

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

3 February 2011

REVENUE MEMORANDUM ORDER No. 4-2011

SUBJECT: Amended Audit Criteria for Taxable Years 2009 and 2010

TO: All Internal Revenue Officials and Employees Concerned

I. OBJECTIVES

1. To supersede the previously-issued Revenue Memorandum Orders (RMOs) prescribing the criteria for the audit of TY 2009 tax returns;
2. To prescribe the criteria in the audit of TY 2010 tax returns by Revenue District Offices (RDOs), Large Taxpayers Service Audit Divisions and the National Investigation Division; and,
3. To enhance taxpayers' voluntary compliance by encouraging payment of correct amount of internal revenue taxes through the exercise of the enforcement function of the Bureau.

II. POLICIES AND GUIDELINES

The following policies and guidelines shall be observed in the audit of TYs 2009 and 2010 tax returns by the Revenue District Offices:

1. All taxpayers are considered as possible candidates for audit.
2. Priority shall be given to the following taxpayers who render professional services:
 - Lawyers;
 - Doctors;
 - Engineers;
 - Accountants; and
 - Other Professionals.
3. Last Priority status for income tax audit shall be accorded to those taxpayers with an effective income tax rate of eighteen percent (18%) (Gross Income X 18%).

An exception to the Last Priority status shall be those taxpayers where there are findings / suspicions of under-declaration of sales / revenues.

III. EFFECTIVITY

This Order supersedes RMO Nos. 80-2010 and 3-2011, and shall take effect immediately.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue