selected for Office Audit prescribed under Annex "A" hereof and the corresponding LAs.
3. Office audit shall be conducted without field investigation and only within the premises of the Assessment Division by RO-Ass of the said office.
4. The Regional Director shall see to it that taxpayers included in the list are not covered by the 2008 Audit Program of the RDOs and eventually, the 2009 Audit Program.
5. A copy of the list shall be furnished to the Deputy Commissioner-Operations Group (DCIR-OG) and Assistant Commissioner, Assessment Service (ACIR, AS) within three (3) days from issuance of the LAs.
6. All office audit cases shall be covered by Office Audit - Letters of Authority (OA-LAs) to distinguish them from the LAs for RDO.
7. One OA-LA shall be issued for each taxable year under audit. Only OA-LAs with attached official duplicate copies of tax returns shall be signed by the Regional Director.
8. The policy on the simultaneous investigation of all tax liabilities of the taxpayer shall be observed. One OA-LA shall be issued for each taxable year to include all internal revenue tax liabilities of the taxpayer.

9. The workload of each RO shall not exceed thirty (30) cases at any one time, subject to replenishment after the submission of the report of investigation/closure of each case.
10. In case the taxpayer fails to respond to the OA-LA, or if the same is “returned to sender” by the Post Office, the RO shall immediately prepare a written report thereon to the Chief, Assessment Division. The concerned Chief, Assessment Division shall forward the said report to the Special Investigation Division in the Regional Office for appropriate action.
11. In auditing the tax returns and records of the taxpayers, the RO shall perform applicable audit procedures and techniques under RAMO No. 1-2000, except the procedures for a field investigation. The RO shall comply with the reporting requirements prescribed under Annex “B” of this Order.
12. In case there is a Letter Notice (LN) or LN which may be subsequently issued, the policies and procedures per existing revenue issuances regarding LNs shall be followed.
13. The report of investigation shall be submitted to the Review and Evaluation Section in the Assessment Division within sixty (60) days from the issuance of the OA-LA for review. In case the report cannot be rendered within the said period due to constraints attributable to the taxpayer, the RO shall request for revalidation of the OA-LA by preparing a progress report to be approved by the Chief, Assessment Division. In all cases, however, only one revalidation of LA shall be allowed. The Chief, Assessment Division shall transmit the docket to the Regional Director for revalidation of the OA-LA. The previously issued OA-LA shall be stamped “Revalidated on _____” and shall be signed by the Regional Director.
14. Reports of investigation on closed and terminated cases wherein the deficiency taxes per investigation were paid at the Assessment Division level shall be submitted to the Regional Director for final review and approval within ten (10) days from the date of taxpayer’s payment of such deficiency tax assessment. Reports of investigation on cases for assessment shall be submitted to the Regional Director at least six (6) months before the prescription date of the cases.
15. All actions on notification of findings, issuance of assessment notice and protest on assessment notice shall be in accordance with the provisions of Revenue Regulations No. 12-99.
16. The DCIR-OG may direct the Assessment Service to conduct a selective review of cases handled under this program.

V. REPORTING REQUIREMENTS:

The Regional Director shall submit to the Assessment Service a Monthly List of Office Audit-Letters of Authority Issued (Annex C) on or before the 10th day of the following month.

The Chief of the Assessment Division shall submit the following reports to the Assessment Service for monitoring and evaluation, copy furnished the Regional Director not later than the 10th day of the following month.

1. Monthly Status of Office Audit-Letters of Authority Issued and Acted Upon (Annex D); and
2. Monthly Report on Assessments and Collections on Office Audit Cases (Annex E)

VI. REPEALING CLAUSE

All other issuances inconsistent herewith are hereby modified or repealed accordingly.

VII. EFFECTIVITY

This Order shall take effect immediately upon approval.

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