

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

February 20, 2003

REVENUE MEMORANDUM ORDER NO. 4 - 2003

SUBJECT: Guidelines and Procedures on the Processing of Quarterly Summary Lists of Sales and Purchases and of the Imposition of Penalties Therefor as Provided under Revenue Regulations No. 8-2002

TO : All Internal Revenue Officers and Others Concerned

I. BACKGROUND

The Bureau of Internal Revenue is reengineering its work processes in order to increase revenue collections and to pursue quality audit by making use of available internal and external information resources. In order to strengthen and enhance its assessment functions, the utilization of information technology has been identified as an effective tool to improve tax administration through the development of the Reconciliation of Listings for Enforcement (RELIEF) System.

The RELIEF System was created to support third party information program and voluntary assessment program of the Bureau through the cross-referencing of third party information from the taxpayers' Summary Lists of Sales and Purchases prescribed to be submitted on a quarterly basis pursuant to Revenue Regulations Nos. 7-95, RR 13-97, RR 7-99 and RR 8-2002.

The RELIEF System shall cover all VAT taxpayers above threshold limits set by RR 8-2002 to submit Summary Lists of Sales and Purchases in magnetic form based on a prescribed electronic format. The consolidation and matching of information with other externally sourced data will detect underdeclaration of revenues/overdeclaration of cost and expenses, thus resulting to greater tax potential.

II. OBJECTIVES

This Revenue Memorandum Order is issued to:

1. Ensure monitoring and immediate processing of data from VAT taxpayers;
2. Delineate the functions of each office/division/unit in the processing of Summary Lists of Sales and Purchases in magnetic form;
3. Provide timely and accurate reports for audit and other management purposes;
4. Provide concerned office data for accurate processing of VAT credit/refund; and
5. Enforce the imposition of administrative sanctions and the filing of criminal cases for non-compliant taxpayers.

III. DEFINITION OF TERMS

The following terms shall be used in this Order as follows:

1. *Magnetic Form* – refers to a 3.5 inch floppy diskette.
2. “*Good*” *diskette* – refers to a diskette which is free from virus(es) (GD), whose files are readable by the system, conform with the prescribed electronic format, validated and successfully uploaded to RELIEF system.
3. “*Defective*” *diskette* – refers to a diskette which is infected with virus(es) (DV), and/or whose files are inaccessible or not readable by the system (DR) and/or whose data files have invalid formats (DF) which do not conform with the prescribed electronic format.
4. *Regular buyers/customers* – refer to buyers/customers engaged in business or exercise of profession with whom the taxpayer had transacted at least six (6) transactions in the previous year or current year, regardless of amount of sale per transaction.
5. *Casual buyers/customers* – refer to buyers/customers who are engaged in business or exercise of profession with individual purchase/transaction amounting to one hundred thousand pesos (P 100,000) or more but did not qualify as regular buyers/customers.
6. *Taxable quarter* – means the quarter that is synchronized to the income tax quarter of the taxpayer, i.e., calendar or fiscal quarter.
7. *Secure area* – an area which is free from dust and moist to preserve the life of diskettes and must be protected from any unauthorized use or loss of diskettes.
8. *File* – refers to one transaction type (sales, local purchases, and importation) per month.

IV. POLICIES

1. The Quarterly Summary List of Sales and Purchases (SLSP) shall be received from VAT taxpayers in magnetic form. Hence, hard copies of SLSP need not be submitted. VAT taxpayers with quarterly sales/receipts exceeding two million five hundred pesos (P2,500,000) shall submit quarterly Summary List of Sales while those VAT taxpayers with quarterly total purchases exceeding one million pesos (P1,000,000) shall submit quarterly Summary List of Purchases. Only the Summary List of Sales will be submitted when the VAT taxpayer reaches the threshold amount for sales. On the other hand, only Summary List of Purchases will be submitted when the VAT taxpayer reaches the threshold for purchases.
2. Determination of the threshold amount would include taxable (net of VAT), zero-rated and exempt transactions. Once the threshold amount is reached for sales or purchases, the VAT taxpayer shall be required to submit the summary lists for the next three (3) succeeding quarters, regardless of whether or not such succeeding taxable quarter sales or purchases exceed the threshold amounts.
3. The Quarterly SLSP shall be submitted to the RDO, LTDO or LTAD having jurisdiction over the taxpayer on or before the due date for filing of VAT return which is the twenty-fifth (25th) of the month following the close of the taxable quarter – calendar or fiscal quarter in an electronic format using either excel format, taxpayer’s own extract program or the data entry module developed by the Bureau. If the electronic data is produced using excel program or taxpayer’s own extract program, the same should be validated using the validation module developed by the BIR.

4. The Quarterly Summary List of Sales must contain the monthly total sales generated from regular buyers/customers as well as from casual buyers/customers with individual sales amounting to one hundred thousand pesos (P100,000) or more as defined in Section III (4) and (5) hereof.
5. Failure to indicate the TIN of the buyer in the schedule of sales would not have any effect on the seller but may be a ground for the audit of the records of the buyer or both the buyer and the seller.
6. **The Quarterly SLSP** shall contain the **consolidated monthly sales/purchases per customer/seller** which shall be alphabetically arranged while the **Quarterly Summary List of Importation** must be chronologically arranged on a per **individual transaction for each month** of the taxable quarter. The detailed contents of SLSP is provided in Revenue Memorandum Circular No. 24-2002.
7. Only good diskettes upon submission shall be considered filed/submitted. Defective and partially defective diskettes submitted before the deadline must be replaced on or before the deadline. However, defective and partially defective diskettes submitted on deadline shall be considered late. Taxpayers must resubmit/replace defective diskettes within five (5) working days from the date of return. Failure to submit/replace the SLSP in magnetic form is punishable under the pertinent provisions of the Tax Code and regulations, and shall trigger an audit.
8. The number of electronic files transmitted to RDC/ISOS-DC shall be counted based on the transaction type per month – one transaction type per month is considered one file. Transaction types are sales, local purchases, and importation.
9. An administrative penalty of one thousand pesos (P 1,000) for each failure but not to exceed the aggregate amount of twenty-five thousand pesos (P 25,000) for all such failures during a taxable year shall be imposed to VAT taxpayers for neglect to file, keep or supply statement, list, or information required on the date prescribed and shall be paid upon notice and demand by the CIR. For this purpose, the failure to supply the required information for each buyer or seller of goods or services shall constitute a single act or omission.
10. In addition to the imposition of the administrative penalty, willful failure by such person to keep any record and to supply the correct information at the time or times as required, shall be subject to criminal penalty under the relevant provisions of the Tax Code of 1997, upon conviction of the offender.
11. The imposition of any of the penalties under the Tax Code of 1997 and the compromise of the criminal liability on such violations, notwithstanding, shall not in any manner relieve the violating taxpayer from the obligation to submit the required documents.
12. All the required reports shall be submitted electronically through e-mail facility and shall likewise be acknowledged using the same facility by the concerned offices. For non-computerized districts, reports shall be transmitted in diskettes.
13. Unauthorized divulgence or retrieval of RELIEF data and/or other TPI data by any revenue official/employee shall be referred to the concerned offices for imposition of administrative sanctions and filing of appropriate charges.

V. PROCEDURES

A. Revenue District Office /Large Taxpayers District Office/ Large Taxpayers Assistance Division (LTAD), National Office

A.1 The Taxpayer Service Section shall:

1. Receive SLSP diskettes from VAT taxpayers together with duly filled out Diskette Acknowledgement Report (ANNEX A-1) in two copies. In case of replacement diskette, the previously filled out Diskette Acknowledgement Report must be re-submitted for easy reference.
2. Verify timeliness of submission and the completeness of taxpayer's information (e.g., RDO Code, TIN, registered name, contact person, owner's telephone number, month and year of the submitted listings, and filenames contained) in the diskette stick-on label. Impose the corresponding penalty for late submission of SLSP.
3. Assign control number in the Diskette Acknowledgement Report and record the taxpayer's information in the Diskette Register (Annex A-2). Assigning of control number must be done in the following manner:

RDO Code – first three (3) digits
R - to represent RELIEF
Year - next two (2) digits
Month - next two (2) digits
Day - next two (2) digits
Serial Code – last five (5) digits

If RDO Valenzuela received the first SLSP diskette on August 25, 2002, the control number would be:

024-R-02-08-25-00001

The concerned office has the option to use the excel format or other record book in accomplishing the Diskette Register. For those who choose the excel format, the Diskette Register must be printed weekly and filed chronologically in one folder.

4. If unable to check and screen diskette/s upon submission, check appropriate box in Diskette Acknowledgement Report, log date, time and signature of responsible officer. Stamp 'Received' and give one copy to the taxpayer. Inform the taxpayer that if the diskette/s is later on found to be defective, a replacement will be needed within five (5) working days from receipt of notification.
5. Forward the diskette together with the Diskette Acknowledgement Report to the person in charge of scanning and checking the diskettes.
6. Scan the diskette/s for any viruses, check/re-check the RELIEF data files whether good or defective and indicate its condition (GD, DV, DR, or DF) on the diskette stick-on label. Refer to the attached Screening and Validation Job-aids (Annex A-3) to facilitate proper checking of data files. Acknowledge receipt of diskette/s from taxpayers by writing the same data (GD,DV,DR, or DF) and affixing the date, time and signature of the responsible officer in the Diskette Acknowledgement Report to be distributed as follows:

Original – to the taxpayer
Duplicate – RDO/LTAD/LTDO file copy

7. Return defective diskette/s together with a copy of Diskette Acknowledgement Report to the taxpayer and request for a replacement to be submitted not later than five (5) working days from the date of return. Affix the date and time and have the taxpayer or his representative acknowledge receipt of diskette/s by signing on the required field in the Diskette Acknowledgement Report.
8. Transmit electronically all SLSP data received from VAT taxpayers to the RDC/ISOS-DC on a daily basis. Refer to attached File Transfer Protocol (FTP) Job-aids (Annex A-3) to facilitate electronic transmission of files from RDO to RDC/ISOS-DC and from RDC/ISOS-DC to SOD. If data files was not transmitted electronically, state the date, time and reason for unsuccessful transmittal of data. Indicate the status of the data files whether transmitted or not in the Diskette Acknowledgement Report and on the stick-on label. Affix signature of responsible officer.
9. Forward to the receiving officer all the checked diskettes together with the accomplished Diskette Acknowledgement Report for purposes of updating the Diskette Register.
10. Record and update the condition and status of diskettes in the Diskette Register. Segregate the good diskettes from defective ones. Prepare and forward the transmittal list of VAT taxpayers who submitted good diskettes together with the diskettes to the Document Processing Section. A separate transmittal list for defective diskettes shall be prepared and forwarded together with diskettes to the TSS Chief.
11. The TSS Chief shall file the defective diskettes according to the assigned control number for easy retrieval upon replacement of diskettes. Prepare Letter -Request for Replacement of Diskette/s (Annex A-4) and send thru E-mail, fax, registered mail or personal delivery to the taxpayers who submitted defective diskettes for replacement.
12. Monitor compliance of all VAT Taxpayers required to submit SLSP by matching the list provided by the Document Processing Section/Large Taxpayers Document Processing and Quality Assurance Division (LTDPQAD) with the Diskette Register. Summarize Monthly List of Non-compliant VAT Taxpayers (Annex A-5) at the end of each month for monitoring purposes
13. Send thru registered mail or thru personal delivery Preliminary Notice (Annex A-6) to taxpayers who failed to submit SLSP/replace defective diskettes and impose penalty for late submission. If the taxpayers still failed to comply after five (5) days from the issuance of Preliminary Notice, a Final Notice (Annex A-7) should be sent by registered mail or by personal delivery. For the second offense, refer to the appropriate offices for issuance of subpoena duces tecum while for the third offense, initiate filing of criminal case against the taxpayer.
14. Prepare and forward to the concerned offices on or before the 15th day of the second month after the end of each calendar quarter the following reports using the data on the Diskette Register and the list of VAT taxpayers required to submit SLSP:
 - Quarterly Summary of Diskettes Received/Rejected/Transmitted (Annex A-8)

Original – RDC
Duplicate – SOD
Triplicate – Regional Office/LTS
Quadruplicate – AITEID
Quintuplicate – file copy

- Quarterly Report on VAT Taxpayers' Compliance (Annex A-9)

Original – Regional Office/LTS
 Duplicate – AITEID
 Triplicate - file copy

15. Receive the Quarterly RDC/ISOS-DC Summary of Electronically Received/Transmitted Data and Quarterly SOD Summary of Received/Uploaded Data and reconcile with Quarterly Summary of Diskettes Received/Rejected/Transmitted. Make the necessary action to resolve any discrepancy/ies.
16. Receive Monthly List of Unsuccessfully Uploaded Data from SOD and re-transmit SLSP data to RDC/ISOS-DC within five (5) working days from receipt.

A.2 The Document Processing Section of the Revenue District Office/Large Taxpayers Document Processing and Quality Assurance Division (LTDPQAD) shall:

1. Prepare a Masterlist of All VAT Taxpayers (Annex A-10) as of June 30, 2002 and every year-end thereafter to be submitted to AITEID not later than the 15th day after said period.
2. Prepare list of VAT taxpayers who are required to submit Summary List of Sales and Summary List of Purchases as of June 30, 2002 using the VAT Returns data filed for the second quarter of 2002. Update the list quarterly by including newly covered VAT taxpayers and deleting those who are no longer required to submit SLSP based on the current VAT return filed.
3. Provide a copy of the list/updated list to the TSS of RDO/LTDO/LTAD and AITEID on or before the 15th day of the second month after the end of the taxable quarter for monitoring purposes.
4. Receive from the TSS the Transmittal List of VAT taxpayers who submitted good diskettes together with the Diskette Acknowledgement Report and the diskettes for safekeeping.
5. Arrange good diskettes alphabetically and keep the diskettes together with the Diskette Acknowledgement Report in a secured area for storage after the data have been electronically transmitted to the RDC/ISOS-DC.

B. The Regional Office/Large Taxpayers Service shall:

1. Receive the following reports:
 - Quarterly Summary of Diskettes Received/Rejected/Transmitted
 - Quarterly RDC/ISOS-DC Summary of Electronically Received and Transmitted Data
 - Quarterly SOD Summary of Electronically Received and Uploaded Data
 - Quarterly Report on VAT Taxpayers' Compliance
2. Monitor RDO's/LTDO's reporting compliance and prepare the following consolidated reports for submission to AITED on the 20th day of the second month after the end of each calendar quarter:

- Regional/LTS Quarterly Summary of Diskettes Received/Rejected/Transmitted (Annex B)
 - Original – AITEID
 - Duplicate – SOD
 - TriPLICATE – RDC/ISOS-DC
 - Quadruplicate – file copy
- Regional/LTS Quarterly Report on VAT Taxpayers' Compliance (Annex B-1)
 - Original – AITEID
 - Duplicate – file copy

C. The Revenue Data Center (RDC)/ISOS-DC shall:

1. Receive electronically the Quarterly Summary Lists of Sales and Purchases data files from the RDO/LTAD/LTDO.
2. Create and maintain an automatic back-up file of all the SLSP data on a local PC for downloading to excel upon request or as needed by the RDO/LTDO/LTAID. The data shall have a retention period of three (3) years minimum to a maximum of ten (10) years.
3. Receive the Regional/LTS Quarterly Summary of Diskettes Received/ Rejected/ Transmitted. Prepare the Quarterly RDC/ISOS-DC Summary of Electronically Received and Transmitted Data (Annex C) on or before the 20th day of the second month following the end of the calendar quarter, distributed as follows:

Original – RDO/LTDO/LTAD
 Duplicate – SOD
 TriPLICATE – AITEID
 Quadruplicate – Regional Office/LTS
 Quintuplicate - file copy

4. Reconcile the number of files received based on the prepared Quarterly RDC/ISOS-DC reports with the number of files electronically transmitted by the RDO/LTDO/LTAD using the data on the submitted Regional/LTS Quarterly Summary of Diskettes Received. Prepare the RDC Exception Report for any discrepancy noted.

D. The Systems Operations Division (SOD), National Office shall:

1. Receive the SLSP data electronically transmitted from RDO/LTDO/LTAD thru RDC/ISOS- DC.
2. Upload on a daily basis SLSP data to Data Warehouse.
3. Identify and prepare Monthly List of Unsuccessfully Uploaded Data (Annex D). Request RDO for re-transmittal of taxpayer's data to RDC.
4. Receive the Regional Quarterly Summary of Diskettes Received/Rejected/Transmitted and the Quarterly RDC/ISOS-DC Summary of Electronically Received and Transmitted Data. Prepare Quarterly SOD Summary of Electronically Received and Uploaded Data (Annex D- 1) on or before the 20th day of the second month after the end of each calendar quarter, distributed as follows:

Original – RDO/LTDO/LTAS
Duplicate – RDC
Triplicate – Regional Office/LTS
Quadruplicate - AITEID
Quintuplicate - file copy

5. Reconcile the number of files received based on the prepared Quarterly SOD reports with the number of files electronically transmitted using the data on the submitted Quarterly RDC report. Prepare SOD Exception Report for any discrepancy noted.

E. The Audit Information, Tax Exemption and Incentives Division (AITEID) shall:

1. Receive the following reports to monitor compliance and refer to the concerned offices any discrepancy for resolution.
 - List of VAT-Registered Taxpayers as of June 30, 2002
 - Regional/LTS Quarterly Report on Taxpayers' Compliance
 - Regional Quarterly Summary of Diskettes Received/Rejected/Transmitted
 - Quarterly RDC/ISOS-DC Summary of Electronically Received and Transmitted Data
 - Quarterly SOD Summary of Electronically Received and Uploaded Data
2. Monitor and evaluate overall performance by the RDs/ACIR/RDOs/Division Chiefs as to the level of compliance on the submission of the required reports.
3. Submit to MANCOM, thru the DCIR-OG, not later than the 30th day of the second month following the deadline for the submission of the SLSP, a consolidated quarterly report of compliance results submitted by the RDO/LTDO/LTAD.

VI. REPEALING CLAUSE

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

VII. EFFECTIVITY

This Order takes effect immediately.

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue