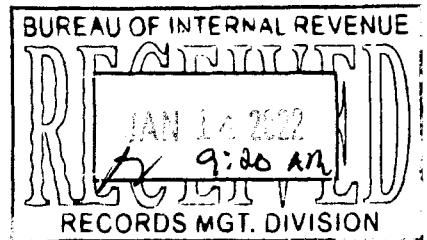




REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE  
Quezon City



December 1, 2021

REVENUE MEMORANDUM CIRCULAR NO. 3-2022

**SUBJECT :** Clarification on the Preparation of Assessment Notices for Compromise Penalty

**TO :** All Internal Revenue Officials, Employees and Others Concerned

This Circular is hereby issued to clarify the proper procedure in the preparation of assessment notices for compromise penalty(ies) pursuant to the provisions under Revenue Memorandum Order No. 7-2015 with regards to compromise penalties and Revenue Regulations No. 12-99, as amended by RR No. 18-2013, in the issuance of a deficiency tax assessment.

Compromise penalties are amounts collected in lieu of criminal prosecution for violation committed by the taxpayer, where payment is based on a compromise agreement validly entered into between the taxpayer and the Commissioner of Internal Revenue.

Item No. III.4 of the aforesaid RMO laid down that :

*"Although all amounts of compromise penalties incident to violations shall be itemized in the assessment notice and/or demand letter, the same should not form part of assessment notice that reflects deficiency basic tax, surcharge and interest but should appear in a separate assessment notice/demand letter as the amount suggested to the taxpayer to pay in lieu of criminal prosecution."* (emphasis supplied)

Notwithstanding the foregoing, it has been observed that there are times when the assessment notice for deficiency basic tax(es) and civil penalties also includes the compromise penalty(ies).

Hence, for uniformity in the preparation of assessment notices, the prescribed formats under RR No. 18-2013 such as Preliminary Assessment Notice (PAN) and Formal Letter of Demand shall now be composed of Part I and Part II, where Part I shall pertain to deficiency basic tax(es) and civil penalties, while Part II shall pertain to the assessed compromise penalty(ies) relative to violations uncovered during the conduct of audit. Part II of the applicable notices are hereby prescribed hereof as Annexes A and B, with sample item of violations to the Tax Code, as amended:

Annex A – Preliminary Assessment Notice (Part II)

1:50p *[Signature]*

Annex B.1 – Formal Letter of Demand (Part II)  
Annex B.2 – Final Assessment Notice

Likewise, preparation of the BIR Form No. 0605 – Payment Form for the settlement/payment of the deficiency basic tax and civil penalties in “Part I” of the assessment notices and BIR Form No. 0605 for compromise penalty(ies) in Part II (Annexes C) shall be done separately.

All internal revenue officials and employees are hereby enjoined to be guided accordingly and give this Circular as wide a publicity as possible.

This Circular shall take effect immediately'

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CAESAR R. DULAY

Commissioner of Internal Revenue

MP 048760

