

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

July 12, 2007

REVENUE MEMORANDUM ORDER NO. 14-2007

SUBJECT : Prescribing Additional Procedures to Detect the Presence of “Fly-by-Night” Taxpayers in the Current Database of the Bureau and to Thwart Their Subsequent Request to Secure Authority to Print (ATP) Sales Invoices/ Official Receipts.

TO : All Officers in the Large Taxpayers Service (LTS), Regional and District Offices and Others Concerned.

I. Objective

There have been reports received regarding the proliferation of “fly-by-night” business entities which have managed to register sales invoices and official receipts with the Bureau. This is the type of taxpayers who do not have any legitimate businesses but nevertheless register themselves with the BIR just for the sole purpose of securing from BIR sales invoices and/or receipts which they subsequently sell to others. These are those who, upon inspection, cannot be located in their registered addresses, who intentionally do not file the returns required of them by the Agency as registered taxpayers, but have conveniently utilized these BIR registered-invoices/receipts for fictitious anomalous transactions, for a price or a fee.

This Order is therefore issued to provide additional procedures to track the presence of these taxpayers in the current database of the Bureau and prevent them from subsequently securing ATP sales invoices/receipts unless full compliance with their tax obligations is made. This is without prejudice to the institution of possible administrative action such as closure or suspension of business and/or legal action such as the filing of criminal case before the courts, if so warranted.

II. Procedures

1. New Business Registrant - In addition to the requirements of registering the name of the taxpayer, business trade name, exact address of the business (head office and branch/es), line of business, type of taxpayer, tax types due and such other information required under existing rules and regulations relative to the registration of business with the Bureau, there must be strict compliance with the requirement of ocular inspection of newly registered head office as well as branches during the tax mapping operation of the Revenue District Office/LTS Office that has jurisdiction over the physical location of the establishment.

Revenue officers assigned should never renege on their mandated duty to verify the actual existence of the business in the place being claimed to be the registered address of the business of the taxpayer.

2. Tax Mapping Verification - All new registrants for a given month should be included in the monthly tax mapping operations regularly conducted by the concerned Offices, hence, should be subjected to ocular inspection to verify actual physical existence of the business of the taxpayer in the registered address and to further determine whether there have been movements since the time the same have been registered. If it is found that the business of a particular taxpayer is no longer in the place where the same has been registered with no corresponding communication given to the concerned Revenue District Office/ LTS Office as to the change of address or cessation of business, such taxpayer must be monitored strictly in terms of its compliance with the filing of returns/declarations and payments of taxes and its subsequent request for ATP sales invoices/ official receipts.

3. Subsequent Request for ATP Sales Invoices/Official Receipts – In addition to the documentary requirements provided under existing rules and regulations, all taxpayers subsequently applying to secure ATP sales invoices/official receipts shall submit the following::

- a. photocopy of latest annual income tax return filed;
- b. photocopy of VAT returns filed within a 12-month period where the last month pertains to the month preceding the month when the request for ATP is made, if the request for ATP pertains to VAT sales invoice or VAT official receipt; and/or
- c. photocopy of Percentage Tax returns filed within a 12-month period where the last month pertains to the month preceding the month when the request for ATP is made, if the request for ATP pertains to Non-VAT sales invoice or Non-VAT official receipt on transactions subject to Percentage Tax under Title V of the Tax Code, as amended.

If no returns can be presented by the taxpayer, such taxpayer shall be required to file all the returns he/it has failed to file since the time it registered with the concerned Revenue District Office/LTS Office and shall pay the corresponding deficiency taxes due thereon. Used sales invoices/official receipts may be requested to validate the correctness of the declarations made on the returns filed.

In cases where the taxpayer applying for a subsequent issuance of ATP sales invoices/official receipts is a newly registered taxpayer for less than one (1) year prior to the subsequent request for ATP sales invoices/official receipts, he/it shall only be required to present photocopies of the aforementioned returns filed from time of his/its registration up to month preceding the month when such subsequent request for ATP sales invoices/receipts is made .

The ATP Sales Invoices/Official Receipts being applied for shall be issued within one (1) day after submission of all the requirements by the taxpayer after the above tax

returns have been validated in the ITS or validated to have been filed in a non-ITS district office. In instances where the returns filed reflect taxes due that have remained unpaid as of the time of application, taxpayer should first be required to pay the unpaid taxes reflected on the returns before his/its subsequent request for ATP sales invoices/receipts may be given due course.

4. Criminal Prosecution - Registrants who have been identified as utilizing their BIR registration and registered sales invoices/official receipts for unscrupulous and fraudulent transactions shall be referred by the head of the concerned RDO/LTS Office to the Legal Division of the Region/Legal Service of the National Office for criminal prosecution. Likewise, any taxpayer found to be utilizing such sales invoices/receipts from these illegitimate registrants for the purpose of claiming input taxes and/or deductions from taxable income shall be dealt with accordingly (i.e., disallowance of input tax, filing of tax evasion case if there is an excessive claim of deductions by more than thirty percent (30%) which is *prima facie* presumed to be a fraudulent act under Section 248(B) of the Tax Code, as amended).

III. Effectivity

This Order takes effect immediately.

(Original Signed)
LILIAN B. HEFTI
OIC – Commissioner of Internal Revenue

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