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

October 26, 2006

Revenue Memorandum Circular No. 66-2006

SUBJECT : Clarification to Revenue Regulations No. 15-2006 Implementing Section 204 (B) of the Tax Code, as amended.

TO : All Internal Revenue Officers and Others Concerned

This Revenue Memorandum Circular is issued to clarify issues in the implementation of Revenue Regulations No. 15-2006 and Revenue Memorandum Order No. 23-2006.

Q-1 If a taxpayer has a pending Application for Abatement under RR No. 13-2001 and has already paid 100% of the basic tax, can he still avail of the provisions of RR No. 15-2006?

A-1 Yes, the office handling the case under the previous Abatement Program shall process, evaluate and prepare a Termination Letter for the signature of the Commissioner of Internal Revenue and, thereafter, an Authority to Cancel Assessment (ATCA) shall be prepared and processed in accordance with existing rules and procedures (RDAO No. 6-2001). There is no need for the taxpayer to file another application under RR No. 15-2006.

Q-2 If a taxpayer has a pending Application for Abatement under RR No. 13-2001 and has already paid 100% of the basic tax and any of the penalties (interest or surcharge or compromise penalty), can he still avail of the provisions of RR No. 15-2006?

A-2 No, the abatement program under RR No. 15-2006 shall not be available to taxpayer who has already paid any portion of increments on their tax liabilities.

Q-3 If the assessments issued are only for interest and penalties, will the taxpayer qualify to avail of RR No. 15-2006?

A-3 No, the Abatement Program under RR No. 15-2006 is not available for assessments consisting only of interest and penalties. However, taxpayers can still have recourse under RR No. 13-2001.

Q-4 If the taxpayer has an approved installment plan on his tax liability that includes the basic tax and the corresponding interest and penalties, can he still avail of the Abatement Program under RR No. 15-2006?

A-4 No, the taxpayer can no longer avail of the Abatement Program under RR No. 15-2006, since the taxpayer has already agreed / committed to such payment scheme.

Q-5 If the tax liability of the taxpayer was a result of a confidential information, can he avail of RR No. 15-2006?

A-5 Only if the Commissioner will allow the taxpayer on meritorious circumstances, with the prior concurrence of the person who provided the confidential information.

Q-6 If the taxpayer has pending Application for Abatement under RR No. 13-2001 on No Payment Return, can he avail of RR No. 15-2006?

A-6 No. For purposes of this question, the term "No Payment Return" means a tax return filed without any tax due reflected thereon or an information return which basically shows no tax due on the face thereon.

Q-7 Under meritorious cases, if the Abatement Case was allowed to be paid on staggered / installment basis, is the staggered payment subject to interest until fully paid? How long will the BIR allow the taxpayer to pay in installment?

A-7 The staggered payment shall be subject to interest from the date of the prescribed first installment payment until date of actual payment. The period within which the BIR may allow the taxpayer to pay in installment under such meritorious cases shall be determined on a case to case basis, depending on the circumstances of the taxpayer; Provided, that in no case shall the said period exceed one(1) year from the prescribed agreed first installment payment date.

Q-8 What does a self-assessed tax mean under Revenue Regulations No. 15-2006?

A-8 The term "self-assessment" means determination of tax due on the face of a tax return which has been filed with the BIR, thru the Accredited Agent

Banks (AABs) or the Revenue Collecting Officers in the areas without AABs, as of June 30, 2006, but the tax due reflected thereon has not been paid.

Q-9 How about tax return with self-assessed tax, but has not yet been paid, which was inadvertently or erroneously filed with the BIR offices and not with the AAB as of June 30, 2006, will it qualify for Abatement under RR No. 15-2006?

A-9 No, only self-assessed tax, which was not yet paid, duly filed before the concerned AAB as of June 30, 2006 will qualify for abatement under RR No. 15-2006.

Q-10 What does "Accounts Payable or Due to BIR" accounts duly recorded or acknowledged in the books of accounts of the taxpayer mean in Revenue Regulations No. 15-2006?

A-10 The term "Accounts Payable or Due to BIR" means that the liability to the BIR has been duly acknowledged by the taxpayer, as reflected in its Books of Accounts and / or Financial Statements duly filed with the BIR or its equivalent.

Q-11 Upon payment of 100% of the basic tax, what procedures shall be followed before a Termination Letter shall be issued?

A-11 If the taxpayer's case falls under any of the circumstances mentioned in RR No.15-2006, the same will be processed, evaluated and if warranted, a Termination Letter shall be issued upon payment of 100% of the basic tax. Unlike the previous Abatement or Compromise Settlement programs, taxpayers can avail of the Abatement Program under RR No. 15-2006 without undergoing the tedious process of submitting so many documents, detailed evaluation and verification of their offer.

Q-12 Can taxpayers with stop-filer cases avail of the abatement program?

A-12 No.

Q-13 If the reason of a taxpayer applying for abatement is because of recognition of the account "Accounts Payable or Due to BIR" in its Books of Accounts / Financial Statements or its equivalent, how are we going to determine the taxpayer's admitted payable?

A-13 The taxpayer shall submit an affidavit under oath and a copy of the Audited Financial Statements together with certified copies of the subsidiary ledgers reflecting the liability to the BIR.

Q-14 Scenario. A taxpayer has filed a VAT return prior to June 30, 2006, however, upon analysis of his filed return the taxpayer found out that he over-claimed his input tax. If ever he files an amended return after June 30, 2006, will it be covered by the program?

A-14 No, only tax returns, with admitted tax liabilities upon filing on or before June 30, 2006 are covered by the program.

Q-15 For Letter Notice cases, what will be their base amount for purposes of availment under this program?

A-15 The basic tax appearing on the Letter Notice shall be the base amount for purposes of availment under this program. Any question on the correctness of the basic tax shall be subject to tax audit.

Q-16 What are the documents to be included in the Abatement Docket processed pursuant to RR No. 15-2006?

A-16 Copy of the tax return duly stamped "received" by the concerned AAB, for self-assessed tax, or copy of the Preliminary Assessment Notice (PAN) or Final Assessment Notice (FAN), whichever is applicable, together with the Revenue Officer's Audit Reports (applicable BIR Form 0500 series) in addition to the taxpayer's application form, BIR payment form 0605, and BIR evaluation form, BIR checklist of requirements and a copy of the court decision, if applicable.

Q-17 Can civil tax cases pending in courts, decision for which has not yet become final and executory, be the subject of abatement? If the amount already assessed by the BIR was reduced or increased based on the court's decision, what will be the basis of the abatement?

*A-17 Yes. The amount of the original assessment or the court's decision **whichever is higher** shall be the basis for availment of abatement.*

(Original Signed)
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Commissioner of Internal Revenue

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