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

October 4, 2006

REVENUE MEMORANDUM ORDER NO. 23-2006

SUBJECT : Prescribing the Guidelines and Procedures on the One-Time Administrative Abatement of all Penalties/Surcharges and Interest on Delinquent Accounts and Assessments (Preliminary or Final, Disputed or Not) as of June 30, 2006 as implemented by Revenue Regulations No. 15-2006.

TO : All Internal Revenue Officers and Other Concerned.

SECTION 1. OBJECTIVES - This Order is issued :

1.1 To prescribe the guidelines and procedures in the settlement of delinquent accounts and assessments (preliminary and final, disputed or not) including those already filed in court, by way of application for abatement of all penalties, including surcharge and interest provided for under Section 204 of the National Internal Revenue Code (NIRC) of 1997, as implemented and clarified by Revenue Regulations No. 15-2006 (RR 15-2006).

1.2 To prescribe the reporting requirements in monitoring the response of taxpayers who availed of the administrative abatement.

SECTION 2. SCOPE – The following cases may, upon compliance with the basis and conditions set forth in Section 204 of the Code and RR 15-2006 as reiterated in this Order, be the subject matter of abatement:

2.1 Delinquent Accounts/Accounts Receivable Cases except those cases where the Presidential Commission on Good Government (PCGG) has an interest and/or there is a need to coordinate with the PCGG;

2.2 Income Tax 2nd Installment Cases;

2.3 Dishonored Checks Cases;

2.4 Cases Under administrative protest pending in the Regional Offices (ROs), Revenue District Offices (RDOs), Legal Service (LS), Large Taxpayer Service (LTS), Collection Service (CS), Enforcement Service (ES) and other offices in the National Office (NO) except those cases where the PCGG has an interest and/or there is a need to coordinate with the PCGG;

2.5 Assessed cases, whether preliminary or final, disputed or not, as of June 30, 2006 except those cases where the PCGG has an interest and/or there is a need to coordinate with the PCGG;

2.6 Civil tax cases being disputed before the Department of Justice and the courts, e.g., MTC, RTC, CTA, CA and, SC including decided cases which are not yet final and executory, except those cases where the PCGG has an interest and/or there is a need to coordinate with the PCGG;

2.7 Collection cases filed with the courts except those cases where the PCGG has an interest and/or there is a need to coordinate with the PCGG;

2.8 Cases with pending request for Compromise Settlement under RR No. 6-2000, RR No. 7-2001, and RR No. 30-2002 as amended by RR No. 8-2004, and other prior years' issuances which are under evaluation by the TWG-NEB, TWG-REB, NEB and REB; provided that, pending request for compromise settlement pursuant to the aforementioned regulations, where the amount offered has already been approved/payments have already been made and approved by the TWG-NEB/REB shall not be covered by these Regulations. The following are scenarios:

2.8.1 If the taxpayer has a pending request for compromise and the amount paid is less than 100% of the basic tax, the taxpayer may avail of the abatement under RR 15-2006 by paying the balance to complete the 100% of the basic tax.

2.8.2 If the taxpayer's offer for compromise is more than 100% of the basic tax and the same has already been paid, the taxpayer could no longer avail of the provisions of RR 15-2006.

2.9 Cases with pending request for abatement under RR 13-2001 for evaluation by the Commissioner of Internal Revenue (CIR); provided that, pending request for abatement pursuant to the aforementioned RR, where the amount offered has already been approved or where partial or full payments have already been made shall not be covered by these Regulations. The same scenarios in Section 2.8 shall also apply in this provision;

2.10 Failure to withhold Withholding Taxes discovered upon audit;

2.11 Criminal violations, (except those already filed in court, those involving Criminal Tax Fraud, those under the Rate Program of the Bureau, and tax fraud cases which are the results of confidential information, unless allowed to avail by the Commissioner or his representative on meritorious grounds);

2.12 Letter Notice Cases;

2.13 "Accounts Payable or Due to BIR" accounts duly recorded or acknowledged by the taxpayer in his books of accounts.

SECTION 3. DEFINITION OF TERMS –

3.1 Delinquent Account – refers to the amount of tax due on or before June 30, 2006 from a taxpayer who failed to pay the same within the time prescribed for its payment, arising from (1) a self-assessed tax, or (2) a deficiency assessment issued which has become final and executory;

3.2 Assessment, preliminary or final, disputed or not, - refers to a tax assessment issued or self-assessment made on or before June 30, 2006 which has not yet become final and executory;

3.3 Basic Tax Assessed – The term refers to any of the following:

3.3.1 Unpaid tax shown on the return filed;

3.3.2 Tax due shown on the Assessment Notice and Letter of Demand, excluding surcharge, interest and compromise penalties;

3.3.3 Unpaid 2nd Installment Income Tax;

3.3.4 Amount of Dishonored Check.

SECTION 4. PROCEDURES IN THE AVAILMENT OF THE ABATEMENT PROGRAM -

4.1 Any person/taxpayer, natural or juridical, with existing delinquent account or assessment which has been issued as of June 30, 2006, may avail of this Abatement Program.

4.2 Taxpayer may avail by submitting an application for abatement (Annex "A") for every tax type to the concerned office, as follows:

- For Revenue District Office Cases under its jurisdiction - Collection Unit of the Revenue District Office;

- For Regional Office Cases handled by the Regional Task Force – Collection Division of the Regional Office;

- For Regional Office Cases with administrative protest – Assessment Division of the Regional Office;

- For Regional Office Cases for judicial action or with protest involving legal issues - Legal Division of the Regional Office;

- For cases under the jurisdiction of the Collection Enforcement Division (CED) and Withholding Tax Monitoring Division (WTMD) other than LTS Cases - Collection Service of the National Office;

- For cases under the jurisdiction of the Large Taxpayers Service (LTS) – LT Collection Enforcement Division (LT-CED);

- For cases handled by the Divisions under the Legal Service that are for judicial action or with protest involving legal issue - Legal Service of the National Office;

- For cases handled by the National Investigation Division (NID) - Enforcement Service (ES) of the National Office.

Notwithstanding the above provisions, the office which has possession of the docket of the case shall receive and process applications for abatement of penalties/surcharge and interest on delinquent accounts and assessed tax cases.

4.3 Payment of the amount offered:

4.3.1 The amount equal to 100% of the basic tax shall be paid using BIR Form 0605 (Payment Form) with any Authorized Agent Banks (AABs) located within the jurisdiction of the RDO/LTS/LTDO where the taxpayer is registered. In the absence of AABs, the payment may be made to the Revenue Collection Officer/Deputized Treasurer of the City/Municipality of the RDO/LTDO that has jurisdiction over the taxpayer.

4.3.2 BIR Form 0605 not electronically filed shall be signed by the following:

- Revenue District Officer - for cases in the Revenue District Office
- Chief, Legal Division - for cases in the Legal Division
- Chief, Assessment Division - for cases in the Assessment Division
- Chief, Collection Division – for cases in the Collection Division
- Assistant Commissioner (ACIR), Large Taxpayer Service – for cases in the LTS
- Assistant Commissioner (ACIR), Collection Service – for cases in the Collection Enforcement Division & Withholding Tax Monitoring Division
- Assistant Commissioner (ACIR), Legal Service – for cases in the Divisions under the Legal Service
- Assistant Commissioner (ACIR), Enforcement Service – for cases in the Divisions under the Enforcement Service

For cases being handled by other offices other than the offices mentioned above, BIR Form 0605 shall be issued and signed by the Chief of the said Office.

4.4 Staggered payments of the amounts payable under the Abatement Program may be considered on a case to case basis in accordance with the existing regulations of the Bureau upon approval by the Regional Director for Regional Cases, and concerned ACIR (LTS, Collection, Legal, or Enforcement) for National Office cases.

4.5 For cases pending in courts, the concerned taxpayer shall fully pay the amount equal to One Hundred Percent (100%) of the basic tax before the same should be withdrawn, following the existing legal procedures.

4.6 If the amount, as abated, is not paid as required herein, the approved staggered payment shall be automatically nullified and the delinquent account or the assessment shall be reverted to the original amount which includes the statutory increments incident to delinquency, which shall be collected thru the summary remedies and/or judicial processes provided for by law.

4.7 Within fifteen (15) days after payment of the basic tax, the following procedures shall be followed:

4.7.1 Attached proof of payment (Revenue Official Receipt/BIR Form 0605 with machine validation) and the application form to the docket of the case;

4.7.2 Prepare Termination Letter (Annex B) for every tax type for the signature of the Commissioner of Internal Revenue;

4.7.3 Prepare Authority to Cancel Assessment (Form 17.58-ATCA) to cancel assessments for penalties (surcharge, interest and compromise penalty), following the existing rules and procedures in RDAO 6-2001, to be signed only after the Termination Letter has been issued;

4.7.4 Thereafter, the docket of the case, page numbered and with Table of Contents, shall be forwarded to the Office of the Commissioner for the signature of the Termination Letter, through the Deputy Commissioner - Operations Group, Attention : The Assistant Commissioner for Collection;

4.8 In cases, where 100% of the Basic Tax has already been paid prior to Revenue Regulations No. 15-2006 [i.e. those cases that are being handled by the Technical Working Committee - Abatement and the Technical Working Group – National Evaluation Board (NEB)/Regional Evaluation Board (REB)], the Termination Letter shall be prepared by the Office handling the case. However, the ATCA shall be prepared and approved by the responsible official where the delinquent case originated (refer to RDAO 6-2001).

The docket of the case shall, likewise, be forwarded to the Office of the Commissioner for the signature of the Termination Letter, through the Deputy Commissioner – Operations Group, Attention: The Assistant Commissioner, for Collection.

SECTION 5. REPORTING REQUIREMENTS

5.1 All processed application and payments for abatement shall be reported monthly by the processing office following the prescribed format (Annex "C") and shall be transmitted as follows :

FROM	TO	Date of Submission
RDO/Legal/Assessment Division/ other offices handling delinquent accounts/protested cases	Collection Division	5th day of the following month
LT-CED/WTMD/ NID/ Prosecution/ Litigation/Law/ Appelate Division/other offices handling delinquent accounts/ protested cases	Collection Enforcement Division	5th day of the following month
Collection Division	Collection Enforcement Division	10th day of the following month
Collection Enforcement Division (CED)	ACIR-Coll. Service/ DCIR- Operations/ Commissioner	15th day of the following month

5.2 The Collection Enforcement Division shall consolidate all reports of availment of the abatement program under this Order for submission to the ACIR, Collection Service, DCIR, Operations Group and to the Commissioner of Internal Revenue.

5.3 For monitoring purposes, in addition to 5.1, all collections under this program shall be reported by the Regional Director to the ACIR, Collection Service on a weekly basis using the attached format (Annex "D")

SECTION 6. EFFECTIVITY – This Order shall take effect immediately.

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue

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