REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

February 5, 2010

REVENUE MEMORANDUM ORDER NO. 16-2010

SUBJECT : Determination of Value Added Tax Liabilities of Motels and Other Similar Establishments

TO : All Internal Revenue Officers and Others Concerned

I. OBJECTIVE

The taxation of establishments that offer short time accommodation continues to be an area of concern in tax administration. This Order is being issued to prescribe the policies and guidelines in determining the output value added tax liabilities of motels and other similar establishments. The procedures prescribed herein are authorized under Section 6(C)of the National Internal Revenue Code which allows the Bureau of Internal Revenue to prescribe the minimum taxable base for which internal revenue taxes shall be based.

II. COVERAGE

This Order shall cover the following establishments:

- Motels; and
- Other similar establishments.

This Order shall not cover establishments such as hotels, resorts and other establishments which do not regularly allow the short time (less than 24 hours) stay in their establishments.

III. POLICIES AND GUIDELINES

1. Motels and other similar establishments (hereinafter called "establishment") shall submit to the Revenue District Office (RDO) where they are registered, a Sworn Declaration using the format provided in **Annex A,** within ten (10) days from the issuance of this Order, and for each year thereafter, on or before January 31 of each year.

2. The RDO concerned shall evaluate the information provided in the Sworn Declaration, and compute the prescribed revenues per month of an establishment. An Occupancy Turnover Analysis Report (OTAR) , containing a summary of the information gathered from the Sworn Declarations of all establishments in the District, and their prescribed revenues per month, shall be prepared by the RDO using the format prescribed in

Annex B of this Order. This shall be completed not later than the last day of February each year.

In accomplishing the OTAR, the following must be considered:

2.1. For peak periods covering the months of January to February, April to June, and December, the minimum turnover / day of a particular establishment shall be set at a constant factor of "2".

2.2. For lean periods covering the other remaining months of the year , the minimum turnover / day shall be "1.5".

A sample of the accomplished Occupancy Turnover Analysis Report is provided below for XYZ Motel, which is located in RDO No. 24, Valenzuela City, and has 100 rooms, at a rate of P200/room.

XYZ MOTEL
RDO No. 24, Valenzuela City
OCCUPANCY TURNOVER ANALYSIS REPORT
Taxable Year 2009

A	B	C	D	E	F	G	H	I	J	K
Month	Actual Monthly Sales / VAT Return	Average Sales / Day (B / # of Days in the Month	Min. Sales / Day (# of Rooms x Room Rate)	Actual Turnover / Day (C /D)	Min. Turnover / Day	Actual or Min. Turnover (whichever is higher)	Prescribed Sales / Day (D x G)	Prescribed Sales / Month (H x # of Days in the Month)	Add'l Sales Required (I - B)	Add'l. Output Tax to be Collected (J x 12% VAT Rate)
JANUARY	800,000.00	25,806.45	20,000.00	1.29	2.00	2.00	40,000.00	1,240,000.00	440,000.00	52,800.00
FEBRUARY	1,100,000.00	39,285.71	20,000.00	1.96	2.00	2.00	40,000.00	1,120,000.00	20,000.00	2,400.00
MARCH	450,000.00	14,516.13	20,000.00	0.73	1.50	1.50	30,000.00	930,000.00	480,000.00	57,600.00
APRIL	1,300,000.00	43,333.33	20,000.00	2.17	2.00	2.17	43,333.33	1,300,000.00	0.00	0.00
MAY	650,000.00	20,967.74	20,000.00	1.05	2.00	2.00	40,000.00	1,240,000.00	590,000.00	70,800.00
JUNE	1,000,000.00	33,333.33	20,000.00	1.67	2.00	2.00	40,000.00	1,200,000.00	200,000.00	24,000.00
JULY	1,000,000.00	32,258.06	20,000.00	1.61	1.50	1.61	32,258.06	1,000,000.00	0.00	0.00
AUGUST	600,000.00	19,354.84	20,000.00	0.97	1.50	1.50	30,000.00	930,000.00	330,000.00	39,600.00
SEPTEMBER	900,000.00	30,000.00	20,000.00	1.50	1.50	1.50	30,000.00	900,000.00	0.00	0.00
OCTOBER	550,000.00	17,741.94	20,000.00	0.89	1.50	1.50	30,000.00	930,000.00	380,000.00	45,600.00
NOVEMBER	475,000.00	15,833.33	20,000.00	0.79	1.50	1.50	30,000.00	900,000.00	425,000.00	51,000.00
DECEMBER	1,175,000.00	37,903.23	20,000.00	1.90	2.00	2.00	40,000.00	1,240,000.00	65,000.00	7,800.00

3. Based on the OTAR for a motel, the concerned RDO shall then notify the motel operator of the proposed additional output tax to be paid for each month. The letter prescribed in **Annex C** of this Order shall be used for this purpose.

4. Upon receipt of the notification from the RDO, the motel shall have the option of the amending its VAT Returns for the months in question, and pay the corresponding additional output tax, ***within ten (10) days from receipt of the notice***, in order to avoid the imposition of penalties and surcharges mandated under the National Internal Revenue Code and the issuance of a Mission Order to conduct surveillance as discussed in item number 5 below. The amended VAT Return(s) shall take into account not only the additional ***gross sales*** **from its room occupancy operations but shall also cover** the gross sales/receipts from the other operations (food, etc.) mandated under the National Internal Revenue Code.

5. The RDO having jurisdiction over a motel that opts not to pursue in the amendment of the VAT returns shall recommend to the Regional Director for the issuance of a Mission Order for the conduct of surveillance activities or other appropriate enforcement

measures on the concerned motel in order to determine its true and correct tax liabilities. "Surveillance activities or other appropriate enforcement measures" may include the posting of BIR personnel on the premises of the concerned motel, to determine the volume of business transactions entered into by the establishment over a given period of time.

6. Surveillance activities for a particular motel shall be conducted over a period of not less than ten (10) days. An RDO that has been authorized by the Regional Director to conduct surveillance or any other enforcement measure for a particular motel shall, within five (5) days following the conclusion of the surveillance activity / enforcement measure, submit a written report on the results of the operation, through the Regional Director concerned.

7. Should the surveillance activity / enforcement measure disclose the understatement of taxable gross sales by thirty percent (30%) or more of the motel's correct taxable sales for the taxable quarter, the motel shall be considered subject to the "Oplan Kandado" procedures prescribed in Revenue Memorandum Order No. 3-2009.

8. Nothing in this Order shall preclude the Commissioner of Internal Revenue from ordering a more thorough investigation of any motel, in order to determine its true and correct tax liabilities, should the evidence so warrant.

9. The imposition of sanctions against a motel under the Oplan Kandado Program, shall not preclude the Bureau from filing the appropriate tax evasion charges under the Run After Tax Evaders (RATE) Program , if evidence so requires, against the concerned motel or the responsible officers of the establishment.

IV. REPORTING REQUIREMENTS

All Revenue District Offices with motels and other similar establishments in their jurisdiction shall submit to their Regional Directors a Monthly Report of Accomplishment not later than five (5) days following the end of each month. The format in **Annex D** shall be followed for this purpose. The Regional Directors shall then consolidate all the reports submitted and transmit the same to the Commissioner of Internal Revenue and Deputy Commissioner (Operations Group) not later than ten (10) days after the end of each month.

V. REPEALING CLAUSE

All Orders, memoranda and other revenue issuances which are inconsistent with this Order are hereby revoked, modified or amended accordingly.

VI. EFFECTIVITY

This Order shall take effect immediately.

JOEL L. TAN-TORRES
Commissioner of Internal Revenue

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