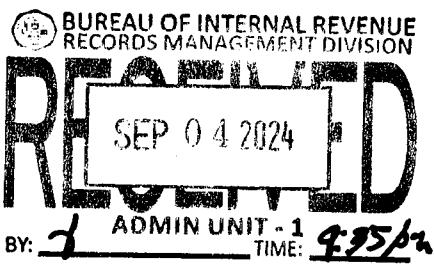




REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
National Office Building  
*Quezon City*



June 26, 2024

**REVENUE MEMORANDUM ORDER NO. 037-2024**

**SUBJECT :** Policies, Guidelines and Procedures in Classifying Business Taxpayers pursuant to Revenue Regulations No. 8-2024

**TO :** All Internal Revenue Officers and Others Concerned

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**I. OBJECTIVE:**

For purposes of responsive tax administration, this Order is being issued to prescribe the policies, guidelines and procedures in classifying business taxpayers, pursuant to Section 21(b) of the National Internal Revenue Code of 1997 (Tax Code), as amended, in relation to Section 47 of Republic Act (RA) No. 11976, otherwise known as the Ease of Paying Taxes (EOPT) Act.

**II. CRITERIA FOR CLASSIFYING TAXPAYERS**

For purposes of this Order, only business taxpayers shall be classified as follows:

- A. Micro Taxpayer – shall refer to a taxpayer whose gross sales for a taxable year is less than Three Million Pesos (₱3,000,000.00);
- B. Small Taxpayer – shall refer to a taxpayer whose gross sales for a taxable year is Three Million Pesos (₱3,000,000.00) to less than Twenty Million Pesos (₱20,000,000.00);
- C. Medium Taxpayer – shall refer to a taxpayer whose gross sales for a taxable year is Twenty Million Pesos (₱20,000,000.00) to less than One Billion Pesos (₱1,000,000,000.00); and
- D. Large Taxpayer – shall refer to a taxpayer whose gross sales for a taxable year is One Billion Pesos (₱1,000,000,000.00) and above.

**III. POLICIES AND GUIDELINES**

**A. Initial Classification**

1. Taxpayers registered in 2022 and prior years shall be classified on the basis of their gross sales as declared in their Income Tax Returns (ITR) filed

for taxable year 2022 in accordance with the threshold values as stated under Section II of this Order.

For those taxpayers who have not filed their ITR for taxable year 2022, they shall initially be classified as MICRO, except Value-Added Tax (VAT)-registered taxpayers, who shall be classified as SMALL.

The said initial classification shall remain effective until reclassified.

2. Taxpayers registered in 2023 and 2024 before the effectivity of Revenue Regulations (RR) No. 8-2024, or before April 27, 2024, shall initially be classified as MICRO, except VAT-registered taxpayers, who shall be classified as SMALL. The said initial classification shall remain effective until reclassified.
3. Taxpayers who shall register after the effectivity of RR No. 8-2024, or after April 27, 2024, shall initially be classified based on their declaration in their Registration Forms (i.e., BIR Form No. 1901 or 1903) starting the year they registered and shall remain effective until reclassified.
4. For mixed-income earners, only business income as defined under Section 2 of RR No. 8-2024 shall be considered for purposes of classifying taxpayers.
5. For taxpayers with branches, the classification shall follow the classification of the Head Office.

## B. Reclassification

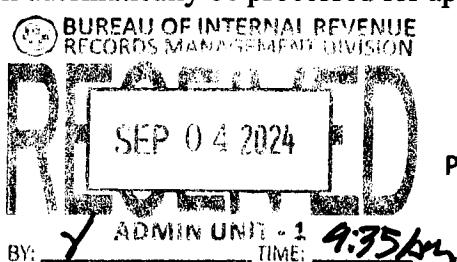
Taxpayers may be reclassified in accordance with the threshold values as stated in Section II of this Order, under the following circumstances:

1. Taxpayer-Initiated

Taxpayers may request for reclassification through their Head Office:

- a. From lower to higher classification – Taxpayers shall submit their requests, together with supporting documents, if applicable, through any of the following:
  - i. Via BIR online facility – Online Registration and Update System (ORUS); or
  - ii. Manually by submitting applicable registration update form to their home Revenue District Office (RDO).

These requests shall automatically be processed for approval.



- b. From higher to lower classification, except for SMALL to MICRO – Taxpayers shall submit their requests, together with supporting documents, through any of the following:
- i. Via BIR online facility – ORUS; or
  - ii. Manually by submitting applicable registration update form to their home RDO.

For reclassification of initial taxpayer classification within ninety (90) days after the effectivity of RR No. 8-2024 (i.e., from April 27, 2024 to July 26, 2024), taxpayers shall submit their ITR or Income Statement or any other proof showing their gross sales for taxable year 2022 as supporting document.

For reclassification of taxpayer classification beyond 90 days after the effectivity of RR No. 8-2024 (i.e., after July 26, 2024), taxpayers shall submit their ITR or Income Statement or any other proof showing their gross sales for the last two (2) years as supporting documents.

For taxpayers requesting for reclassification from SMALL to MICRO, they shall follow the prescribed policy in Section III.B.1.a.

## 2. BIR-Initiated

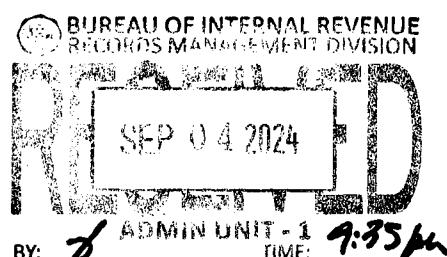
BIR may initiate taxpayer reclassification, depending on any verified information available.

### a. National Office-Initiated

The Deputy Commissioner (DCIR) of Operations Group (OG) can periodically initiate reclassification every two (2) years, unless as may be otherwise required by the Commissioner, on the basis of taxpayers' gross sales from their latest filed ITRs or VAT returns, if ITRs are not available.

### b. Revenue Regions (RRs)/Large Taxpayers Service (LTS)-Initiated

- i. The RDOs/LT-Audit Divisions/LT Divisions (LTDs) Cebu and Davao may recommend to Regional Director/Assistant Commissioner (ACIR) of LTS for approval/disapproval of the reclassification of specific taxpayer/s if upon verification of statement, declaration or any relevant information, it was sufficiently established that the concerned taxpayer's gross sales did not fall within the threshold amount for its current taxpayer classification.



- ii. Regional Director/ACIR-LTS shall approve/disapprove taxpayer reclassification, as recommended by RDOs/LTS Divisions under their jurisdiction.

If the taxpayer was reclassified, pursuant to the recommendation of RDOs/LTS Divisions as approved by the Regional Director/ACIR-LTS, the new classification shall take effect upon receipt by taxpayer of the notification thereof, subject to the final outcome of any pending audit/assessment that may significantly affect the said classification.

Taxpayers who are reclassified pursuant to BIR-initiated reclassification cannot request for reclassification during the same taxable year, unless it is founded on meritorious reasons duly verified based on the statement, declaration or any relevant information, including those obtained through audit or investigation. Request for reclassification should be filed before the Regional Director/ACIR-LTS whose decision thereon is final and unappealable.

## IV. PROCEDURES

### A. Classification of Taxpayers

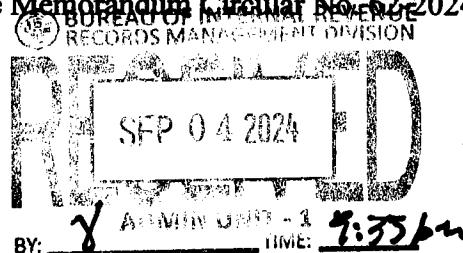
#### 1. Initial Classification

- a. Data Warehousing and Systems Operations Division (DWSOD) shall:
  - i. Extract the taxpayers' gross sales data for taxable year 2022 and classify taxpayers based on the criteria stated under Section II of this Order.
  - ii. Generate the list of taxpayers who are registered in 2022 and prior years but without filed ITR or no reported gross sales for taxable year 2022 and taxpayers registered in 2023 or 2024 before the effectiveness of RR No. 8-2024, and classify them as MICRO, except VAT-registered taxpayers, who shall be classified as SMALL.
  - iii. Transmit the lists of taxpayers with their corresponding classification to the Administrative Systems Division (ASD) for tagging.

- b. Administrative Systems Division (ASD) shall:

- i. Receive the lists of taxpayers' classification from DWSOD, and tag the taxpayers accordingly in the Internal Revenue Integrated System (IRIS).

To view/inquire on the taxpayer's classification, taxpayers shall access ORUS through <https://orus.bir.gov.ph/home> and follow the procedures prescribed under Revenue Memorandum Circular No. 62-2024.



**2. Reclassification**

**a. Taxpayer-Initiated**

**i. From lower to higher classification**

i.1. Revenue District Offices (RDOs)/LT Assistance Division (LTAD)/Excise LT Regulatory Division (ELTRD)/LTDs Cebu and Davao (Assistance Section/Client Support Section) shall:

i.1.1. Receive manual request for reclassification, together with supporting documents, if applicable.

i.1.2. Process and approve the request for reclassification within the day.

i.1.3. Update the approved taxpayer classification in IRIS.

i.1.4. Notify taxpayer of reclassification approval via registered mail, email, or any possible means, if the taxpayer applied for reclassification manually.

Taxpayer who updates classification (from lower to higher) online through ORUS shall be automatically approved and receive an automatic notification.

**ii. From higher to lower classification**

ii.1. Revenue District Offices (RDOs)/LT Assistance Division (LTAD)/Excise LT Regulatory Division (ELTRD)/LTDs Cebu and Davao (Assistance Section/Client Support Section) shall:

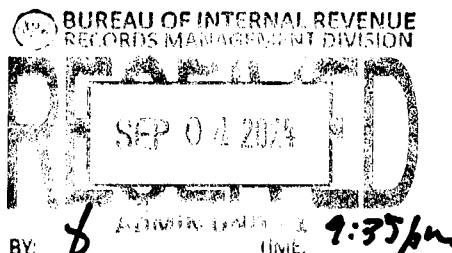
ii.1.1. Receive manual or online through ORUS request for reclassification, together with supporting documents, and notify the taxpayer regarding the seven (7) working days processing of the said request.

ii.1.2. Evaluate the request for reclassification.

ii.1.3. Recommend approval/disapproval of reclassification application to Regional Director/ACIR-LTS.

ii.1.4. Update taxpayer classification in IRIS, if reclassification request is approved.

ii.1.5. Notify taxpayer of reclassification approval/disapproval via registered mail, email, or any possible means.



ii.2. Regional Director/Assistant Commissioner (ACIR)-Large Taxpayers Service shall:

ii.2.1. Approve/disapprove recommended reclassification by the concerned RDOs/LTS Divisions.

b. BIR-Initiated

i. National Office-Initiated

i.1. Deputy Commissioner of Operations Group (DCIR-OG) shall:

i.1.1. Issue a memorandum to DCIR of Information Systems Group (ISG), copy furnished DWSOD, instructing the extraction of data for taxpayer reclassification.

i.1.2. Receive the extracted data with corresponding reclassification of taxpayers from DWSOD and disseminate the same data/information to Regional Director/ACIR-LTS, through Client Support Service (CSS), for validation.

i.2. Data Warehousing and Systems Operations Division (DWSOD) shall:

i.2.1. Extract data and prepare the lists of taxpayers with corresponding reclassification, in consultation with CSS, and forward the same to DCIR-OG.

i.3. Client Support Service (CSS) shall:

i.3.1. Receive the lists of reclassified taxpayers from DCIR-OG and transmit the same to the concerned RRs/LTS for validation.

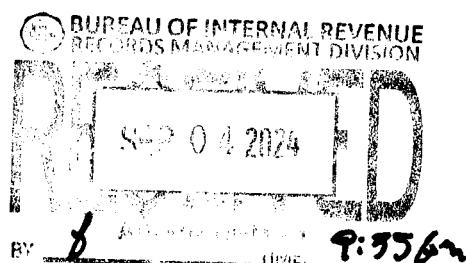
i.3.2. Receive the validated lists of reclassified taxpayers and forward the same to ASD, copy furnished DCIR-OG and DCIR-ISG, for tagging.

i.3.3. Issue an advisory to inform taxpayers regarding reclassification.

i.4. Revenue Regions (RRs)/Large Taxpayers Service (LTS) shall:

i.4.1. Receive the lists of taxpayers with corresponding reclassification from CSS.

i.4.2. Validate the said lists and send back to CSS.



i.5. Administrative Systems Division (ASD) shall:

i.5.1. Receive the lists of reclassified taxpayers from CSS and tag them accordingly in IRIS.

ii. Revenue Regions (RRs)/ Large Taxpayers Service (LTS)-Initiated

ii.1. The LT-Audit Divisions and Revenue District Offices (RDOs)/LTDs Cebu and Davao (Assessment Section) shall:

ii.1.1. Recommend the reclassification of specific taxpayer/s, on the basis of the findings from audit investigation, to the Regional Director/ACIR-LTS.

ii.2. Regional Director/Assistant Commissioner (ACIR)-Large Taxpayers Service shall:

ii.2.1. Approve/disapprove reclassification recommendation by LT-Audit Divisions and RDOs/LTDs Cebu and Davao (Assessment Section).

ii.2.2. Forward the details of approved taxpayer reclassification to RDOs/LTAD/ELTRD/LTDs Cebu and Davao (Assistance Section/Client Support Section) for tagging/updating in IRIS.

ii.3. Revenue District Offices (RDOs)/LT Assistance Division (LTAD)/Excise LT Regulatory Division (ELTRD)/LTDs Cebu and Davao (Assistance Section/Client Support Section) shall:

ii.3.1. Tag/update taxpayer reclassification in IRIS.

ii.3.2. Notify the taxpayer/s manually of their classification via registered mail, email, or any possible means.

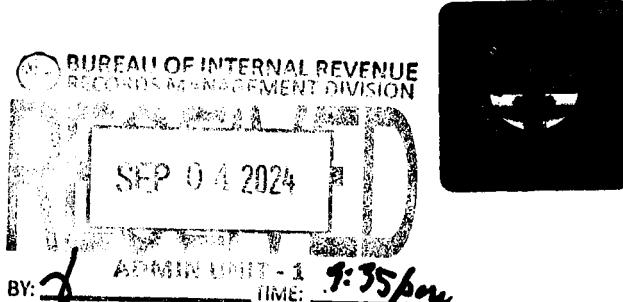
## V. REPEALING CLAUSE

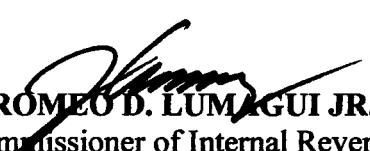
This Order supersedes all revenue issuances or portions thereof inconsistent herewith.

## VI. EFFECTIVITY

This Order shall take effect immediately.

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ROMEO D. LUMBAGUI JR.  
Commissioner of Internal Revenue