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

August 07, 2017

REVENUE MEMORANDUM ORDER NO. 18-2017

SUBJECT : **Prescribing the Policies, Guidelines and Procedures for Tagging/Classifying Inactive Business Taxpayers**

TO : All Internal Revenue Officers and Other Concerned

I. OBJECTIVES:

This Order is issued to:

1. Define and set criteria in tagging/classifying taxpayers as "Inactive";

2. Provide policies, guidelines and procedures in handling inactive business taxpayers;

3. Include "Inactive" status in the Integrated Tax System (ITS) under the list of values of taxpayer status;

4. Clean-up Taxpayer Registration Database to minimize the significant increase of stop filer cases and prevent additional creation of invalid stop filer cases.

II. DEFINITION OF TERMS:

1. Inactive Taxpayers shall have an "Inactive" status and shall be defined as:

1.1 A registered business taxpayers (individuals and non-individuals) who were identified to have failed to file all of the required internal revenue tax returns for all tax types that they are registered (i.e. Withholding Tax, VAT, Percentage, Income tax, Excise Tax, Registration Fee, and/or Documentary Stamp Tax, pursuant to Section 236(C) of the NIRC, as amended and Section 9 of Revenue Regulation No. 7-2012) and pay taxes due thereon for the last two (2) consecutive years from:

1.1.1 the date of the last returns filed;
1.1.2 the date of registration to cover the following scenarios:
   a. with issued TIN and COR only;
   b. with issued TIN via eREG without COR;
   c. with issued TIN without COR;
   d. with issued TIN thru SEC with PSIC "0000" – Unclassified

1.2 A taxpayer that has notified the BIR district office of the temporary cessation of its business operations;

1.3 Cannot be Located (CBL) Taxpayers – are taxpayers which cannot be located or contacted after the conduct of the ocular inspection/verification/ Tax Compliance Verification Drive (TCVD), or taxpayers that cannot be served Letter Notices, Letter of Authorities and Tax Verification Notices due to failure of the concerned Revenue Officers to locate the subject taxpayers after exhausting all possible means to do so.

III. POLICIES AND GUIDELINES:

1. For purposes of tagging/classifying the status of taxpayer, the registration system shall provide the following list of values: (table)

ITS	ETIS
Active	Registered (Active)
Inactive	Registered (Inactive)
Ceased/Dissolved	Deregistered
Cancelled	Deregistered
Transferred	

2. All registered taxpayers engaged in trade or business (individual or non-individual) who falls under the definition of Inactive Taxpayers under this Order shall be classified as Inactive Business Taxpayers.

3. Inactive self-employed individual who is also registered as an employee (Mixed-Income Earner) shall not be tagged as "Inactive". However, any unused Official Receipts/Invoices for which a valid Authority to Print has been previously granted to his business shall be deemed cancelled/invalidated upon end-dating of its registered business tax types and shall be duly surrendered to the concerned Revenue District Office for destruction.

4. The CRM/POS Permits issued, as well as any unused Official Receipts/Invoices for which a valid Authority to Print has been previously granted to all Business Taxpayers tagged as Inactive shall be deemed cancelled/invalidated as of date of tagging.

5. In the case of TIN issued to Estate of a Decedent under ONETT, upon full payment of the estate tax by the heirs, administrator or executor, the issued TIN for the Estate shall be tagged as "Inactive". However, in case of additional properties discovered after payment of the estate tax, the TIN previously issued for such Estate shall be updated to "Active" status in order to facilitate the filing of the amended estate tax return and shall be tagged "Inactive" upon full settlement of the tax liabilities of the Estate. In case the decedent's business is operated by heirs under the "Estate of Decedent", the TIN shall not be cancelled. It shall be treated as a separate individual taxpayer until closed/liquidated by the heirs, in accordance with existing rules and procedures.

6. The National Office Data Center (NODC)/Revenue Data Centers (RDCs) shall generate the following to be forwarded to concerned district offices:

   6.1 Alphalist of Inactive Business Taxpayers (Individual and Non-Individual Business Taxpayers) on or before June 30 of the following year or as required by the concerned Revenue District Office/Large Taxpayer Division;

7. The concerned Revenue District Officers (RDOs)/Chief, Large Taxpayers Divisions (LTDs) shall validate if the tagging as non-filer of tax returns is **not** due to un-encoded/un-uploaded tax returns, and that open cases do not pertain to suspended tax returns.

8. All concerned RDOs/Chief, LTDs shall perform and undertake the following necessary verification and validation strategies prior to finality of the list for tagging as inactive taxpayers as follows:

   8.1 Verify/validate if the said tagging of the non-filer of tax returns is **not** due to un-encoded/un-uploaded tax returns, and that open cases do not pertain to suspended tax returns;

8.2 Include in the TCVD operations to confirm its physical existence/non-existence; and

8.3 Ensure that only qualified registered business taxpayers, who have undergone strict validation process prescribed in this Order shall be recommended for tagging as "Inactive" taxpayers.

9. Business taxpayers under the List of Inactive Taxpayers who were found existing and operational will be given a prescribed reminder letter requiring them to respond within five (5) working days upon receipt of such letter. If no response is received from the taxpayer within the prescribed period, the RDOs/LTDs shall recommend closure of business operation pursuant to Section 115 of the 1997 NIRC, as amended, and file appropriate criminal/civil charges based on existing rules and regulations.

10. Registered individual business taxpayer who has erroneous taxpayer type classification during registration (e.g. Taxpayer who registered thru eRegistration System as Single Proprietor/Professionals, but who is not really engaged in business or practice of profession) must submit a duly notarized affidavit to that effect with their respective RDOs. RDO thru CSS Chief shall conduct thorough validation/verification if taxpayers have not filed and paid any tax returns on the erroneous tax/form type. In cases where a return was filed and/or paid, open cases thereto shall be considered valid and shall be subjected to corresponding penalties. Otherwise, all existing open cases shall be deemed invalid and be subjected for "datafix" by their respective RDCs. Further, RDO thru CSS Chief shall update the registration information and correct the taxpayer type classification.

11. Permanent closure of business shall be effected only upon submission of the necessary documents prior to changing of the status from "Inactive" to "Ceased/Dissolved" and resolution/closure of valid "stop-filer" cases. However, upon filing of closure of business, the RDO thru CSS Chief must effect the end-dating of tax types and form types to prevent creation of invalid "stop-filer" cases and immediate commencement if necessary investigation.

12. Penalties shall be imposed on taxpayers who failed to file/pay tax returns up to the time of filing the application for closure of business. Taxpayer shall then be required to submit duly accomplished BIR Form 1905 and necessary requirements for the closure of the business registration.

13. Business taxpayers that would be tagged as "Inactive" but determined to have business transactions in the future shall be reactivated to have their status reverted back to "Active" and applicable form types and tax types shall be re-opened/registered/encoded. Once reverted to active status, taxpayers shall be required to apply for a new set of invoices/receipts, if applicable.

14. Concerned RDOs/Chief, LTDs shall maintain a List of Inactive and Reactivated Taxpayers.

IV. PROCEDURES:

A. Information Systems Development and Operations Service (ISDOS):

1. Create a script for the generation of the Alphalist of Inactive Business Taxpayers per RDO based on the classification and criteria set forth/identified in Section II of this Order.

2. Create a script for mass datafix for tagging of taxpayers as 'Inactive" (reusable script) or provide the necessary major enhancements on the ITS to facilitate tagging of taxpayer as "Inactive". Reversion to "Active" status shall be done thru datafix.

B. National Office Data Center (NODC)/Revenue Data Centers (RDCs):

1. Generate the Alphalist of Inactive Business Taxpayers per RDO (**Annex "A"**), on or before June 30 of the following year or as required by RDO/LTD concerned office.

2. Forward the lists to the concerned RDOs thru e-mail or in Compact-Disk (CD) not later than every 15th day of August for their further validation, copy furnished the Office of the Regional Director (RD) and the Client Support Service thru the Taxpayers Service Programs and Monitoring Division (TSPMD) at tspmd_tas@bir.gov.ph.

3. Receive reports from the Non-Electronic Tax Information System (eTIS) RDOs on the final list of taxpayers for tagging of "Inactive" taxpayers (**Annex "B"**).

4. Receive reports from the RDOs/LTDs on the list of taxpayers for "datafix" of open "stop filer" cases (**Annex "F"**) for resolution within one (1) week from receipt of such request.

5. Use reusable script for tagging of taxpayers as "Inactive" by logging the issues in BIR Service Desk System.

C. Revenue District Offices (RDOs)/Large Taxpayers Divisions (LTDs):

1. Receive the Alphalist of Inactive Business Taxpayers (**Annex "A"**) from its respective RDCs.

2. Undertake all the necessary verification strategy such as but not limited to inclusion on the Lists of Inactive Business Taxpayers for TCVD, to confirm its physical existence.

3. Validate the Alphalist of Inactive Business Taxpayers from RDCs, if the reason for the non-filing of tax returns is **not** caused by the non-encoding of the tax returns and that open cases do not pertain to suspended tax returns. Proper validation, updating and resolution of any tax returns found to have been filed with the concerned RDO/LTD must first be performed prior to the issuance of a letter notice for the taxpayer.

4. All concerned RDOs/Chief, LTDs in coordination with the Information Systems Group (ISG) through the National Office Data Center (NODC)/RDCs shall ensure that only qualified and listed inactive business taxpayers who have undergone the validation procedures prescribed in this Order shall be recommended for tagging as "Inactive" taxpayers (**Annex "B"**).

5. The CSS Chief/Section Chief of the concerned RDOs/Chief, LTDs shall tag the identified taxpayers as inactive (I) based on Section III (2)(3) and (5) of this Order and shall close all the form types and tax types by end-dating/deregistering the same, upon approval of the List of Taxpayers for Tagging as "Inactive" (**Annex "B"**) of the concerned RDOs/Chief, LTDs. Tagging for taxpayer status "I – Inactive" shall strictly be complied and implemented. For RDOs/LTDs using the eTIS, tagging shall be done using the Taxpayer Registration System (TRS) facility. Non-eTIS RDOs shall forward the List of Taxpayers for Tagging as "Inactive" to their respective RDC.

6. The CSS Chief/Section Chief of the concerned RDOs/Chief, LTDs shall prepare submit the monthly reports on the Alphalist of Inactive Business Taxpayers (**Annex "C"**) and the Alphalist of Reactivated "Inactive" Taxpayers (**Annex "D"**) to the Client Support Service: thru Taxpayer Service Programs & Monitoring Division (TSPMD) at tspmd_tas@bir.gov.phfor consolidation/validation and publication in the BIR website.

7. Issue the prescribed reminder letter (**Annex "E"**) to taxpayers in the validated List of Inactive Business Taxpayers who are **found** existing and operational; requiring them to respond within five (5) working days upon receipt of such letter. If no response was received within the prescribed period, resort to any or all of the following measures that may deemed appropriate, such as:

    a. Issuance of Letter of Authority for the conduct of audit;

    b. Issuance of Mission Order for the conduct of surveillance and/or stocktaking/inventory taking;

    c. Closure of business if the operation of the taxpayer is subject to Value Added Tax (VAT); or

    d. Filing of appropriate criminal/civil charges before a court based on existing rules and regulations.

8. Require submission of relevant documents (e.g., copies of tax returns filed, proof of RF payment, BIR Form 1905 for the update of registration, copy of the duly-accomplished BIR Form 1901 or 1903 received by the RDO/LTD when taxpayer registered its business, etc.) in support of the taxpayer's protest relative to unfiled/unpaid tax returns or unpaid Registration Fee. RDO's/Chief, LTD's action will depend on the nature or ground for protest of the taxpayer.

9. Require submission of a duly notarized Affidavit/or Certification from taxpayers attesting non-operation and/or cessation of its business operation from the Barangay and Business Permit Division/Section of the Local Government Unit (LGU) having jurisdiction over the place of business.

    As such, concerned RDO/Chief, LTD shall require taxpayer to file the tax returns for the period it was still operating with the corresponding penalties to be imposed per existing revenue issuances. In cases where taxpayer business is no longer in operation, concerned RDO/Chief, LTD shall require the taxpayer who were found no longer in operation to submit and accomplish BIR Form 1905 with the following attachments:

    a. List of ending inventory of goods, supplies, including capital goods;

    b. Inventory of unused sales invoices/official receipts;

    c. Unused sales invoices/official receipts and all other unutilized accounting forms (e.g., vouchers, debit/credit memos, delivery receipts, purchase orders, etc.) including business notices and permits as well as COR shall be subject for destruction to be witnessed by BIR personnel and officials.

10. Effect permanent closure of business only upon submission of all the necessary documents and closure of open "stop-filer" cases. For taxpayers whose "stop-filer" cases need to be closed/resolved through "datafix", concerned RDO/Chief, LTD shall provide the concerned RDC, the list of taxpayers for closure of open "stop-filer" cases (**Annex "F"**).

D. Regional Director/Assistant Commissioner, Large Taxpayers

1. Monitor submission by RDC to RDOs/concerned LTDs of the Alphalist of Inactive Business Taxpayers; and the submission of all necessary annexes as described in this Order.

2. Oversee the actions taken by the RDOs/concerned LTDs on the forwarded Alphalist of Inactive Business Taxpayers by RDCs.

E. Client Support Service thru Taxpayer Service Programs and Monitoring Division:

1. Consolidate all the reports submitted by RDOs/concerned LTDs and RDCs relative to this Order;

2. Prepare call-up memoranda to RDOs/concerned LTDs for non-compliance on reportorial requirements; and to the Regional Directors/ACIR-LT on issues/concerns relative to this Order;

3. Recommend/implement measures to the RDOs/concerned LTDs who failed to comply with the provisions of this RMO:
    1st Offense: Reprimand
    2nd Offense: Suspension of 30 days

4. Elevate issues for policy decision and directions concerning inactive taxpayers and recommend resolutions for such issues to the Deputy Commissioner, Operations Group.
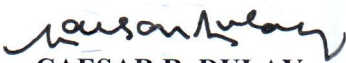
V.   TRANSITORY PROVISIONS:

RDOs/LTDs using Electronic Tax Information System (eTIS) shall end-date/de-register the form types/tax types and tagged the identified inactive taxpayers as "Inactive" using eTIS-TRS, while RDOs using ITS shall end-date the form types/tax types of the identified inactive business taxpayers and tag as "Inactive" upon enhancement of the ITS or any future system that becomes readily available for such purpose.

However, pending the enhancement of ITS, for the purpose of tagging of said taxpayers as "Inactive", the ISDOS-SDD shall tag the identified taxpayers submitted by the RDOs/LTDs, pursuant to Section 11(2)(ii) RR No. 7-2012.

VI.   EFFECTIVITY:

This Order shall take effect immediately.

CAESAR R. DULAY
Commissioner of Internal Revenue

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