

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

February 01, 2006

REVENUE MEMORANDUM ORDER NO. 8-2006

SUBJECT : Prescribing Guidelines and Procedures in the Implementation of the Letter of Authority Monitoring System (LAMS)

TO : All Internal Revenue Officers and Others Concerned

I. BACKGROUND

The Letter of Authority Monitoring System (LAMS) is intended to provide the Bureau with the means to monitor and control LA issuance from the time it is released by the approving office up to its closure. Prior to the nationwide implementation, the LAMS was piloted in the Large Taxpayers Audit and Investigation Division (LTAID) I and LTAID II, Large Taxpayers District Office (LTDO) Makati and Cebu under the Large Taxpayer Service (LTS), Enforcement Service and Revenue Region No. 7, Quezon City, followed by mass implementation in other computerized and non-computerized regions.

II. OBJECTIVES

This Order is issued to:

1. Prescribe policies, guidelines and procedures in encoding Letters of Authority (LAs) whether issued, spoiled, cancelled, lost or missing.
2. Monitor and track LAs issued from the time it is released up to its closure.
3. Prevent issuance of multiple LAs for a particular taxpayer for the same taxable period and tax type.
4. Provide real-time status updates of LAs by authorized revenue officers/officials.
5. Define the accountability and responsibility of concerned offices and officials/employees over LAs assigned to them.
6. Ensure timely generation of LA reports for management purposes.

III. DEFINITION OF TERMS

To ensure uniform understanding and for the proper guidance of all concerned, the four (4) types of Audit Cases are defined as follows:

1. Fraud Cases – These are audit cases which are referred to or developed by the National Investigation Division in the National Office or by the Special Investigation Division in the Regional Offices following the guidelines and procedures prescribed under Revenue Memorandum Order No. 15-95, as amended.

2. Mandatory Cases – These are cases set forth under Revenue Memorandum Circular No. 13-2003, as amended by RMC No. 43-2003 and other cases that may be defined in the audit program issued for a particular year.
3. Selective Audit Cases – These are cases with tax returns whose selection for audit is based on criteria embodied in a Revenue Memorandum Order, or as expressly directed by the Commissioner. These criteria are based on data from returns filed by taxpayers and/or those provided by external sources which are analyzed to identify the business types and industries presenting the greatest risks or taxpayers with high tax potential.
4. Issue-based Audit Cases – These are cases whose audit focuses on a specific issue which may or may not be recurring and needs immediate resolution.

IV. GUIDELINES

To ensure uniformity in the handling of LAs, the following guidelines are given:

A. On Blank/Unused LA Forms

All unused blank sets of LA Forms in the custody of LTAID I and II, LTDO, National Investigation Division (NID), RDOs, Special Investigation Division (SID) and Regional/National Task Forces shall be surrendered to the Office of the Assistant Commissioner – Large Taxpayers Service (OACIR-LTS)/Office of the Assistant Commissioner – Enforcement Service (OACIR-ES)/Office of the Regional Director (ORD)/ Project Manager upon roll-out of the LAMS. The Assistant Commissioner-Large Taxpayers Service(ACIR-LTS)/Assistant Commissioner – Enforcement Service (ACIR-ES)/Regional Director (RD)/Project Manager shall be held accountable and responsible for requisition of blank LA Forms from the Accountable Forms Division (AFD).

B. On Case Status

1. Under the LA Monitoring System, open cases simply mean those cases that have not yet been terminated. Accordingly, regardless of the stage the case is in, it shall remain to be considered as “Open” until a Termination Letter (TL) or a duly approved Tax Credit Certificate (TCC)/Tax Refund Notice (TRN), in the case of tax refund cases, is issued by the RD or the ACIR-AS as the case may be. The details on the status of cases are provided in the attached User Guide. For purposes of reporting to external agencies, cases reported with collection, assessment or both by the investigating offices will be treated as “Closed”. Nonetheless, said cases shall continue to be classified as “Open” under the LA Monitoring System until such time that a TL/TCC/TRN is issued.
2. Cases classified as “Open” shall be the accountability of the Office having physical custody over the same. For example, cases already reported and

pending review with the Assessment Division (AD) shall be the accountability of the AD and shall be taken out from the inventory of the concerned Revenue Officer (RO). In case the docket is remanded to the concerned RO by the AD for compliance with additional requirements, it shall be added back to the inventory of the said RO.

3. For LAs whose taxpayers cannot be located, they shall be classified as “Cancelled” rather than “Closed”. It is imperative, however, that sufficient documentary proof be attached to the docket to support such allegation. The guidelines and procedures to be performed relative to these cases shall be provided in a separate revenue issuance.
4. If the taxpayer is transferred to another district and said taxpayer has an “Open” audit case which, under prevailing rules, has to be transferred to the new RDO, the case status in the said district shall be cancelled and the docket, if any, should be transmitted to the new RDO for the continuance of audit under a newly issued LA (with a notation “This cancels LA No. ____”). Photocopy of the cancelled LA should still form part of the docket. The guidelines on the transfer of taxpayers with open cases are prescribed in RMO No. 40-2004, as amended by RMO No. 11-2005.

C. On Taxpayer Identification Number (TIN)

TIN should be reflected in the LA at all times. In the absence of TIN, the investigating office must *compel* the taxpayer to register so that the same can be issued a permanent TIN.”

D. On Duplication of LAs Issued

1. Only one (1) LA shall be issued to the same taxpayer, for the same tax type and period, except where an LA was issued for a specific tax type only and subsequently, another LA was issued to the same taxpayer by the same or another office covering the investigation of all internal revenue taxes (AIRT) for the same taxable period. The LA issued for AIRT purposes shall be allowed provided the coverage shall be limited to AIRT except for the specific tax type and said coverage shall be clearly stated on the face of the LA.
2. In case two or more LAs are issued to the same taxpayer for the same tax type and for the same period, the power to decide which LA shall prevail shall be under the exclusive jurisdiction of the Commissioner (CIR). The LA prevailed upon shall be considered cancelled. The concerned LTAID I and II/LTDO/RDO/NID/SID/TF shall indicate under Status Code “Cancelled” and select the appropriate Action Code “LA Cancelled by Order of the CIR”. Under the Remarks column, indicate “Cancelled by LA No. ____ issued by (name office) ____.

3. Where an LA had been previously issued for which deficiency taxes thereon had been paid or assessed as reflected in the docket and corresponding report of investigation, no new LA shall be issued for the same taxpayer covering the same tax type and taxable period, except in fraud cases. Any payment of deficiency tax or any amount assessed on the first audit case shall be credited against assessment in the subsequent fraud case if the findings/discrepancies in the fraud investigation disclose the same findings or issues included in the first audit case.

E. On Revalidation of LAs

In case the audit of cases covered by LAs cannot be completed within the prescribed period, the RO may request for revalidation of the LA. Only one revalidation shall be allowed provided the RO shall render a progress report on the case duly noted by the GS and approved by the head of the investigating division/office. The previously issued LA shall be stamped “Revalidated on _____” and shall be signed by the Regional Director/ACIR-LTS. The concerned investigating office shall update the LA status in the LAMS by indicating in the remarks column “Revalidated on (date) ____”.

F. On Disposition of Dockets

1. Under prevailing rules on protested cases for re-investigation (refer to Section 1 (C) (f) of RMC No. 43-2003), Tax Verification Notices (TVNs) are issued to taxpayers requesting for re-investigation after the issuance of Final Assessment Notice (FAN). Indicate under the Action Code “For reinvestigation/reconsideration” and select the appropriate “Value” from the List of Valid Values. Under the Remarks column, indicate “LA continued by TVN No. ____”. For purposes of cross-referencing, TVNs issued on protested cases shall bear the notation “Reinvestigation of the Tax Case per LA No. _____ dated _____”.

Protested cases under re-investigation shall not be assigned to the same RO who handled the original investigation.

2. In case the report of investigation submitted for review was returned to the investigating office for compliance with additional requirements and the original investigating Revenue Office (RO) and/or the Group Supervisor (GS) has been transferred, resigned or retired:
 - a. where the RO has resigned/retired or transferred but not the GS, the case shall be reassigned to another RO under the supervision of the same GS
 - b. where the GS has resigned/retired or transferred but not the RO, the case shall be continued by the same RO

- c. where the GS has resigned/retired or transferred and the RO has also been transferred to another RDO but within the same RR, the case shall be remanded to the same RO, thru the previous RDO, by the AD. Updating of the status of the case shall be made by the same RO through authorized access given to the previous RDO
- d. where the RO has resigned/retired or transferred to another RR but the GS is still assigned within the same RR, the case shall be remanded to the same GS, thru the previous RDO, by the AD. Updating of the status of the case shall be made by the same GS based on authorized access given by the previous RDO
- e. where both the RO and the GS have resigned/retired or transferred to another RR, the case shall be reassigned to another RO under the supervision of another GS within the same RDO

In case of reassignment, a memorandum to that effect shall be issued by the head of the investigating office to the concerned taxpayer and the concerned RO and/or GS.

V. PROCEDURES

A. LTAID I and II/LTDO/RDO:

1. Prepare a “List of Selected Taxpayers for Issuance of LA” (Annex “A”) indicating therein the names of the GS and ROs in accordance with the criteria to be provided under a separate revenue issuance
2. Forward the above “List” to the reviewing office via e-mail, for validation with respect to the allowable case load of ROs based on the above criteria
3. Receive via e-mail the “List” as validated by the reviewing office to comply with the changes/amendments made by the latter
4. Retransmit to the reviewing office the above “List” after effecting the necessary changes/amendments
5. Effect the additional changes/amendments as may be directed by the OACIR-LTS/ORD
6. Receive from the OACIR-LTS/ORD the following:
 - a. Duly approved/signed LAs; and
 - b. “List” as approved/signed by the ACIR-LTS/RD
7. Encode all the required information in the LAs (including “Lost”/“Missing”/“Spoiled” LAs) using the “Data Entry” module and following the guidelines and procedures prescribed in the User Guide for LAMS
8. Serve the approved/signed LAs to the concerned taxpayers
9. Update status of LAs issued (including “Cancelled” LAs) using the “Status Update” module in the LAMS following the guidelines/procedures prescribed in the User Guide

10. Submit to the reviewing office reports of investigation covered by LAs for review
11. Generate, view and print LA reports using the LAMS “Office Report” Module based on authorized access.

In the absence of e-mail facilities, hard copies of the “List of Selected Taxpayers for Issuance of LA” shall be prepared by the concerned office(s).

The above prescribed procedures on the selection of cases based on set criteria do not apply to the NID, the SID in the regional offices and the various Task Forces inasmuch they are covered by a separate set of policies and rules in the development of fraud cases as prescribed in RMO No. 15-95 and as expressly directed by the Commissioner.

Nevertheless, for purposes of providing adequate oversight to ensure accountability over LAs issued in favor of taxpayers subjects of investigation by the NID and the SID, these offices, together with the ES and the various Task Forces shall be given access to LAMS to allow them to encode the LAs, update LA status and views or print LA reports as may be required by top management.

B. Assessment Division /Counterpart Office under LTS:

1. Receive via e-mail the “List of Selected Taxpayers for Issuance of LA” from the appropriate office(s)
2. Validate the above “List” with respect to the allowable case load of ROs based on the criteria to be provided under a separate revenue issuance
3. After complete validation, generate a hard copy of the above “List” if the above criteria are complied with, otherwise, retransmit via e-mail the same “List” to the concerned office(s) for compliance
4. Receive via e-mail the “List” as corrected by the concerned office(s)
5. Forward the following to the OACIR-LTS/ORD for approval:
 - a. Duly validated “List” via e-mail; and
 - b. Validated/Signed hard copy of the above “List”
6. Receive via e-mail a copy of the “List” as approved by the ACIR-LTS/RD
7. Review reports of investigation covered by LAs submitted by investigating offices
8. Update status of LAs based on review conducted
9. Monitor/Generate/View/Print LA Reports based on authorized access.

C. OACIR-LTS/ORD:

1. Requisition/Receive blank LA Forms from the AFD
2. Receive from the reviewing office the following:
 - a. Duly validated “List of Selected Taxpayers for Issuance of LA” via e-mail; and
 - b. Validated/Signed hard copy of the above “List”

3. Approve/Sign duly validated “List” if there are no other changes/amendments to the said “List”, otherwise, retransmit via e-mail to the concerned office(s), thru the reviewing office, to effect the additional changes/amendments
4. Prepare/Accomplish and sign the blank LA Forms based on the approved “List”
5. Fill up the required information in the “List of Selected Taxpayers for Issuance of LA”. Enter all LAs in numerical sequence, including “Lost”/“Missing”/“Spoiled” LAs, to ensure that there are no gaps
6. Transmit the following to the appropriate office(s), for encoding and service to the concerned taxpayers:
 - a. Duly approved/signed LAs; and
 - b. Approved/Signed hard copy of the “List of Selected Taxpayers for Issuance of LA”
7. Furnish the reviewing office a copy of the approved “List” via e-mail
8. Using the “Inquiry Screen” module, check the accuracy and completeness of the information contained in the LAs as encoded by the appropriate office(s)
9. Monitor the inventory and Status of all LAs issued under its jurisdiction
10. Analyze the system-generated “LA Aging Statistics Report” for purposes of evaluating the performance of revenue officers in relation to LAs assigned to them based on set key performance indicators
11. Generate/View/ Print LA Reports based on authorized access
12. Prepare Monthly Report of Accountability (Gen. Form No. 16) for LA Forms and submit to AFD on or before the 10th day of each month.

The Office of the Regional Director shall furnish the Assessment Service a copy of the approved “List”.

D. OACIR-LTS/Audit Information and Tax Exemption and Incentives Division

1. View/Monitor LA inventory and updates based on authorized access
2. Generate LA Reports as may be required by top management

VI. TRANSITORY PROCEDURES

1. Considering that the LA Monitoring System aims to capture and update all LAs issued since August 26, 2002, the OACIR-LTS/OACIR-ES/ORD shall, upon roll-out of the LAMS, encode data on LAs issued from the said date, whether or not they have been signed, spoiled or cancelled. The updating of the status of signed LAs shall be the responsibility of the issuing offices (e.g. LTAID I and II, LTDO, RDO, etc.), including “Open” or “Closed” cases no longer in their custody at the time of the issuance of this RMO. For cases terminated or forwarded to any of the appropriate offices (e.g. Office of the ACIR-LTS/ACIR-ES, ORD, Assessment Division, Legal Division, Collection Division, Administrative Division, Records Division, etc.), the concerned issuing office shall indicate the date of termination or transmittal as the case may be. The concerned receiving office shall validate the updates done by the issuing office. For this purpose, access shall be given to the Records Division or the Administrative Division to

- validate updates of “Closed” cases. The procedures in updating the case status as prescribed in the User Guide shall be observed.
2. The encoding and updating of the status of all LAs issued after the effectivity of this RMO shall be the responsibility of the issuing offices (e.g. LTAID I and II, RDO, etc.).
 3. The manual “List and Status of LAs Issued” starting from LAs issued since August 26, 2002 shall be continued to be submitted to the Assessment Service, thru the Audit Information and Tax Exemption and Incentives Division, until such time that full confidence has been established on the LA Monitoring System, the date of which shall be conveyed through a subsequent Memorandum.

4. The “List of Selected Taxpayers for Issuance of LA” shall be prepared manually by the concerned issuing offices pending full implementation of the LAMS where the generation of the LAs shall be automated. Once the LA issuance is fully automated, the “Data Entry” Module shall cease to exist and the concerned issuing offices will simply key-in the required information on the said “List” as appearing on the screen.

VII. EFFECTIVITY

This Order takes effect immediately upon approval.

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue

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