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

January 21, 2010

REVENUE MEMORANDUM ORDER NO. 7-2010

Subject : Guidelines and Procedures in Handling Letter Notices Generated Thru Tax Reconciliation System (TRS) and Reconciliation of Listing for Enforcement System (RELIEF)/ Third Party Matching - Bureau of Customs (TPM-BOC) Data Program for the Year 2008

To : All Internal Revenue Officers and Others Concerned

I. OBJECTIVE

This Order is being issued to provide for enhancements in handling Letter Notices (LNs) for taxable year 2008 generated thru the Tax Reconciliation System (TRS), Reconciliation of Listing for Enforcement System (RELIEF)-Summary List of Sales and Purchases (SLSP) and Third Party Matching-Bureau of Customs (TPM-BOC) Data Program to promote a more effective system for the BIR and the taxpayer.

II. COVERAGE

This Order shall cover the income, value-added, percentage and withholding tax liabilities for taxable year 2008 of individual and corporate taxpayers registered under the Large Taxpayers Service – Regular, Excise & LTDOs and Revenue Regions No. 4 – 9 who were issued LNs based on the TRS and Consolidated RELIEF- SLSP and TPM-BOC Data Programs.

III. POLICIES

1. As provided for under existing Revenue Memorandum Orders (RMO) on TRS (i.e., RMO No. 28-2007, as amended by RMO No. 4-2008), RELIEF/SLSP System (i.e. RMO No. 30-2003, as amended by RMO Nos. 42-2003, 24-2004, 32-2005 and 21-2006) and TPM-BOC Data Program (i.e., RMO No. 34-2004, as amended by RMO Nos. 46-2004, 32-2005, 21-2006, 32-2007 and 36-2008), taxpayers with discrepancy on their income, sales and/or purchases (domestic or imported) shall be notified of such findings through the issuance of an LN (See Annex "A" for TRS-LN and Annex "A-1" for RELIEF-LN).

2. LNs covering taxable year 2008 shall be deployed based on the parameters set by (a) Withholding Tax Division (WTD) for TRS-LN together with the Details of Withholding Agents/Payors and Payees/Income Recipient Report (DWAPR); and (b) Audit Information, Tax Exemptions and Incentives Division (AITEID) for RELIEF-LN together with the Details of Taxpayer's Customers/Suppliers (DTCS) and/or Details of Importations with Return Information Matching (DIRIM), via the Information Delivery Portal (IDP), as the case may be, and shall be approved by the Commissioner of Internal Revenue (CIR), through the Over-all Head LNTF.

3. TRS-LNs covering taxable year 2008 shall be consolidated with RELIEF-LNs and shall be handled by the same investigating office *(RO who shall handle TRS-LN shall be the same RO to handle RELIEF-LN)* wherein the report of investigation / verification shall be forwarded to the Office of the Commissioner of Internal Revenue (OCIR) Attention: Over-all Head LNTF for proper disposition.

4. The CIR shall create an LN Task Force (LNTF) in the National Office (N.O) to handle LNs for taxable year 2008. The LNTF shall be a composite team of Revenue Officers–Assessment (ROs-A) from the Revenue District Offices, Large Taxpayers Service and other divisions/offices in the National/Regional Office and will be assigned in a concurrent capacity to be covered by a Revenue Special Order (RSO). The LNTF – N.O. under this Order shall be supervised by the OVER-ALL HEAD LNTF. Consolidated LNs covering taxable year 2008 shall only be deployed after validation by the LNTF.

5. The LNTF/ concerned investigating offices shall prepare a Follow-up Letter (Annex "B") and serve the same to the taxpayer if no response was received after **five (5)** days from receipt by the taxpayer of the LN.

   In the event a taxpayer who has been issued an LN refutes the discrepancy, he/she/it shall be given an opportunity to reconcile his/her/its records with those of the BIR within ten (10) days from receipt of his/her/its LN and to submit documentary proofs in support of his/her/its arguments.

   If after ten (10) days from receipt of Follow-up Letter, no response was received from the taxpayer, or he/she/it fails to submit the required documents after filing the protest within the five (5)-day period after receipt of the LN, the LNTF/ concerned investigating office shall endorse the docket and recommend to the OCIR through the Over-all Head LNTF the issuance of an issue-based LA to cover specifically "Income, Value-Added, Percentage and Withholding Taxes Due to Discrepancy/ies Reflected in the LN". A Notice for Informal Conference together with the LA shall be served to the taxpayer.

   If the taxpayer fails to settle his/her/its income, value-added, percentage and withholding tax liabilities resulting from LN discrepancy/ies within five (5) days from receipt of Notice for Informal Conference and LA, the LNTF/ concerned investigating office shall endorse the docket to the

OCIR Attention: Over-all Head LNTF for any or a combination of the following actions:

(1) The issuance of the Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) in accordance with the provisions of Revenue Regulations (RR) No. 12-99;

(2) If the under declaration is 30% or more, the taxpayer may be recommended for the imposition of administrative sanction of suspension and temporary closure of business in accordance with the provisions of RMO No. 3 – 2009 (Oplan Kandado);

(3) The issuance of the compulsory process of Subpoena Duces Tecum (SDT). The issuance and enforcement of the SDT must be made in strict compliance with the procedures enunciated in RMO No. 35 - 1990 and RMO No. 9 - 2003 requiring the taxpayer to appear before the OVERALL HEAD LNTF thru the LN Secretariat for the presentation or production of his books of accounts and other accounting records. If the taxpayer fails, refuses or neglects to comply with the summons contained in the SDT, the LNTF/concerned investigating office shall endorse the docket to the appropriate legal office in the National or Regional Offices under its respective jurisdiction for the filing of a criminal case for violation of Section 266 of the NIRC of 1997, as amended. The investigating team/office shall likewise endorse the docket to the OCIR Attention: Over-all Head LNTF for the issuance of the Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) in accordance with the provisions of Revenue Memorandum Circular No. 23 – 2000.

6. For LNs being handled by the Revenue District Office (RDO)/Large Taxpayer Regular Audit Divisions (LTRAD)/Large Taxpayers Excise Audit Divisions (LTEAD)/Large Taxpayers District Offices (LTDO) originally assigned (with LAs issued whether the investigation is on-going or terminated) or assumed (referred by the LNTF), the respective investigating offices shall resolve the LN discrepancy within thirty (30) days from receipt of the original/referral assignments. After the lapse of the thirty (30) day period and there is no resolution or action taken, except when the investigation office recommends for the administrative sanction of suspension and temporary closure of business under RMO No. 3 – 2009 or recommends for the issuance of an SDT, the LN will be referred back, without delay, to the LNTF which shall immediately take-over the case for resolution of the LN discrepancy.

   For LNs being handled by the LNTF, whether originally assigned (LNs without LAs) or assumed (referred by RDO/LTRAD/LTEAD/ LTDO), the LNTF shall resolve the LN discrepancy within sixty (60) days from receipt thereof. After the lapse of the sixty (60) day period and there is still no resolution or action taken thereon, except when the investigation office recommends for the administrative sanction of suspension and temporary

closure of business under RMO No. 3 – 2009 or recommends for the issuance of an SDT, the LN will be referred, without delay, to the appropriate investigating office which has jurisdiction over the principal place of business of the concerned taxpayer and such investigating office shall immediately take-over the case for resolution of the LN discrepancy.

A list of Revenue Officers (ROs) who failed to comply with the 30/60 day rule will be forwarded to the Inspection Service for the issuance of a show cause order. Appropriate sanctions against erring ROs will be imposed, if warranted. "Revalida" of selected audit reports of investigation of erring ROs will be conducted. Reward for exemplary performance awaits those with excellent accomplishments.

7. If there is an on-going audit/investigation pursuant to an LA for taxable year 2008 in accordance with the applicable audit program (i.e. RMO No. 19-2009 for taxable year 2008, etc.) issued prior to LN deployment, the LNs (TRS and/or RELIEF) shall be consolidated with the corresponding LA. The TPI (third-party information) reflected in the said LNs shall be properly utilized and the extent of its utilization shall be included in the report of investigation by the concerned RO. The policy of non-closure of 2008 LA without the resolution of the LN will be strictly enforced. The LNTF/HEAD-LNTF in such cases shall review the utilization of the TPI which resulted to the discrepancy/ies reflected in the LNs.

8. The deficiency income, value-added, percentage and withholding taxes shall be computed using the formulas prescribed in the Computation Sheets hereto attached (See Annexes "C", "C-1", "C-2", "C-3", "C-4").

9. LNs which remain unserved due to failure to locate the taxpayers after exhausting all possible means (e.g., verification thru MERALCO, telephone directories, search thru the internet, SEC, assistance from the Barangay Captain/Business and Licensing Office of the LGU) shall be sent by registered mail to the office address indicated in the LN.

   If the LN sent by registered mail was returned to sender, the LNTF may recommend the cancellation of the registration of taxpayers that cannot be located. A list of unlocated taxpayers with cancelled registration shall be published in two (2) newspapers of general circulation. Unless the purchasers will be able to give the current business address of the LN recipient to the BIR, the purchases from these taxpayers with cancelled registration shall not be allowed as deduction for income tax purposes. Likewise, input taxes from these purchases will be disallowed for VAT purposes.

   "Returned to Sender" LNs shall likewise be endorsed to ORD, in case of RDOs; to OACIR-LTS, in case of TRAG/LTEAD/ LTDO; or to HEAD LNTF in case of LNTF Attention: AITEID for inclusion in the cancelled registration database.

10. For taxpayer issued with an LN who transferred to another investigating office, the RDO/LTRAD/LTEAD/ LTDO shall forward the LN together

with the DWAPR/TCS/DIRIM and documentary proofs to the OCIR Attention: AITEID for validation/cancellation. AITEID shall refer the same to Systems Operations Division (SOD) for regeneration.

11. In the event that the case with LA is already terminated before the LN is issued, the Assessment Division (AD) Regional Office / Reviewing Office – Large Taxpayer Service (LTS) shall forward the docket of the closed case to the LNTF. The LNTF will ascertain whether the discrepancies reflected in the LNs were considered in the report of investigation. If the discrepancies were not included, the LNTF shall prepare the appropriate recommendation to the CIR thru the Overall Head LNTF, for appropriate review and approval. The LNTF may at its option forward the LA docket together with the LN/s to investigating office thru the Assessment Division (AD)/Reviewing Office – Large Taxpayer Service (RO-LTS) for appropriate action. If the discrepancy was considered, the LNTF shall recommend for the cancellation of the said LN/s to the OCIR. The OCIR shall refer the same to AITEID for final validation and/or cancellation.

    In all cases, the concerned investigating office shall forward the LN with LA tax dockets (which contain LN discrepancy findings and photocopies of the Memorandum Audit Report, Working Papers showing the reconciliation done and BIR Form 0500 Series) to the LNTF within ten (10) days after payment of deficiency tax(es) for approval thereof. The LNTF shall conduct review and evaluation of dockets on action taken on the LNs with LA as to extent of LN discrepancy utilization/payment and forward the same to the OCIR, Attention: AITEID for appropriate action.

12. In case the taxpayer files a protest against PAN/FAN and requests for reinvestigation/reconsideration, the investigating team/offices shall forward the request to the Head-LNTF for evaluation of the protest in accordance with the provisions of RR No. 12-99.

    a. If the protest is valid, the LNTF shall refer the case to the concerned investigating office for appropriate action on the request for reinvestigation.

        i. The RDO/LTRAD/LTEAD/LTDO/LNTF shall act on the protest based on pertinent revenue issuances. The report of the investigation, whether the taxpayer settles his tax liabilities or not, must be forwarded by the RDO/LTRAD/LTEAD/LTDO/LNTF, together with the docket of the case to the LNTF not later than ten (10) days after payment or action on the protest.

        ii. The LNTF shall conduct review and evaluation of dockets on actions taken on the LNs as to the extent of LN discrepancy utilization/payment.

        iii. After review by the LNTF, the docket shall be forwarded to OCIR for approval thereof.

b. If the protest, however, is not valid, the taxpayer shall be informed in writing by the OCIR that his request for investigation has been denied and the case shall be referred to the appropriate BIR office to effect collection of the deficiency tax(es).

13. In case the taxpayer agrees with the findings covered by the LNs, an "Agreement Form" shall be executed by the taxpayer or his duly authorized representative indicating there in the amounts and dates when the deficiency tax(es) shall be paid. The concerned investigating offices (RDO/LTRAD/LTEAD/LTDO/LNTF) shall prepare BIR Form No. 0611-A which shall serve as the basis for the payment of deficiency tax(es) according to the following criteria:

    i. P1,000,000.00 or less . . . . . ACIR-LTS/RD
    ii. Over P1,000,000 up to P5M . . . . . Head-LNTF
    iii. Over P5M up to P10M . . . . . Overall Head LNTF
    iv. Over P10M . . . . . CIR

14. The taxpayer shall be entitled to the abatement of interests and penalties provided he pays the deficiency tax(es) within thirty (30) days from receipt of the LN covering taxable year 2008. Any payment of tax liabilities beyond the 30-day period shall be assessed with the corresponding interests and penalties.

15. Installment payment shall be allowed in cases where the tax liabilities exceed five hundred thousand pesos (P500,000.00). In this case, a written request for installment payment of the basic tax due plus increments using the Application for Installment Payment (Annex "D") must be accomplished. The interest corresponding to the basic tax due per installment shall be computed up to the date of payment as shown in the application. The aforesaid request shall be filed with the Head-LNTF who shall recommend to the Overall Head LNTF the approval/disapproval thereof in accordance with the following:

    a. If the amount payable exceeds five hundred thousand pesos (P500,000.00) but not more than three million pesos (P3.0M), payment may be done in two (2) equal monthly installments;

    b. If the amount payable exceeds three million pesos (P3.0M) to but not more than ten million pesos (P10M), payment may be done in three (3) equal monthly installments;

    c. If the amount payable exceeds ten million pesos (P10M) the request for installment payment scheme shall be subject to the review and recommendation of the Overall Head LNTF and approval of the CIR.

    In case of default of any installment payment, the remaining balance shall become due and demandable immediately without prior notice to taxpayer.

All applications for installment payments shall be signed by the Recommending Officer. The LNTF-Secretariat shall keep track of payments of taxpayers with requests for installment payments and indicate the same in the appropriate columns provided in the Monthly Collection and Status Report on Letter Notices for TY _____ (Annex "E") for submission to OCIR/OACIR-CS, Attention: AITEID within ten (10) days following the close of each month.

16. The settlement and payment of the deficiency tax(es) under an LN or issue-based LA by a taxpayer shall not preclude the Bureau from issuing an LA/TVN covering the comprehensive audit/investigation of his 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 LA/TVN provided the discrepancies disclosed by said audit/investigation are of the same nature as the discrepancies reflected in the LN.

17. In all cases, the RDO/LTRAD/LTEAD/LTDO/LNTF shall forward the LN dockets (which contain LN discrepancy findings) to the LNTF within ten (10) days after payment of the deficiency tax(es) for approval thereof. The LNTF shall conduct review and evaluation of dockets on actions taken on the LNs as to the extent of LN discrepancy utilization/payment. The LNTF shall forward the LN dockets to the Head-LNTF for further review and evaluation prior to the approval of the OCIR.

18. The audit report on collections/assessments based on the discrepancies reflected in the LN (TRS and/or RELIEF) together with the LN docket of the case shall be forwarded to AITEID after review by the LNTF/HEAD-LNTF/OVERALL HEAD – LNTF/OCIR.

19. Revenue Memorandum Circular No. 40-2003 provides that LNs issued to taxpayers can be considered notice of audit/investigation insofar as the amendment of any return covering the period referred to in the LN. Accordingly, a taxpayer is disqualified from amending his return covering the period referred to in the LN upon issuance of the same. Furthermore, CTA Case No. 7093 dated February 22, 2006 states that "LNs issued against a taxpayer in connection with the information of under declaration of sales and purchases gathered through Third Party Information Program may be considered as a "notice of audit or investigation" in the absence of evident error or clear abuse of discretion."

20. The guidelines and procedures in handling LNs as set forth under RMO on TRS (i.e., RMO No. 28-2007, as amended by RMO No. 4-2008); RMO on "RELIEF"/SLSP System (RMO No. 30-2003, as amended by RMO Nos. 42-2003, 24-2004, 32-2005 and 21-2006) and RMO on TPM-BOC Data Program (i.e., RMO No. 34-2004, as amended by RMO Nos. 46-2004, 32-2005, 21-2006, 32-2007, 36-2008, RMO 17-2009) shall continue to remain in force for LNs issued for TY 2007 and prior years.

21. All activities relative to validation, deployment and monitoring of TRS-LNs by the WTD shall continue to be in force for LNs issued for taxable year 2008 except those portions inconsistent herewith.

22. All activities/accomplishments of the LN Task Force/investigating offices relative to this Order shall be monitored online thru the IDP by the OCIR/OVERALL HEAD LNTF through WTD/AITEID under the e-Correspondence Monitoring System (eCMS)/Letter Notice Monitoring System (LNMS) based on access rights and privileges granted to those offices.

IV. GUIDELINES AND PROCEDURES

A. Systems Operations Division(SOD)/Information System Developments Service (ISDS)

1. Activate the processes needed for Consolidated LN (TRS/RELIEF/BOC) generation covering taxable year 2008 based on the discrepancy threshold set by the WTD/AITEID as approved by the CIR.

2. Inform, in writing or thru e-mail, the WTD/AITEID on the generation, via the IDP, of the new batch of consolidated (TRS/SLSP/BOC) LN packages consisting of the following:

    a. List of taxpayers with issued LNs sorted by Revenue Region (RR)/RDO/ or Investigating Offices under Large Taxpayers Service(LTS);
    b. System-generated LNs;
    c. Details of Withholding Agents/Payors and Payees/Income Recipient Report (DWAPR);
    d. Details of Taxpayer's Customers/Suppliers (DTCS); and
    e. Details of Importations with Return Information Matching (DIRIM).

3. Provide system access rights and privileges to AITEID for TRS-LN information.

4. After the new Consolidated LN packages are validated by the WTD/ AITEID, with the assistance of the LNTF, inform, in writing or thru e-mail, the Head-LN Task Force, and the ACIR-LTS, the concerned Regional Director (RD) on the deployment via the IDP of the new batch of Consolidated LN packages.

5. Publish the new Consolidated LN packages to the LN Task Force and to the concerned investigating offices for taxable year 2008 in the IDP or print the new Consolidated LN packages if the investigating offices channel in the IDP is not available and forward the same to WTD/AITIED for deployment to LNTF/investigating offices.

6. Receive from WTD/AITEID the List of Approved LNs for cancellation/closure by OVERALL HEAD LNTF and reflect the same to the LNMS.

7. Regenerate Consolidated LNs together with the DWAPR/DTCS/DIRIM of taxpayers who transferred their respective registration.

B. Audit Information Tax Exemption and Incentives Division (AITEID)

1. Spell out the parameters for the issuance and deployment of Taxable Year 2008 LNs based on the policy direction of top management for approval of the CIR.

2. Set the threshold on LN discrepancies before the activation of the processes needed for generation.

3. Acknowledge, in writing or via e-mail, receipt from the SOD of information on the generation via the IDP of the new batch of LN packages.

4. Validate, with the assistance of the LNTF, the new LN RELIEF packages before deployment of the same via the IDP.

5. Direct the concerned investigating offices to download and print the new LN package for service of the LNs, together with the DTCS/DIRIM, to the concerned taxpayers.

   If the IDP is not available, receive the new LN packages from SOD and effect deployment to the concerned investigating offices.

6. Receive from the concerned Reviewing Office thru OCIR the following LNs with LA tax dockets for validations:
   a. For cancellation of LNs, if the discrepancy was considered in the audit case of taxpayers issued LNs;
   b. For closure of LNs on paid LAs, if the discrepancy was considered in the audit case of taxpayers with issued LNs; and
   c. LNs with Integrated Tax System (ITS) error (due to erroneous encoding, timing difference, etc.)

7. Receive from the investigating office thru OVERALL HEAD LNTF the LN case recommended for cancellation/closure to LNMS for evaluation and validation, and forward the same to OCIR for approval thereof.
8. Forward to SOD/ISDS the abovementioned LNs (Item No. 6 and 7) for online updates on the status of all LNs via the IDP to LNMS after the evaluation and approval of the OCIR

9. Receive from concerned Investigation Offices thru the LNTF the Monthly Status Report on Consolidated SLSP/BOC and/or TRS Letter Notices (Annex "E".)

10. Monitor compliance by the concerned investigating offices, in providing online real-time updates on LN status and collection relative to LNs downloaded by the said offices

11. Perform overall monitoring, via the IDP, of LNs issued based on real-time online updates provided by the LN Task Force/Investigation Office and other concerned offices granted access rights and privileges.

12. Provide top management with consolidated reports on LN status and collections as may be required.

C. Withholding Tax Division

1. Spell out the parameters for the issuance and deployment of 2008 TRS LNs based on the policy direction of top management for approval of the CIR.

2. Set the threshold on LN discrepancies before the activation of the processes needed for generation.

3. Forward LN information to AITEID for validation with the assistance of the LNTF.

D. Investigating Offices (LNTF/LTRAD/LTEAD/LTDO/RDO)

1. Acknowledge, in writing or thru e-mail, the receipt of directive from the OCIR for downloading and printing of the new Consolidated LN packages from the IDP. If the investigating office channel in the IDP is not available, receive from AITEID the print out of the new Consolidated LN (TRS/RELIEF/BOC) packages for deployment.

2. Download from the IDP the new consolidated LN packages consisting of the following:

    a. List of taxpayers with issued LNs sorted by RR/RDO
    b. System-generated LNs;
    c. DWAPR
    d. DTCS; and
    e. DIRIM.

3. Print the contents of the consolidated LN packages within three (3) days from downloading of the same. If the IDP channel is not available, receive from AITIED print out of the new Consolidated LN packages for deployment.

4. Assign the consolidated LNs to the ROs for appropriate action (e.g., review, evaluation and validation of the discrepancies) and serve them personally to the concerned taxpayers or through registered mail with Registered Return Card, together with the DWAPR/DTCS/DIRIM.

5. Request from the LN Recipient to furnish the soft copies of the Summary List of Sales, Summary List of Purchases – Local and Imported and Annual Alphalist of Expenses subject to EWT from the LN recipient.

   Request should also be made to the RDO who has jurisdiction over the LN Recipient to provide the LNTF with the soft copies of the Summary List of Sales, Summary List of Purchases – Local and Imported and Annual Alphalist of Expenses subject to EWT from the LN recipient. The RDO should reply within five (5) days from receipt thereof. If there is none filed, the RDO should issue a certification to that effect. Failure to comply with the five (5) day deadline will be dealt with appropriately.

   If the LN recipient will not comply with the request and a negative certification has been issued by the concerned RDO, the issuance of the compulsory process of Subpoena Duces Tecum (SDT) shall be recommended.

6. Match the data in the summary lists with the discrepancy(ies) stated in the LN; thereafter send a Confirmation Request from TPI sources attesting to the veracity of the data included in the LN package (Annexes "F-1" and "F-2").

   If no response is forthcoming from the TPI source after the lapse of five (5) days from service of the Confirmation Request, the RO may consider the data in the LN package to be true and correct. The RO may recommend either the issuance of a manual LN or issuance of an LA or the filing of a perjury case against the TPI source for declaring overstated purchases/ understated sales.

   If the LN recipient does not agree with the figures/discrepancy(ies) reflected in the LN, the LN recipient must be required to execute a sworn statement to that effect and state his true and correct sales/purchases. (Annex "G").

7. Maintain a separate record of all consolidated LNs assigned to ROs for accountability. Said record shall contain the following information:

   a. LN Number (system-assigned control number);
   b. Name of Taxpayer with 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.

8. Refer to AITEID the LNs with ITS error and transferred (with ITS updates and print out on REG on ITS) taxpayers for review, validation and regeneration.

9. Forward to AITEID the LNs recommended for cancellation/closure to LNMS for review and evaluation.

10. LNs which remain unserved due to failure to locate the taxpayers after exhausting all possible means (e.g., MERALCO, telephone directories, search thru the internet, SEC, assistance from the Barangay Captain, Business and Licensing Office of the LGU) shall be sent by registered mail to the office address indicated in the LN.

    If the LN was returned to sender (RTS), the LNTF may recommend the cancellation of the registration of taxpayers that cannot be located.

11. Issue a Follow-up Letter (Annex "B") if the taxpayer fails to respond within fifteen (5) days from receipt of the LN.

12. If the taxpayer interposes no objection to the discrepancies in the consolidated LN and agrees to pay the required taxes within thirty (30) days from date of receipt thereof, collect the basic income, value-added, percentage and withholding taxes without interest and penalties using the formulas prescribed in Annexes "C, "C- 1", "C-2", "C-3" or "C-4"as the case may be. Require him to execute an "Agreement Form". If payment will be made beyond the 30-day period, collect the total amount due with the corresponding interests and penalties. The payment of deficiency tax(es) shall be made using BIR Form No. 0611-A in accordance with the conditions stated in Item III (13).

13. If no response was received from the taxpayer after fifteen (15) days from receipt of Follow-up Letter, or he fails to submit the required documents after filing his protest within the fifteen (15)-day period after receipt of the LN, prepare issue-based LA to cover specifically "Income, Value-Added, Percentage and Withholding Taxes Due to Discrepancy Reflected in the LN" for signature of CIR. Cause the service of Notice for Informal Conference together with approved LA to the taxpayer. If taxpayer fails to settle his income, percentage, value-added and withholding tax liabilities resulting from consolidated LN discrepancy within fifteen (15) days from receipt of the Notice for Informal Conference/LA, endorse the docket to CIR for issuance of PAN or FAN, as the case may be, in accordance with RR No. 12-99.

14. Act on all protests by the taxpayers within the fifteen (15)-day period after receipt of the protest letter.

15. Receive from taxpayer who refutes the accuracy of the figures in the consolidated LN (due to erroneous encoding or due to timing differences) documentary proofs, reconciliation schedules, etc. in support of his/her/its arguments within the fifteen (15)-day period from receipt of the LN. Evaluate, review and compute the deficiency income, value-added, percentage and withholding taxes based on the corrected/adjusted taxable base plus increments. If there are no documentary proofs or the documentary requirements submitted by the taxpayer within the prescribed period in support of his protest are incomplete, follow the procedures under Number 13 of this Item.

16. Receive from taxpayer Application for Installment Payment (Annex "D"). Evaluate, review and recommend approval of the same if it is in accordance with the conditions under Item III (15) hereof. However, if there is a deviation from the payment scheme under the same paragraph, prepare recommendation for approval/disapproval of the said application by:

    a. the Overall Head LNTF, if the amount payable is over five hundred thousand pesos (P500,000.00) up to ten million pesos (P10M); and

    b. the CIR, if the amount payable is over ten million pesos (P10 ten million pesos (P10M). The payment shall be made using BIR Form No. 0611-A.

17. Receive dockets from the RD/ACIR-LTS/CIR to act on protest by taxpayers requesting reinvestigation relative to the LN cases already issued PAN or FAN, as the case may be.

18. Forward to the RD/ACIR-LTS/CIR tax dockets within ten (10) days after payment of the deficiency tax(es) for approval thereof.

19. Prepare and submit Monthly Collection and Status Report on Letter Notices for TRS/RELIEF/BOC TY _____ (Annex "E") to ORD/OACIR-LTS/OCIR, Attention: AITEID, as the case maybe, within ten (10) days following the close of each month.

20. Monitor and keep track the payments of taxpayers with approved requests for installment payments. In case of default by taxpayer of any installment payment, collect the balance immediately plus the corresponding interests and penalties without prior notice to taxpayer.

21. Follow, whenever applicable, the procedures prescribed under RMO Nos. 30-2003, 42-2003, 24-2004 and 34-2004, as amended by RMO Nos. 46-2004, 32-2005, 21-2006, 28-2007, 32-2007,36-

2008 and 17-2009 insofar as the verification of the actions on LN discrepancy are concerned.

22. Provide real-time online updates on the status of all consolidated LNs via the IDP based on access rights and privileges granted to the concerned investigating office.

23. Monitor and evaluate the performance of ROs relative to the LNs assigned to them based on set key performance indicator.

D. Office of the Regional Director/Large Taxpayers Service – Regular, Excise & LTDOs

1. Receive from the concerned Investigating Offices thru AD/RO-LTS the consolidated LN dockets with reports on recommendations for payment of the tax discrepancies and approve/disapprove the same if amount payable is one million pesos (P1,000,000) or less, in accordance with the conditions under Item III (13) hereof.

2. Receive from the concerned Investigating Offices thru AD/RO-LTS for transmittal to the LNTF the consolidated LN dockets with recommendations for payment of the tax discrepancies where the amount payable is more than one million pesos (P1,000,000).

3. Receive from the concerned Investigating Offices thru AD/RO-LTS the consolidated LN dockets with reports on recommendations of applications on requests for installment payments where the tax liabilities exceeds five hundred thousand pesos (P500,000), in accordance with the conditions under Item III (15) hereof and forward the same to the Head-LNTF for review.

4. Receive from the concerned Investigating Offices thru AD/RO-LTS and forward to the OCIR through the Overall Head LNTF all cases for assessment of 2008 consolidated LN discrepancy(ies) for the preparation and approval of the PAN/FAN.

5. Forward to the OCIR through the Overall Head LNTF all cases for payment where the amount payable is more than one million pesos (P1,000,000).

6. Approve and sign recommended LN with LA tax dockets (photo copy of the entire docket for both RELIEF and TRS) for cancellation/closure/with ITS error by the investigating office thru AD/RO-LTS and forward the same to OCIR through the Overall Head LNTF, attention AITIED for appropriate action.

7. Receive from the concerned investigating office the Monthly Collection and Status Report on Letter Notices for TY _____ (Annex "F") within ten (10) days following the close of each month.

8. Monitor compliance by the concerned offices in providing online real-time updates on consolidated LN status.

F. Over-all Task Force Head - OCIR

1. Receive and evaluate the report of investigation / verification on 2008 consolidated LN discrepancy(ies) and review, as the case may be, the utilization of the third-party information (TPI) which resulted to the discrepancy/ies reflected in the LNs deployed to offices other than the LNTF.

2. Supervise the LNTF who shall handle the consolidated LN for the taxable year 2008 in the National Office (N.O).

3. Require the concerned investigating offices to submit report on collections/assessments based on the discrepancies reflected in the LNs (TRS and/or RELIEF/BOC).

4. Receive from investigation offices the consolidated LN dockets with reports on recommendations of applications on request for installment payment and approve/disapprove the same.

5. Approve and sign LA to cover specifically Income, Value-Added, Percentage and Withholding Taxes Due to Discrepancy Reflected in the consolidated LN as recommended by the LN Task Force.

6. Approve and sign PAN/FAN forwarded by the LNTF/ACIR-LTS/RD in accordance with the provision of RR No. 12-99.

7. Monitor compliance by the concerned offices in providing online real-time updates on consolidated LN status.

G. LNTF Secretariat

1. Maintain a separate record of all consolidated LNs assigned to ROs for accountability. Said record shall contain the following information:

    a. LN Number (system-assigned control number);
    b. Name of Taxpayer with issued LN;
    c. TIN of taxpayer;
    d. Period Covered;
    e. Name of RO assigned to handle the LN;
    f. Date of Assignment;
    g. Remarks.

2. Monitor compliance by the concerned investigating offices on the 30/60 day allowable period within which to resolve the LN case and make a report of non-compliance to the Overall Head LNTF for remedial action.

3. Keep track of the LN progress. If the investigating offices fail to act on the LN within the prescribed number of days, the Secretariat shall:

    a. Retrieve immediately the LN from the concerned investigating offices;
    b. Notify the concerned investigating offices to terminate the verification and submit all files/documents to the LNTF;
    c. Assign the LN to the TF examiner or to ROs in the RDOs/LTS, as the case may be;
    d. Refer the case of non-compliance with the 30/60 day rule to the Inspection Service for the conduct of necessary investigation and imposition of appropriate sanctions, if warranted;
    e. Notify the TP on the reassignment of the LN using the format issued by AITEID.

4. Collate the Monthly Progress Reports on LNs deployed submitted by the investigating offices.

5. Prepare the PAN/FAN on deficiency taxes for collection from all 2008 LN cases for the signature of the OVERALL HEAD LNTF.

6. Prepare Payment Form 0611 for the signature of the OVERALL HEAD LNTF for all 2008 LN collection cases.

7. Prepare and submit Monthly Collection and Status Report on Letter Notices for TRS/RELIEF/BOC TY __ (Annex "E") to ORD/OACIR-LTS/OCIR, Attention: AITEID, as the case maybe within ten (10) days following the close of each month.

8. Monitor and keep track of payments of taxpayers with approved requests for installment payments. In case of default by taxpayer of any installment payment, collect the balance immediately plus the corresponding interests and penalties without prior notice to taxpayer.

9. Monitor and evaluate the performance of ROs relative to the LNs assigned to them based on set key performance indicator.

10. Receive from the Reviewing Office-LTS (RO-LTS)/Assessment Division (AD) the docket of a terminated 2008 LA to the LNTF, upon notice that the previously terminated case has been issued LNs.

11. Receive, evaluate and refer to the investigating offices documents submitted in compliance to the SDT.

12. Receive dockets with protest letters of taxpayers requesting reinvestigation from the RD/ACIR-LTS/ CIR for assignment to the

appropriate investigating offices relative to LN cases already issued PAN or FAN, as the case may be.

H. Reviewer-LNTF/Reviewing Office-LTS/Assessment Division

1. Receive from investigating offices the dockets containing the consolidated LN with DWAPR/DTCS/DIRIM and follow the prescribed procedures in the review of dockets.

2. Forward to the RD/ACIR-LTS the consolidated LN dockets with recommendations for payment of the tax discrepancies where the amount payable is one million pesos (P1,000,000) or less.

3. Forward to the RD/ACIR-LTS for transmittal to the LNTF the consolidated LN dockets with recommendations for payment of the tax discrepancies where the amount payable is more than one million pesos (P1,000,000).

4. Forward to the RD/ACIR-LTS for transmittal to the LNTF all cases for assessment of 2008 consolidated LN discrepancy(ies) for the preparation and approval of the PAN/FAN.

5. Forward the docket of a terminated 2008 LA case to the LNTF, upon notice that the previously terminated case has been issued LNs.

6. Receive from the LNTF terminated 2008 LA tax dockets with unincorporated LN deficiency(ies) for referral to the investigating officers for appropriate actions.

7. Ascertain whether the consolidated LN discrepancy(ies) was/were considered in the report of investigation. If the discrepancy was/were considered, forward the consolidated LN case docket thru the ORD/ACIR-LTS to the OCIR for final review, as the case may be. If the discrepancy was not considered, transmit the docket to the concerned investigating office for appropriate action.

I. Inspection Service

1. Receive from the LNTF Secretariat the list of Revenue Officers who did not comply with the 30/60 day LN verification rule.

2. Send a Show-Cause Order to the concerned RO who failed to comply with the 30/60 day rule.

3. Conduct the necessary investigation to determine the reason for non-compliance with the 30/60 day LN verification rule.

4. Impose the appropriate sanctions against any erring employee, if warranted.

J. Legal Division/Litigation Division

1. Receive from the LNTF/investigating offices recommendation for the issuance of Subpoena Duces Tecum (SDT) for failure of the LN recipient to comply with the Request to be furnished with the soft copies of the Summary List of Sales, Summary List of Purchases – Local and Imported and Annual Alphalist of Expenses subject to EWT.

2. Forward to the LNTF/investigating offices all documents submitted by the LN recipient in compliance with the SDT.

3. Receive list of LN recipients who did not comply with the SDT and file a criminal case for violation of Section 266 of the NIRC of 1997, as amended.

4. Receive from the LNTF/investigating offices recommendation for the issuance of warrant of distraint and/or warrant of garnishment to effect immediate collection deficiency income, value-added, percentage and withholding tax liabilities resulting from LN discrepancy/ies that were converted into issue based LA after observing the provisions of RR 12-99.

V. REPEALING CLAUSE

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

VI. EFFECTIVITY

This Order shall take effect immediately.

(Original Signed)
JOEL L. TAN-TORRES
Commissioner of Internal Revenue

A
jgi