REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

March 8, 2013

REVENUE MEMORANDUM ORDER No. 4-2013

SUBJECT : Audit of Tax Returns by Revenue District Offices

TO : All Internal Revenue Officials and Employees Concerned

I. OBJECTIVES

1. To prescribe uniform criteria in the continuing audit tax returns by the Revenue District Offices (RDOs); 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 continuing audit of 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:
   a. Professionals and sole proprietorships whose –
      - income tax due is less than two hundred thousand pesos (P200,000.00) per annum;
      - gross revenue is less than forty percent (40%) compared to the previous year's reported gross revenue;
      - tax payment for each tax type is less than thirty-five percent (35%) as compared to the previous year's tax payment;
   b. Those engaged in but not limited to the industries as follows:
      - Importers/manufacturers/wholesalers/retailers of wrist watches and jewelry
      - Petroleum/gasoline dealers
      - Hotels, motels, pension houses/lodging houses/inns, dormitories/boarding houses
      - Real estate industry

- Schools, particularly for foreigners (e.g. English School for Koreans), review centers
- Contractors of NGAs, LGUs and government owned and controlled corporations
- Retailers/wholesalers
- Restaurants, fast food chains, catering services, bars, coffee shops
- Hospitals, clinics, medical/dental laboratories
- Establishments/clinics for beauty enhancements
- Manufacturers/dealers of beauty and health supplement
- Amusement/entertainment/event centers
- Advertising agencies
- Business processing outsourcing companies
- E-commerce industry
- Manpower and other recruitment services agencies
- Other industries peculiar to the area of jurisdiction of the district office;

c. Those who fall below the established benchmarks of tax compliance; and
d. Those who maintained an ending inventory with value of 100% or more of its gross sales.

III. EFFECTIVITY

This Order shall take effect immediately.

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