

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

March 29, 2012

**REVENUE MEMORANDUM ORDER NO. 13-2012**

**Subject** : Revised Guidelines and Procedures in Handling Letter Notices Generated Through Third-Party Information Data Matching with Tax Returns

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

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**I. OBJECTIVE**

This Order is issued to simplify guidelines, procedures and minimize processing time in handling Letter Notices (LNs) generated through the following third-party information (TPI) data matching programs:

- Reconciliation of Listing for Enforcement System - Summary List of Sales and Purchases (RELIEF);
- Bureau of Customs Data Program (BOC); and
- Tax Reconciliation System (TRS).

**II. COVERAGE**

This Order shall cover the income, value-added and/or percentage tax liabilities of individual and corporate taxpayers who are issued LNs based on the RELIEF, BOC and TRS TPI data matching programs.

**III. POLICIES**

1. As provided for under existing Revenue Memorandum Orders (RMOs) on RELIEF (i.e., RMO No. 30-2003, as amended), BOC (i.e., RMO No. 34-2004, as amended) and TRS (i.e., RMO No. 28-2007, as amended), as further amended by RMO Nos. 7-2010, taxpayers with discrepancy on their income, sales and/or purchases (domestic or imported) shall be notified of such findings through the issuance of a Letter Notice (LN).
2. RELIEF-BOC-TRS LN (Annex "A"), together with the Details of Taxpayer's Customers'/Suppliers' Records (DTCSR) (Annex "B-1") and/or Details of Importations with Return Information Matching (DIRIM) (Annex "B-2"), and Details of Withholding Agents/Payors and Payees/Income Recipients' Records (DWAPR) (Annex "B-3"), shall be generated based on the parameters determined and

discrepancy threshold set by the Commissioner of Internal Revenue (CIR) and to be deployed via the LN portal facility.

3. The LNs for any given taxable year shall be handled by the investigating office (Revenue District Office or Audit Division under the Large Taxpayers Service [LT Audit Division]) having jurisdiction over the taxpayer.
4. If there is an on-going audit/investigation pursuant to an electronic Letter of Authority (eLA) prior to LN assignment, the Revenue Officer (RO) handling the eLA shall also be assigned the LN. The said LN shall not be considered closed but shall be consolidated with the eLA. The TPI reflected in the LN shall be properly utilized and the extent of utilization shall be included in the report of investigation by the RO. The policy of non-closure of the eLA without the resolution of the LN shall be strictly enforced.
5. If an eLA is terminated before an LN is issued, the investigating office shall request the tax docket from the Assessment Division (AD) or Administrative Division (AdminD), as the case may be, for non-large taxpayers and Records Division for large taxpayers and shall ascertain whether the discrepancies reflected in the LN are in the report of investigation. If discrepancies are not included, the RO shall pursue action on the LN based on the procedures as prescribed herein. If the discrepancies are considered, the RO shall recommend cancellation of the LN and the tax docket shall contain the LN, photocopies of the Memorandum Audit Report, Working Papers showing reconciliation undertaken, BIR Form 0500 Series and other applicable documentary attachments.
6. The deficiency income, value-added and/or percentage taxes shall be computed using the formulas prescribed in the Computation Sheet hereto attached (Annexes "C", "C-1", "C-2", "C-3", and "C-4").
7. Taxpayer shall be entitled to abatement of surcharge, interest and compromise penalty provided he/she/it pays the basic deficiency tax(es) within thirty (30) days from receipt of the LN. The payment of deficiency taxes shall be made using Payment Form (BIR Form No. 0611-A) (Annex "D"). Any payment of tax liabilities beyond the thirty (30)-day period shall be assessed with the corresponding surcharge (if applicable), interest and compromise penalty. In both cases, an "Agreement Form" (Annex "E") shall be executed by the taxpayer or his/her/its duly authorized representative/tax agent indicating therein the amount and date when the deficiency tax(es) shall be paid.
8. Installment payment shall be allowed as settlement of the tax deficiencies arising from LN in case the total tax liabilities exceed five hundred thousand pesos (P500,000.00) for non-large taxpayers or ten million pesos (P10M) for large taxpayers. In this case, a written request for installment payment of the basic tax due plus increments using the Application for Installment Payment (Annex "F") must be accomplished. The corresponding interest on the basic tax due per installment shall be computed up to the date of payment as shown in the application. The payment shall be made using

Payment Form (BIR Form No. 0611-A). In case of default of any installment payment, the remaining balance of basic tax plus the increments shall become due and demandable immediately without prior notice to taxpayer.

9. The Revenue District Officer (RDO)/Chief, LT Audit Division shall recommend to the Regional Director (RD)/Assistant Commissioner – LTS (ACIR-LTS) the issuance of an issue-based eLA under certain situations as required under this Order.
10. RMC No. 40-2003 provides that LN issued to taxpayers can be considered a notice of audit or investigation insofar as amendment of any return covering the period referred to in the LN. Accordingly, a taxpayer shall be disqualified from amending his/her/its return covering the period referred to in the LN upon issuance of the same. Furthermore, RMO No. 55-2010 circularizes the decision of the Court of Tax Appeals in the case of Big AA Corporation v. Commissioner of Internal Revenue, C.T.A. Case No. 7093, February 22, 2006, which upheld the provisions of RMC No. 40-2003 relative to the treatment of LN, as a “*notice of audit or investigation*” in the absence of evident error or clear abuse of discretion.”
11. The settlement and payment of the deficiency tax(es) under an LN or issue-based eLA shall not preclude the Bureau from issuing an eLA covering the comprehensive audit of a taxpayer’s tax liabilities, if warranted. However, any payment of deficiency tax(es) shall be credited against any assessment that may be made by the investigating office pursuant to an eLA provided the discrepancies disclosed by said audit are of the same nature as the discrepancies reflected in the LN.
12. The AD and concerned Office of the Head Revenue Executive Assistant – Large Taxpayers Service (OHREA-LTS) for non-large and large taxpayers, respectively, shall evaluate, review and monitor the action taken on the LN by the investigating offices. However, only those applicable functions shall be performed by the concerned OHREA-LTS.
13. The taxpayer who fails to settle his/her/its tax liabilities resulting from LN discrepancy shall be issued any or a combination of the following actions:
  - a) Issuance of eLA under certain situations and/or Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) in accordance with the provisions of Revenue Regulations (RR) No. 12-99;
  - b) Imposition of administrative sanction of suspension and temporary closure of business establishment in accordance with the provisions of RMO No. 3-2009 (Oplan Kandado) if the under-declaration is thirty percent (30%) or more may be recommended;
  - c) Issuance and enforcement of the Subpoena Duces Tecum (SDT) in strict compliance with procedures enunciated in RMO No. 88-2010 and other applicable pertinent revenue issuances. After compliance with procedures on the issuance and enforcement of the SDT, docket shall be endorsed to the Office of the Regional Director (ORD)/Office of Assistant Commissioner – LTS (OACIR-LTS) through the AD/concerned OHREA-LTS for issuance of PAN/FAN in

accordance with the provisions of Revenue Memorandum Circular (RMC) No. 23-2000.

14. A *Revalida Committee* in the National Office shall be created to be headed by the CIR to conduct post review of the processes in the LN generation and its deployment, audit reports of investigation on LNs of erring ROs, and selected LN dockets acted upon (e.g., cancelled, closed, paid/assessed cases, etc.). A separate Revenue Special Order shall be issued for the purpose.
15. For LN originally assigned (with eLAs [either the investigation is on-going or terminated] or without eLAs issued) or assumed (referred to another RO), the RO assigned shall resolve the LN discrepancy within thirty (30) days from receipt of original assignment/referral. The RD/ACIR-LTS shall direct the ROs to act without delay on the resolution of the LN discrepancy. After the lapse of the thirty (30)-day period and there is no resolution or action taken, except when RO performs other necessary procedures as herein required and/or recommends imposition of administrative sanction of suspension and temporary closure of business establishment under RMO No. 3-2009 or recommends the issuance and enforcement of SDT under RMO No.88-2010 and other applicable pertinent revenue issuances, the RDO/Chief, LT Audit Division shall submit the list of taxpayers/LNs and the names of the ROs to the ORD/OACIR-LTS for transmittal to the Office of the Commissioner of Internal Revenue (OCIR). The CIR shall refer the lists of the taxpayers/LN to the Revalida Committee for appropriate action and the names of the erring ROs to Inspection Service for the issuance of a Show-Cause Order. Appropriate sanctions against erring ROs shall be imposed, if warranted.
16. Activities and accomplishments of the investigating offices relative to this Order shall be monitored by the OCIR and the concerned offices, i.e., Office of Deputy Commissioner – Operations Group, Audit Information Tax Exemption and Incentives Division (AITEID), etc., based on key performance indicator (KPI).

#### **IV. GUIDELINES AND PROCEDURES**

##### **A. Office of the Commissioner of Internal Revenue**

1. Determine the parameters and set the discrepancy threshold for the generation of LNs.
2. Set the KPI of a given taxable year on LN performance by the investigating office.
3. Receive from AITEID the original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, of the following taxpayers for further appropriate action/decision:
  - a. Taxpayers enjoying tax exemption under Section 30 of the Tax Code, as amended, and incentives granted by other Investment Promotion Agencies

- (IPAs) such as the Board of Investments (BOI), Philippine Export Zone Authority (PEZA), etc.;
- b. Taxpayers whose total sales or receipts is classified as zero-rated or effectively zero-rated transactions under Sections 106 and 108 of the Tax Code, as amended; and
  - c. Government agencies and instrumentalities except government-owned and controlled corporations (GOCCs) that are subject to income, value-added and/or percentage taxes.
4. Receive from the ORD/OACIR-LTS the consolidated lists of taxpayers/LNs and refer to the Revalida Committee for appropriate action and names of the erring ROs to Inspection Service for the issuance of a Show-Cause Order.
  5. Monitor all activities and accomplishments of the concerned offices based on the KPI.

## **B. Information Systems Group**

### **B.1 Data Warehouse Team (DWT)**

1. Activate the processes needed for LN generation based on the parameters determined and discrepancy threshold set by the CIR.
2. Transmit electronically to investigating offices the generated LNs, together with the DTCSR/DIRIM/DWAPR, copy furnished the OCIR/ORD/OACIR-LTS/AITEID/AD/concerned OHREA-LTS of the master list of LNs.
3. Transmit electronically to the ORD/OACIR-LTS the details of cancelled LNs due to issues on data integrity.
4. Segregate and forward to AITEID the original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, of taxpayers classified under item IV(A.3).
5. Receive from ORD/OACIR-LTS request for generation of validated LNs, together with the DTCSR/DIRIM/DWAPR, previously classified as cancelled due to issues on data integrity, as well as notice of filing with the AdminD/Records Division those that are invalid and perform the procedures under item IV(B)(B.1)(2).
6. Receive from AITEID the following:
  - a. Lists of LNs of taxpayers classified under item IV(A.3) previously transmitted to the investigating offices but were returned to AITEID for transmittal to the OCIR, if any;
  - b. Original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, and other documentary proofs (e.g., print-out of updated ITS-REG data,

etc.) for regeneration (i.e., taxpayers who transferred to another investigating office prior to the assignment of LNs to ROs, ITS-REG data information error, etc.).

7. Regenerate LNs, together with the DTCSR/DIRIM/DWAPR, of taxpayers who transferred their respective registration to another investigating office or with ITS-REG data information error after confirmation of the resolution of registration-related discrepancies by the concerned investigating offices.

## **B.2 Security Management Division (SMD)**

1. Receive from the investigating offices and ORD/OACIR-LTS/AD/OHREA-LTS the System Access Form (BIR Form No. 0044) (Annex "G").
2. Provide system access rights and privileges to the LN portal facility to the concerned offices for the verification and validation of the details of the LN data.

## **C. Audit Information Tax Exemption and Incentives Division**

1. Receive from DWT the electronic copy of the master list of LNs.
2. Receive from DWT and investigating offices the original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, of taxpayers classified under item IV(A.3), if any.
3. Receive from investigating offices the original copies of LNs, together with the DTCSR/DIRIM/DWAPR, and other documentary proofs (e.g., print-out of updated ITS-REG data, etc.) for regeneration (i.e., taxpayers who transferred to another investigating office prior to the assignment of LNs to ROs, ITS-REG data information error, etc.).
4. Receive from investigating offices/AD/concerned OHREA-LTS the Monthly Status/Accomplishment Report on Letter Notices (Annex "H").
5. Update status of LNs in the LN masterlist based on the Monthly Status/Accomplishment Report on Letter Notices.
6. Transmit to OCIR the original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, of taxpayers classified under item IV(A.3) originating from DWT and investigating offices.
7. Transmit to DWT the following:
  - a. Lists of LNs of taxpayers classified under IV(A.3) originating from the investigating offices; and

- b. Original copies of LNs, together with the DTCSR/DIRIM/DWAPR, and other documentary proofs (e.g., print-out of updated ITS-REG data, etc.) for regeneration (i.e., taxpayers who transferred to another investigating office prior to the assignment of LNs to ROs, ITS-REG data information error, etc.).
8. Prepare the following consolidated reports based on accomplishment reports submitted by the investigating offices and Assessment Division/OHREA-LTS:
    - a. Management reports;
    - b. Assessment and collection;
    - c. KPI on LN performance (e.g., 80% served, 50% under audit/investigation, P1M collection) as determined by the CIR.
  9. Provide top management with the data and reports as may be required.
  10. Monitor all activities by the investigating offices based on the KPI.

#### **D. Investigating Offices**

1. Download and acknowledge electronically the receipt of the LNs consisting of the following:
  - a. Master list of LNs;
  - b. LNs (RELIEF-BOC and TRS);
  - c. DTCSR;
  - d. DIRIM; and/or
  - e. DWAPR.

In case of system unavailability, receive soft copy of the above from the respective RDC.

2. Fill up and submit to SMD the System Access Form for the grant of system access to the LN portal facility to be used for validation of LNs.
3. Validate the LNs using the following guidelines and procedures:
  - a. Verify if taxpayer is classified under item IV(A.3) and transmit to AITEID the original copies of the LNs, together with the DTCSR/DIRIM/DWAPR.
  - b. Perform 100% validation on the remaining LNs:
    - i. Access the Integrated Tax System – Registration (ITS-REG) for basic taxpayer information (e.g., name/trade name, address and RDO code), match the information indicated in the LN, and proceed with the validation on the matched data.
    - ii. RELIEF-BOC LN
      - Access ITS – Returns Processing System (RPS) the Quarterly VAT Return (BIR Form 2550Q) for four (4) quarters and match with the amounts reflected in the LN/DTCSR/DIRIM.
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- Obtain hard copies of all aforementioned tax returns/attachments duly filed by concerned taxpayer with the district office or through the Electronic Filing and Payment System (EFPS).
  - Access and download the TPI data (e.g., SLS, SLP and BOC data) from the LN portal facility for matching with the LN/DTCSR/DIRIM.
  - Proceed with the validation of the matched data.
- iii. TRS LN
- Access ITS-RPS for the following:
    - Annual Information Return of Creditable Income Tax Withheld (Expanded)/Income Payments Exempt from Withholding Tax (Form 1604-E).
    - Annual Income Tax Return (BIR Form 1701/1702).
    - Quarterly VAT Returns for four (4) quarters/Monthly Percentage Tax Return for twelve (12) months (BIR Form 2550Q/2551M, whichever is applicable).
  - Obtain hard copies of all aforementioned tax returns/attachments duly filed by concerned taxpayer with the district office or through the EFPS.
  - Compare the amounts reflected in the accessed returns from ITS-RPS and/or hard copies of returns with the figures reflected in the LNs.
  - Access and download the updated TPI data (e.g., Gross sales/Income payments per Alphalist of Payees Subjected to Expanded Withholding Taxes and the amount of tax withheld) from the LN portal facility.
  - Match the figures reflected in the downloaded TPI data from LN portal facility with the figures reflected in the LN/DWAPR with regard to the gross sales/income declarations and tax withheld per Alphalist of all Payors.
  - Proceed with the validation of the matched data.
- c. Forward to AITEID the original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, and other documentary proofs (e.g., print out of updated ITS-REG data, etc.) for regeneration ((i.e., taxpayers who transferred to another investigating office prior to the assignment of LNs to ROs, ITS-REG data information error, etc.).

However, and prior to transmission of the documents to AITEID, all the registration-related discrepancies/findings (i.e., unmatched address, error in RDO code, error in tagging as VAT exempt entity, etc.) shall first be resolved by the investigating offices such as, but not limited to, updating of registration data in the ITS-REG.

- d. Recommend to the RD/ACIR-LTS the issuance of eLAs on LNs (DTCSR/DIRIM/DWAPR) with different or irreconcilable figures/data after actual validation of the total discrepancy as compared to the sourced data from the ITS, etc. (e.g., discrepancy in the amount of gross sales/purchases per LN as against amount of sales/purchases per verification with the ITS-RPS and the manually filed returns [IT/VAT/Percentage/Monthly Remittance



{Creditable Income Taxes Withheld} Annual Information] and Alphalist of Payees Subjected to Expanded Withholding Taxes, insufficiency of data, with ITS error (i.e., due to erroneous encoding, incorrect taxable year, multiple same line entries on the details of DTCSR/DIRIM/DWAPR), etc.

4. Assign to ROs the validated LNs, together with the DTCSR/DIRIM/DWAPR, to be served personally to the concerned taxpayers.

LN's which remain unserved due to failure to locate the taxpayers after exhausting all possible or available means must strictly comply with the requirements on the publication of their status as "Cannot Be Located" taxpayers, cancellation of their registration, and assessment of the deficiency taxes following the guidelines and procedures under RMC 98-2010 and unnumbered memorandum of the CIR dated April 28, 2011, as amended.

5. Maintain a separate record of all LNs assigned to ROs for accountability which shall contain the following information:
  - a. LN Number (system-assigned control number);
  - b. Name of Taxpayer issued LN;
  - c. TIN of taxpayer;
  - d. Period Covered;
  - e. Name of RO assigned to handle the LN;
  - f. Date of Assignment; and
  - g. Remarks.
6. Request from AD or AdminD for non-large taxpayers and Records Division for large taxpayers the tax dockets with eLA already terminated, and ascertain whether the discrepancies reflected in the LN were considered in the report of investigation. If discrepancies are not included, the RO shall pursue action on the LN based on the procedures as prescribed herein. If discrepancies are considered, the RO shall recommend the cancellation of the LN.

In all cases, RO shall resolve LN discrepancy within thirty (30) days from receipt of the original assignment/referral.

7. After service of the LN, RO shall compute the deficiency taxes and prepare the Computation Sheets subject, however, to the following procedures:

Discrepancy on sales only:

- a. The RO shall reconcile on a per line-by-line basis the discrepancy reflected on the RELIEF-BOC-TRS LN;
- b. If the discrepancy in the RELIEF-BOC-TRS LN originated from the same customer/client/payor, the RO shall get the higher discrepancy;
- c. If the discrepancy from RELIEF-BOC-TRS LN originated from different customer/client/payor, the RO shall add the discrepancy from both to arrive at the total discrepancy on sales.

Discrepancies on sales and/or purchases:

- a. If the discrepancies on RELIEF-BOC-TRS LN are for both sales and purchases, the RO shall compare the resulting additional income on the discrepancies and use the higher additional income between the two (2) sources of discrepancies for assessment purposes;
- b. If the discrepancy on purchases is not directly attributable to discrepancy on sales, the RO shall add the discrepancy on sales (additional income) and the additional gross income from the discrepancy on purchases.

In all cases, before the RO shall compute the deficiency taxes, the reconciliation of the discrepancy/ies in the LN must be made.

Furthermore, the RO shall apply the audit procedures in handling and resolution of issues related to the LN based on applicable existing Revenue Audit Memorandum Orders and other pertinent revenue issuances.

8. Request from the taxpayer who was issued an LN to furnish the soft copy(ies) of the following within five (5) days from receipt of the said request:
  - a. Summary List of Purchases (SLP) – if discrepancy in on sales;
  - b. Summary List of Sales (SLS) and Annual Information Return of Creditable Income Tax Withheld (Expanded)/Income Payments Exempt from Withholding Tax (Form 1604-E) with the Alphalist of Payees Subjected to Expanded Withholding Taxes – if discrepancy is on purchases or if the data is incomplete or not available in the LN portal facility.

In case of taxpayer's failure to comply with the request, the issuance and enforcement of SDT shall be recommended pursuant to RMO No. 88-2010 and other applicable pertinent revenue issuances.

9. Send a Confirmation Request from TPI sources attesting to the veracity of the data included in the LN package (Annexes "I" and "I-1").

If no response from the TPI source after the lapse of five (5) days from service of Confirmation Request, the RO may consider the data in the LN package to be true and correct. However, if there is/are TPI source/s located outside of the jurisdiction of the investigating office, the RO shall send the Confirmation Request to the taxpayer through registered mail with Registered Return Card and wait for the lapse of ten (10) days after mailing thereof before proceeding to the next step. The RO shall recommend the issuance of an eLA and the filing of a perjury case against the TPI source for declaring overstated purchases/understated sales. In case the TPI source/s is/are located outside of the jurisdiction of the investigating office, the RO shall recommend to the concerned RD/ACIR-LTS the issuance of eLA and the filing of a perjury case against the TPI source for declaring overstated purchases/understated sales.

If the TPI source did not agree with the discrepancy reflected in the LN (DTCSR/DIRIM/DWAPR), he/she/it must be required to execute a Sworn Statement to that effect and state his/her/its true and correct sales/purchases (Annex “J” and “J-1”). The RO shall recommend the issuance of an eLA and the filing of a perjury case against the TPI source for the erroneous declaration in the submitted SLS/SLP/information return or supplying incorrect information. In case the TPI source/s is/are located outside of the jurisdiction of the investigating office, the RO shall recommend to the concerned RD/ACIR-LTS the issuance of eLA and the filing of a perjury case against the TPI source for declaring overstated purchases/understated sales.

10. Issue a *Follow-up Letter* (Annex “K”) if the taxpayer fails to respond within five (5) days from receipt of LN and if no response is received from the taxpayer within the said period or he fails to submit the required documents after filing his/her/its protest within ten (10) days after receipt of the LN, the RO shall endorse the docket and recommend to the RD/ACIR-LTS through the AD/concerned OHREA-LTS the issuance of *Notice for Informal Conference* (Annex “L”), together with the DTCSR/DIRIM/DWAPR and Response to Findings Pursuant to Section 228 of the NIRC of 1997, as amended, (Annex “L-1”) shall be served to the taxpayer within thirty (30) days from issuance thereof.

If the taxpayer fails to settle his/her/its tax liabilities within five (5) days from receipt of *Notice for Informal Conference*, together with the DTCSR/DIRIM/DWAPR and Response Form, the investigating office shall endorse immediately the docket to the ORD/OACIR-LTS through the AD/concerned OHREA-LTS for any or a combination of the following actions:

- a) Issuance of Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) in accordance with the provisions of RR No. 12-99;
  - b) Imposition of administrative sanction of suspension and temporary closure of business establishment in accordance with the provisions of RMO No. 3-2009 (Oplan Kandado) if the under-declaration of sales, receipts and income is thirty percent (30%) or more may be recommended;
  - c) Issuance and enforcement of the SDT in strict compliance with procedures enunciated in RMO No. 88-2010 and other applicable pertinent revenue issuances. After compliance with procedures on the issuance and enforcement of the SDT, docket shall be endorsed to the ORD/OACIR-LTS through the AD/concerned OHREA-LTS for issuance of PAN/FAN in accordance with the provisions of RMC No. 23-2000.
11. Receive from taxpayer who refutes the accuracy of the figures in the LN (e.g., due to erroneous encoding or due to timing differences, etc.) documentary proofs, reconciliation schedules, etc. in support of his/her/its arguments within ten (10) days from receipt of the LN. Evaluate, review and compute the deficiency income, value-added and/or percentage taxes based on the corrected/adjusted taxable base plus increments. If there are no documentary proofs or there are incomplete documentary requirements submitted by the taxpayer within the

prescribed period in support of his/her/its protest, follow the applicable procedures as herein prescribed.

12. Receive from taxpayer the duly accomplished Application for Installment Payment, if applicable. The interest corresponding to the basic tax due per agreed installment plan shall be computed up to the date of payment as shown in the application. Evaluate and recommend the approval of the application in accordance with the conditions under item III(8) of this Order; otherwise, recommend the disapproval thereof if there is a deviation from the payment scheme. Monitor and keep track the payments of taxpayers with approved requests for installment payments.

Classification	Total Amount of Tax Liabilities	Frequency	Approving Official
Non-large taxpayer	Exceeds five hundred thousand pesos (P500,000.00) but not more than three million pesos (P3.0M)	Two (2) equal monthly installment	Regional Director
	Exceeds three million pesos (P3.0M) but not more than ten (10) million pesos (P10.0M)	Three (3) equal monthly installment	
	Exceeds ten million pesos (P10.0M)	Six (6) equal monthly installment	
Large Taxpayer	Exceeds ten million pesos (P10M) but not more than thirty million pesos (P30.0M)	Two (2) equal monthly installment	ACIR-LTS
	Exceeds thirty million pesos (P30.0M) but not more than fifty million pesos (P50.0M)	Three (3) equal monthly installment	
	Exceeds fifty million pesos (P50.0M)	Six (6) equal monthly installment	

13. Submit to AD/OHREA-LTS LN dockets for paid cases within ten (10) days after the payment of deficiency taxes for approval/disapproval by the RD/ACIR-LTS. Likewise, the LN dockets for assessed cases shall be submitted to AD immediately after affixture of signature on the reports by the RDO/Chief, LT Audit Division for issuance of PAN/FAN in accordance with RR No. 12-99.

14. Forward to AD the following LN dockets:
  - a. For cancellation of LNs, if the discrepancy is considered in the audit case of taxpayers covered by eLAs already terminated;
  - b. For closure of LNs consolidated with eLAs, either paid or assessed, if the discrepancy is considered in the audit case of taxpayers; and

- c. Other LNs recommended for cancellation/closure, e.g., no discrepancy, etc.
15. Submit to the ORD/OACIR-LTS the list of taxpayers/LNs and the names of erring ROs referred to in item III(15), in relation to item III(14) of this Order, for transmittal to the OCIR within five (5) days following the close of each month.
16. Act on all protests by taxpayers requesting reinvestigation or reconsideration on the PAN/FAN within ten (10) days after receipt of the protest letter/tax docket referred by the AD. If the protest letter is filed with the investigating office, request immediately the retrieval of the tax docket from AD or AdminD for non-large taxpayers, as the case may be, and the Records Division for large taxpayers and proceed with the evaluation thereof in accordance with the provisions of RR No. 12-99.
17. Prepare and submit to AITEID the Monthly Status/Accomplishment Report on Letter Notices within ten (10) days following the close of each month, copy furnished the ORD/OACIR-LTS/AD/concerned OHREA-LTS.

Cancelled/Closed LNs that were either paid or assessed, for regeneration, etc. shall be excluded in the report on the following month after their cancellation, closure, etc. However, cases issued with PAN/FAN which are validly protested for reinvestigation/reconsideration shall be included in the report for the month the tax docket is received from the AD/Admin or Records Division, as the case may be.

18. Monitor activities and evaluate the performance of ROs relative to the LNs assigned to them based on KPI.

**E. Office of the Regional Director/Office of the Assistant Commissioner - Large Taxpayers Service**

1. Receive from DWT the electronic copy of the master list of LNs.
2. Fill up and submit to SMD the System Access Form for the grant of system access to the LN portal facility to be used in the review of LNs classified as cancelled due to issues on data integrity.
3. Ascertain the validity of the cancelled LNs due to issues on data integrity based on the LN masterlist received from DWT. If valid, prepare request and forward to DWT for generation of the LNs, together with the DTCSR/DIRIM/DWAPR; otherwise, file the LNs with the AdminD/Records Division and inform DWT of the action taken thereon.
4. Receive from investigating office through the AD/OHREA-LTS, if applicable, the LNs of taxpayers that were acted upon for approval/disapproval, e.g., classified under IV(A.3), recommended for cancellation and closure, regeneration, report of

investigation on paid cases, request for issuance of eLAs, issuance of PAN/FAN, recommendation on imposition of administrative sanction of suspension and temporary closure of business establishment, Application for Installment Payment, etc.

5. Endorse to Legal/Law Division LN cases that were recommend for issuance of SDT.
6. Transmit to OCIR the consolidated list of taxpayers/LNs and the names of erring ROs referred to in item III(15), in relation to item III(14) of this Order, within ten (10) days following the close of each month.
7. Receive from investigating office/AD/concerned OHREA-LTS the Monthly Status/Accomplishment Report on Letter Notices.
8. Monitor all activities/accomplishments by the investigating offices.

**F. Assessment Division/Concerned Office of the Head Revenue Executive Assistant – Large Taxpayers Service**

1. Receive from the DWT the electronic copy of the master list of LNs.
2. Fill up and submit to SMD the System Access Form for the grant of system access to the LN portal facility to be used in the review of LNs.
3. Forward to the investigating office the tax dockets with eLAs already terminated to ascertain whether or not the discrepancies reflected in the LNs were considered in the report of investigation. If the discrepancies were not included, the RO shall pursue action on the LNs based on the procedures as prescribed in this Order. If the discrepancies were considered, the RO shall recommend the cancellation of the LNs.
4. Receive from investigating office the LN dockets and conduct appropriate review based on the prescribed procedures on the action taken on the LNs with respect to the extent of discrepancy utilization/payment of deficiency taxes and forward the same to the ORD/OACIR-LTS for approval/disapproval thereof:
  - a. Original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, of taxpayers classified under IV(A.3);
  - b. Original copies of the LNs, together with the DTCSR/DIRIM/DWAPR, and other documentary proofs (e.g., print-out of updated ITS-REG data, etc.) for regeneration, (i.e., taxpayers who transferred to another investigating office prior to the assignment of LNs to ROs, ITS-REG data information error, etc.);
  - c. For cancellation of LNs, if the discrepancy is considered in the audit case of taxpayers covered with eLAs already terminated;

- d. For closure of LNs consolidated with eLAs, either paid or assessed (for issuance of PAN/FAN), if the discrepancy is considered in the audit case of taxpayers;
  - e. Application for Installment Payment;
  - f. Other LN dockets recommended for cancellation/closure by the investigating office, e.g., no discrepancy, etc.
5. Prepare and submit to AITEID the Monthly Status/Accomplishment Report on Letter Notices within ten (10) days following the close of each month, copy furnished the ORD/OACIR-LTS.
  6. Evaluate the protest of the taxpayer, either for reinvestigation or reconsideration, on the PAN/FAN in accordance with the provisions of RR No. 12-99.
    - a. If the protest is valid, refer the case to the investigating office within five (5) days from receipt of the protest letter for appropriate action on the request for reinvestigation or reconsideration.
    - b. If the protest, however, is not valid, taxpayer shall be informed in writing that his/her/its request for reinvestigation or reconsideration has been denied and the case shall be referred to the appropriate BIR office to effect collection of the deficiency tax(es).
  7. Receive the Monthly Collection and Status Report on Letter Notices.

**G. Legal Division/Prosecution Division**

1. Receive from ORD/OACIR-LTS recommendation for issuance of SDT on the following:
  - (a) For failure of the LN recipient to settle his/her/its tax liabilities within five (5) days from receipt of the eLA under certain situations and/or *Notice for Informal Conference*, together with the Response to Findings;
  - (b) For failure of the LN recipient to comply with the request for the submission of the soft copies of the SLP, SLS and Annual Information Return of Creditable Income Tax Withheld (Expanded)/Income Payments Exempt from Withholding Tax (Form 1604-E) with the Alphalist of Payees Subjected to Expanded Withholding Taxes.
2. Receive from concerned taxpayer/s the documents required through the SDT issued.
3. Forward to the investigating offices all documents submitted by the taxpayer in compliance with the SDT.
4. Receive list of LN recipients who did not obey with the summons contained in the SDT and file the appropriate criminal cases for violation of Section 266 of the NIRC of 1997, as amended.

## **H. Inspection Service**

1. Receive from the OCIR the list of names of ROs who did not comply with the 30-day resolution rule.
2. Send Show-Cause Order to the concerned RO who failed to comply with the 30-day resolution rule.
3. Conduct the necessary investigation to determine the reason for non-compliance with the 30-day resolution rule.
4. Impose the appropriate sanctions against any erring employee, if warranted.
5. Submit to OCIR report of action taken on item 1 above within fifteen (15) days after the close of each month.

## **V. TRANSITORY PROVISIONS**

1. The herein procedures shall be used in the resolution of issues on 2009 and 2010 LNs issued prior to the effectivity of this Order, if applicable.
2. The 2011 LNs shall use RELIEF-BOC LN (Annex “A-1”) and TRS LN (Annex “A-2”) together with Details of Taxpayer’s Customers’/Suppliers’ Records (DTCSR) (Annex “B-1”) and/or Details of Importations with Return Information Matching (DIRIM) (Annex “B-2”), and Details of Withholding Agents/Payors and Payees/Income Recipients’ Records (DWAPR) (Annex “B-3”) until such time that the new template for the consolidated LN (RELIEF-BOC-TRS LN [Annex “A”]) is in place. If a taxpayer is issued RELIEF-BOC LN and TRS LN, both LNs shall be handled by one and the same RO.

## **VI. REPEALING CLAUSE**

All other issuances and/or portions thereof inconsistent herewith are hereby repealed, modified or amended accordingly.

## **VII. EFFECTIVITY**

This Order shall take effect immediately.

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