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

March 4, 2004

REVENUE MEMORANDUM ORDER NO. 19-2004

SUBJECT : Amending Certain Provisions of Revenue Memorandum Order No. 39-94 Relative to the Authorized Signatories in the Tax Refund Payroll and Tax Refund Payroll Summary.

TO : All Internal Revenue Officers, Employees and Others Concerned.

I. Background

Verification of taxpayers' claim for tax credit/refund requires a detailed audit before the issuance of Tax Credit Certificate/tax refund. However, verification of claims for tax refund based on BIR form No. 1700 requires only a pre-audit of the returns which are, more or less, limited to the checking of mathematical accuracy of the figures reflected in the tax return and verification of income tax withheld at source. Refundable 1700 returns shall be pre-audited, reviewed and approved at the Revenue District Office and shall no longer be forwarded to the Regional Assessment Division for review while other returns shall still be elevated thereto for review before its approval.

After pre-audit by the Revenue District Offices of the refundable 1700 returns, and approval by the Chief, Assessment Division of other refundable returns, these are transmitted directly to the Information Systems Operation Service (ISOS) for processing and preparation of the Tax Refund Payroll (TRP) and Tax Refund Payroll Summary.

The refundable tax returns shall be encoded and processed by ISOS, generating and matching tax refund reports with the pre-audited/audited refundable tax returns. Thereafter, the TRP and TRP Summary are released to the Finance Division of the Regional Office. On the other hand, the duly approved refundable tax returns and tax refund notices, among others, are transmitted to the Administrative Division of the Regional Offices concerned.

Under Section III.B.7 of Revenue Memorandum Order (RMO) No. 39-94, the Chief, Assessment Division certifies on the TRP and TRP Summary as to the necessity and lawfulness of the expenses. Further, existing practice in the approval of the TRP requires the Chief, Assessment Division to certify as to the correctness of the information appearing therein. Since the refundable 1700 returns are not transmitted and reviewed by the Assessment Division and that dockets of other refundable tax returns duly approved

by the Assessment Division are forwarded to the ISOS for the generation of the TRP and TRP Summary, the former cannot attest to the correctness of the information contained therein; neither can it certify that the amounts appearing therein are necessary and lawful. Hence, revision of the existing procedures is necessary.

II. Amendatory Provision

a. Section III.B of RMO 39-94 shall be amended to read as follows:

"B. ASSESSMENT DIVISION (AssD)

1. *Receive from the RDOs the tax dockets of refundable returns, other than refundable 1700 returns with the covering transmittal letter;*

2. *Review tax dockets of refundable returns, other than 1700 returns, for final approval by the Regional Director;*

3. *Receive approved refundable tax dockets from the Office of the Regional Director and batch into 100s or less and prepare CS-R (Annex C) in triplicate for each batch:*

Original	-	*ISOS*
Duplicate	-	*RDO concerned*
Triplicate	-	*AssD*

4. *Attach the original CS-R to the corresponding batches of approved refundable tax dockets; forward duplicate copy of CS-R to RDO concerned and retain triplicate copy for file; and*

5. *Forward the approved refundable tax dockets with the corresponding CS-R to ISOS."*

b. Section III.C of RMO 39-94 shall be amended to read as follows:

"C. FINANCE DIVISION (FD)

1. *Receive TRP including TRP Summary from Administrative Division (AdmD); Notice of Fund Transfer (NFT) and Sub-Allotment Advice (SAA) from Budget Division (BD);*

2. *Draw Journal Voucher (JV) to record receipt of NFT and SAA;*

3. *Prepare Request for Obligation of Allotment (ROA) to cover tax refund; assign obligation number thereto;*

4. *Post ROA to Journal and Analysis of Obligation;*

5. *Certify on the space provided in the TRP Summary as to availability of funds upon certification of the TRP by the Head, ISOS/designated ISOS Official;*

6. *Prepare and forward to the Assistant Director for signature the Advice to Land Bank of the Philippines (LBP) to debit BIR account for every TRN encashed;*

7. *Draw JV to take up the debit/credit advice received from LBP;*

8. *Prepare Trial Balance under Fund 105 (Tax Refund) and its supporting schedules; copy furnished the AD; and*

9. *Reconcile the encashed TRNs against the TRP to determine the claimed and unclaimed TRNs and prepare in three (3) copies Reconciliation Statement for distribution to the following offices;*

Original	-	*COA resident Auditor*
Duplicate	-	*LBP Branch*
Triplicate	-	*file copy"*

c. Section III.D of RMO 39-94 is hereby amended to read as follows:

"*D. ADMINISTRATIVE DIVISION (AdmD)*

1. *Receive TRP including TRP Summary, TRNs and TRNs Transmittal List with corresponding processed ITRs/dockets covered by a Transmittal of Refundable ITRs by batch from ISOS thru GSD;*

2. *Mail TRNs to refundees after two (2) weeks from the date LBP Branch received the TRP including the TRP Summary and Advice. Reflect mailing date on the space provided for the purpose on the TRN Transmittal List;*

3. *Receive original copy of "Semestral Alpha List of Refundable Returns" by RDO from ISOS thru GSD for reference purpose;*

4. *Keep processed ITRs/dockets on file; and*

5. *Forward TRP including TRP Summary to FD for certification as to the availability of funds."*

d. Section III.F of RMO 39-94 is hereby amended to read as follows:

"F. INFORMATION SYSTEMS OPERATIONS SERVICE (ISOS)

1. *Receive and process original copies of the returns and prepare the necessary refund reports;*

2. *Receive batches of pre-audited refundable 1700 returns and attachments with their corresponding CS-Rs from RDOs;*

3. *Receive the batches of tax dockets with their corresponding CS-Rs from AssD;*

4. *Check the completeness and correctness of the attached returns/tax dockets against the CS-Rs; note down any discrepancy or inconsistency found and inform concerned RDO immediately;*

5. *Encode pertinent data from the returns;*

6. *Conduct computer audit preparatory to the preparation of the tax refund; validate declaration on withholding tax against the Annual Information Return of Income Tax Withheld on Compensation, Expanded and Final Withholding Taxes (BIR Form No. 1604-CF and 1604-E) and prepare the corresponding discrepancy reports;*

7. *Conduct duplication run to preclude the possibility of a taxpayer claiming refund more than once on the same income;*

8. *Generate the following reports;*

   a. *Tax refund Notice (TRN) – to be forwarded to AdmD, thru GSD*

   b. *TRP including TRP Summary*

Original	-	*COA Auditor*
Duplicate	-	*LBP (Branch)*
Triplicate	-	*FD*

Note: TRP shall contain not more than 2,000 refundees in a payroll

   c. *TRP Recap by Region*

Original	-	*AD*
Duplicate	-	*BD*
Triplicate	-	*AD (supporting document to Disbursement Voucher)*

d. Transmittal List of Refundable ITRs by batch for the AdmD

e. Semestral Alpha List of Refundable Returns by RDO

Original	-	*AdmD*
Duplicate	-	*RDO*

f. TRN Transmittal List by region (for refunds amounting to below P1,000.00)

Original	-	*AdmD*
Duplicate	-	*ISOS*

g. TRN Transmittal List by region (for refunds amounting to P1,000.00 or more which shall be sent by registered mail to refundees)

Original	-	*AdmD*
Duplicate	-	*ISOS*

h. Report of Defective Refundable Returns

Original	-	*RDO concerned*
Duplicate	-	*ISOS*

9. Certify as to the correctness of the information appearing in the TRP before forwarding the same to AdmD;

10. Certify on the space provided in the TRP Summary that the expenses are necessary and lawful before forwarding the same to AdmD;

11. Forward generated reports and documents to offices concerned.

12. Forward the defective refundable returns together with the corresponding report to RDO concerned; and

13. Forward original returns to AdmD for safekeeping and future reference."

e. Section III.G of RMO 39-94 is hereby deleted due to the abolition of the Performance Monitoring Service (PMS).

f. Section III.H – of RMO 39-94 is hereby amended to read as follows:

"H. FINANCIAL AND ADMINISTRATIVE SERVICE (FAS)

ACCOUNTING DIVISION

1. *Receive three (3) copies of TRP Recap by Region from ISOS;*

2. *Transmit the duplicate and triplicate copies of TRP Recap by Region to Chief, BD as basis for preparation of SAA;*

3. *Receive three (3) copies of approved SAA with triplicate copy of TRP Recap from BD; file duplicate copy of TRP Recap;*

4. *Prepare in three (3) copies DV covering transfer of funds from the National Office bank account to Regional Office concerned based on the SAA; attach quintuplicate copy of SAA and triplicate copy of TRP Recap to DV to serve as supporting documents:*

   Original – COA
   Duplicate – AD
   Triplicate (onion skin copy) - GSD

5. *Prepare in two (2) copies NFT addressed to the Regional Director of the Regional Office concerned;*

   Original – Regional Office concerned
   Duplicate – AD

6. *Prepare request for fund transfer addressed to the Land Bank of the Philippines – Quezon City Branch (LBP – Q.C.) based on the NFT; forward the same together with NFT and two (2) copies of DV attached with the quintuplicate copy of SAA and triplicate copy of TRP Recap to FAS for approval; retain duplicate copy of DV for file;*

   Note: Approved DV will be the bases for preparation of check by GSD.

7. *Receive approved NFT and request for fund transfer from FAS;*

8. *Forward original copy of NFT to Budget Division for mailing to Regional Office concerned; retain duplicate copy of NFT for file;*

9. *Receive check from GSD;*

10. Forward the check together with the request for fund transfer to LBP – Q.C.

11. Receive and consolidate Trial Balances including the supporting schedules prepared by Regional Offices."

III. Repealing Clause

RMO No. 39-94 and all other issuances inconsistent herewith are hereby amended, modified and repealed accordingly.

IV. Effectivity

This Order shall take effect immediately and shall cover processed TRP and TRP Summary starting with run date of December 31, 2003.

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue

I-1