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

January 22, 2015

REVENUE MEMORANDUM ORDER NO. 7-2015

Subject: The Revised Consolidated Schedule of Compromise Penalties for Violations of the National Internal Revenue Code

To : All Internal Revenue Officers and Others Concerned

I. Objectives:

This Order is issued to adopt and implement a uniform application of the compromise penalties involving violations of the National Internal Revenue Code of 1997 (Tax Code), as amended, as well as to update the Schedule of Compromise Penalties specified under RMO No. 19-2007 and further deleting from the coverage thereof certain acts commonly resorted to by taxpayers as means of tax evasion.

II. Policies:

The applicable policies and guidelines prescribed under RMO No. 19-2007 shall remain for the strict compliance by all concerned, and are quoted as follows:

"1. In all cases of criminal violations of the NIRC, not involving the commission of fraudulent act, it is directed that henceforth, compromise penalties to be imposed shall follow strictly the amounts in the attached "Revised Schedule of Compromise Penalties", marked as Annex "A" and made an integral part hereof.
2. Certain acts/violations which are commonly resorted to by taxpayers as means of tax evasion are deleted from the coverage thereof for having met the requirements of the definition of fraudulent acts.

III. Guidelines and Instructions:

1. The internal revenue officers concerned shall apply the Revised Schedule of Compromise Penalties embodied in Annex "A" to ensure uniformity of action.
2. Cases involving fraud shall be referred to the concerned Division having jurisdiction over the case, for the institution of the corresponding criminal action.

3. In no case shall the compromise penalty differ in amount from those specified in the aforementioned Schedule, except when duly approved by the Commissioner or concerned Deputy Commissioner, or in proper cases, by the Regional Directors.
4. Although all amounts of compromise penalties incident to violations shall be itemized in the assessment notice and/or demand letter, the same should not form part of assessment notice that reflects deficiency basic tax, surcharge and interest but should appear in a separate assessment notice/demand letter as the amount suggested to the taxpayer to pay in lieu of criminal prosecution. If paid, the compromise penalties shall be collected and accounted for under the usual procedures, as internal revenue collection.
5. Since compromise penalties are only amounts suggested in settlement of criminal liability, and may not therefore be imposed or exacted on the taxpayer, the violation shall be referred to the appropriate office for criminal action in the event that a taxpayer refuses to pay the suggested compromise penalty
6. The schedule of compromise penalties herein prescribed shall not prevent the Commissioner or his duly authorized representative from accepting a compromise amount higher than what is provided hereof. A compromise offer lower than the prescribed amount may be accepted after approval by the Commissioner of Internal Revenue or the concerned Deputy Commissioner/ Assistant Commissioner/ Regional Director."

IV. Repealing Clause:

All other orders which are inconsistent herewith are hereby repealed or revoked accordingly.

V. Effectivity:

This Order shall take effect immediately.

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