

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

28 January 2011

**REVENUE MEMORANDUM ORDER No. 3-2011**

**SUBJECT:** CY 2011 Audit Criteria

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

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**I. OBJECTIVES**

1. To prescribe the criteria in the audit of 2010 tax returns by Revenue District Offices (RDOs), Large Taxpayers Service Audit Divisions and the National Investigation Division; and
2. To enhance taxpayers' voluntary compliance by encouraging payment of correct amount of internal revenue taxes through the exercise of the enforcement function of the Bureau.

**II. POLICIES AND GUIDELINES**

The following policies and guidelines shall be observed in the audit of 2010 tax returns by the Revenue District Offices:

1. All taxpayers are considered as possible candidates for audit.
2. Priority shall be given to the following taxpayers who render professional services:
  - Lawyers;
  - Doctors;
  - Engineers;
  - Accountants; and
  - Other Professionals.
3. Last Priority status for income tax audit shall be accorded to those taxpayers with an effective income tax rate of eighteen percent (18%) (Gross Income X 18%).

Taxpayers with the following effective VAT rate are also last in the priority for VAT audit:

- 3% or higher for sale of goods; and
- 6% for sale of service.

- 3.1 An exception to the Last Priority status shall be those taxpayers where there are findings / suspicions of under-declaration of sales / revenues.

**III. EFFECTIVITY**

This Order shall take effect immediately.

(Original Signed)  
**KIM S. JACINTO-HENARES**  
Commissioner of Internal Revenue