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

April 1, 2014

REVENUE MEMORANDUM CIRCULAR NO. 34-2014

SUBJECT: Clarification Regarding Doubtful Validity of Assessment Relative to its Application to the Provisions of Revenue Regulations No. 30-2002

TO : All Internal Revenue Officers and Others Concerned

This Circular is issued to clarify the rule on whether or not an assessment resulting from jeopardy/arbitrary assessment or which was based on "best evidence obtainable" method could be considered as a "doubtful assessment" contemplated in Section 3 of Revenue regulations No. 30-2002 in so far as compromise settlement application is concerned.

Revenue Regulations No. 30-2002 cited two grounds wherein taxpayers could avail of the compromise settlement pursuant to Section 204 (A) of the Tax Code, namely: "financial incapacity" and "doubtful validity of the assessment". It was provided under Section 3.1 of the aforesaid regulations that -

"x x x

The offer to compromise a delinquent account or disputed assessment on the ground of reasonable doubt as to the validity of the assessment may be accepted when it is shown that:

(a) The delinquent account or disputed assessment is one resulting from a jeopardy assessment (For this purpose, "jeopardy assessment" shall refer to a tax assessment which was assessed without the benefit of complete or partial audit by an authorized revenue officer, who has reason to believe that the assessment and collection of deficiency tax will be jeopardized by delay because of the taxpayer's failure to comply with the audit and investigation requirements to present his books of accounts and/or pertinent records, or to substantiate all or any of the deductions, exemptions, or credits claimed in his return); or

(b) The assessment seems to be arbitrary in nature, appearing to be based on presumptions and there is reason to believe that it is lacking legal and/or factual basis; or

x x x

(g) Assessments made based on the "Best Evidence Obtainable Rule" and there is reason to believe that the same can be disputed by sufficient and competent evidence; or

x x x"

It is, however, clarified that an assessment based on "Best Evidence Obtainable Rule" should not be automatically considered as a doubtful assessment. Scrutiny as to the surrounding circumstances that led to the issuance of such an assessment (e.g., assessments based on Revenue Memorandum Circular No. 23-2000, RMC No. 99-2010, etc.) should be thoroughly evaluated. The taxpayer's failure to present or submit the required documents necessary to make the assessment of its tax liability makes it incumbent to the Bureau to resort to the application of the best evidence obtainable method to recover unpaid taxes due the government. Therefore, any assessment made as a result thereof is presumed prima facie correct and sufficient for all legal purposes.

All revenue officials and employees are enjoined to give this Circular the most extensive publicity as possible.

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

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