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

September 17, 2007

REVENUE MEMORANDUM ORDER NO. 28-2007

SUBJECT: Prescribing Guidelines and Procedures in the Transmittal and Processing of the Annual Information Return on Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF), Annual Information Return of Creditable Taxes Withheld - Expanded/Income Payments Exempt from Withholding Tax (BIR Form No. 1604-E) and Monthly/Quarterly/Transactional Remittance Returns (BIR Forms Nos. 1601C, 1601E, 1601F, 1600, 1606, 1602, 1603) with the Monthly Alphalist of Payees (MAP) and Returns Required to have Summary Alphalist of Withholding Agents of Income Payments Subjected to Tax Withheld at Source (SAWT) (1701, 1702, 2550Q, 2551M, 2551Q, etc.) under Revenue Regulations No. 2-2006 and Procedures in the Extraction, Matching, Analysis, Dissemination, Utilization of payor/payees data including Monitoring the Extent of Compliance of Withholding Agents and Income Recipients subject to Withholding Tax through the Tax Reconciliation System

TO : All Internal Revenue Officers and Others Concerned

I. BACKGROUND and COVERAGE

The Tax Reconciliation System (TRS) using the tool of a Centralized Data Warehouse (DW) is geared towards enhancing revenue collection by computerized matching of data available under the Bureau's Integrated Tax System (ITS) (i.e., tax returns of income recipients such as BIR Form Nos. 1701, 1702, 2550Q, 2551M, 2551Q, etc.) with data gathered from withholding agents such as the Alphalist of Payees/ Income Recipient /Employees attached to various withholding tax forms like the Annual Information Return on Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF); Annual Information Return of Creditable Taxes Withheld - Expanded/Income Payments Exempt from Withholding Tax (BIR Form No. 1604-E) and Monthly/Quarterly/Transactional Remittance Returns of Withholding Taxes (BIR Forms Nos. 1601C, 1601E, 1601F, 1600, 1602,1603, 1606).

Through the consolidation and cross-referencing of data from withholding agents (WAs) and declaration of income recipients, discrepancy reports can be generated to uncover violations on tax rules and regulations such as under declaration of income, non-declaration of income, under remittance and/or non-remittance of taxes withheld, over withholding, under withholding, over declaration of credits to name a few. Timely recognition and accurate reporting of unregistered taxpayers and non-filers will also be possible.

This Order shall cover all annual information returns filed in soft copy and/or hard copy which are encoded/ uploaded for calendar year 2005 and subsequent years. It likewise

covers all withholding tax returns including those with attached Monthly Alphalist of Payees (MAP) and tax returns of income recipient with attached electronic or hard copy of SAWT beginning January 2006. The returns filed by Large Taxpayers shall be processed by the Large Taxpayers Service (LTS) and all other returns filed by non-large taxpayers shall be processed by the Withholding Tax Division (WTD), during the pilot stage and until system is fully operational, and thereafter, shall be handled by the concerned Revenue District Offices (RDOs). The sales/revenue/income figure of a taxpayer arrived at under the TRS matching system or procedure shall be compared with the sales/revenue/income arrived at under the RELIEF System and the resulting higher figure between the two figures generated separately under the two different matching systems shall be the presumed correct sales/revenue/income of the payee/income recipient.

II. OBJECTIVES

A. Prescribe procedures for a more effective way of extraction, analysis, dissemination, utilization of payor/payees data, processing and computer matching of data, audit and monitoring of withholding tax returns filed including EFPS and/or encoded/uploaded returns.

B. Establish adequate controls to ensure security/integrity and confidentiality of TRS data maintained in the DW, consistent with relevant statutes and policies concerning Unlawful Disclosure.

C. Enhance voluntary compliance of WAs.

D. Facilitate the processing of the aforesaid returns thru the use of developed online system.

E. Delineate the duties and responsibilities of offices responsible for the implementation of TRS including all activities associated with requests for access and dissemination of TRS data to the concerned offices.

F. Prescribe procedures in the resolution of matched error or discrepancies through examination of taxpayer's records, assessment and collection of deficiency taxes.

G. Prescribe procedures in the resolution of Tax Reconciliation System - Letter Notice (TRS-LN) discrepancies.

H. Define the duties and responsibilities of the concerned revenue officials and officers on the TRS-LN assigned to them.

I. Prescribe standard report format to be used by all concerned offices in the implementation of this Order.

III. POLICIES AND GUIDELINES

A. All computerized RDOs in Metro Manila shall no longer transmit the original hard copy of the 2006 and subsequent years Annual Information Return on Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF), Annual Information Return of Creditable Taxes Withheld – Expanded/ Income Payments Exempt from Withholding Tax (BIR Form No. 1604-E) and Monthly

Withholding of VAT and Percentage Taxes (BIR Form No. 1600) to the Withholding Tax Division as prescribed under RMO 80-98. They shall process/encode/upload withholding tax returns and its attachments following existing procedures under RMO 5-2001 and RR 2-2006.

B. All non-computerized RDOs shall process/encode/upload withholding tax returns into the ITS following existing procedures (i.e. Payment Data Entry System (PDES)). RDOs should encourage their taxpayers to submit withholding tax returns and annual information returns thru the e-submission facility that allows electronic submission of BIR Form Nos. 1600, 1601-C, 1601-E, 1601-F, 1602, 1603, 1604-CF, 1604-E, 1606 and the attached alphalists of employees/payees where data/files generated passes the validation procedures of the Bureau.

All RDOs are required to encode/upload returns including attached alphalist into the ITS within thirty (30) days for monthly/ quarterly/transactional tax returns and sixty (60) days for annual returns from date of receipt of returns. Returns required with SAWT/MAP shall likewise be uploaded.

C. Pre-audit of electronically available returns shall be done thru TRS.

For Withholding Tax Agents under the jurisdiction of the LTS.

The procedures in the resolution of withholding tax discrepancies covered by the TRS-LN shall be undertaken by the LTS-LTAID1/LTAIDII/LTDO.

For Withholding Tax Agents under the jurisdiction of the Regional Offices

During the pilot stage, the resolution of the withholding tax discrepancies covered by the TRS-LN shall be undertaken by the WTD .

The PAN/FAN shall be signed by the DCIR-OG, after evaluation and review by the ACIR-CS.

After the pilot stage, processing and resolution of the TRS-LN will eventually be done in the RDO level following the existing procedures in the processing of TRS-LN.

The LTDO/ACIR-CS or the concerned RDO (after the pilot stage) shall recommend the conversion of TRS-LNs to Letters of Authority (LAs) for the assessment of deficiency taxes, if any, if the conditions stated under subsections Z and AA exist. However, the LA to be issued shall only be an issue-based LA covering the issues discovered in the generation of the LN.

"Pilot Stage" shall mean the pilot run of matched TRS data resulting to the issuance of TRS-LN. Thereafter, any succeeding TRS-LN will be done in the RDO level unless, the CIR, in the interest of the Bureau allows the WTD or another national office task force to continue their function as stated in this RMO.

TRS-LN shall be delivered to the taxpayer through registered mail and/or personal delivery.

D. Information to be drawn from the TRS shall be classified into two (2) major groups, namely: "Processed" and "Preprocessed" TRS data.

"Processed" TRS data refers to data matched by the system following defined threshold by the Commissioner.

"Preprocessed" TRS data refers to historical data on withholding tax details that are enhanced with registration information matching. The data may or may not have been consolidated yet.

TRS data consist of information submitted by the taxpayer thru the following returns:

- Annual Information of Income Tax Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF)
- Annual Information of Creditable Income Taxes Withheld (Expanded)/ Income Payments Exempt from Withholding Taxes (BIR Form No. 1604-E)
- Withholding Tax Remittance Returns
- Returns with Monthly Alphalist of Payees (MAP)
- Returns with Summary Alphalist of Withholding Agents (SAWT)

E. The concerned offices under the Information Systems Group (ISG) shall be responsible for developing the TRS infrastructure and establishing a centralized TRS database that serves as a comprehensive integrated resource network that will allow the automatic matching of processed TRS data.

F. The Systems Operations Division (SOD) of the Information Systems Operations Service (ISOS) shall be the office responsible for generating the following:

- List of Taxpayers with discrepancies within the threshold amount set by the management for the generation of TRS-LN.
- System-generated TRS-LNs plus Details of Withholding Agents/Payors and Payees/Income Recipient Report (DWAPR).

DWAPR refers to taxpayer's income payments/purchases and withholding taxes as reported in the Alphalists submitted by withholding agents and the payees/income recipients reported sales/revenues/receipts in the Income Tax Return, VAT Return, and Percentage Tax Return, including the SAWT, whichever is applicable.

G. Taxpayers in the discrepancy lists to be generated by the SOD shall be sorted by Revenue Region (RR)/Revenue District Office (RDO)/Large Taxpayers District Office (LTDO) and arranged in alphabetical order prior to the assignment of a control number for identification and easy monitoring as well as by the amount of discrepancy for purposes of priority action to be undertaken.

H. The LTS for large taxpayers and during the pilot stage, the WTD, under the CS, for all other taxpayers, in coordination with the concerned offices of ISG, shall be responsible for evaluating, processing, and monitoring the TRS-LN together with the DWAPR and shall recommend other ADHOC reports, as may be needed by the management.

I. Any collection under this undertaking shall be for the account of the RDO where the subject taxpayer is registered. Hence, WTD during the pilot stage shall not be subject to attrition.

J. The WTD, through the CS shall recommend to the DCIR-OG and CIR a set of TRS threshold of discrepancy.

K. The concerned offices under the ISG shall be responsible for developing a computerized tracking system to monitor collection data arising from TRS-LNs issued.

L. The monitoring of TRS-LNs and collection therefrom shall be the responsibility of the ACIR- CS/ACIR- LTS but the monitoring of the whole process shall be the responsibility of the Office of DCIR-OG and CIR.

M. For the effective implementation of the TRS, the WTD, in consultation with the concerned offices under the ISG and OG, shall conduct, on a continuing basis, quality review of the system and recommend enhancements, whenever necessary.

N. The concerned offices under the ISG shall ensure timely generation of the discrepancy reports which, per se, depends on the timeliness of the DW update.

O. In as much as TRS-LNs are considered as LA for purposes of amending the returns, returns covering the periods and/or transactions referred to in the TRS-LNs can no longer be amended The returns referred to herein shall include all returns and schedules required to be submitted. Moreover, if there are no returns initially filed or schedules attached thereto, the taxpayer may no longer file a return by way of a "late compliance" considering that the Commissioner has made a computation of the tax base and tax due in his behalf.

P. The Monthly Status Report on TRS- LNs issued, in the format prescribed herein shall be submitted by the investigating offices to WTD for consolidation and for the ACIR-CS/DCIR-OG/CIR to monitor.

Q. The RD/ACIR or HREA-LTS, as the case may be , shall approve all requests for access to "Preprocessed" TRS data which shall be covered by a Request Form (RF). Access to "Preprocessed" TRS Data shall be limited to taxpayers for whom Letters of Authority (LAs) have been issued. For National Investigation Division (NID) cases, access shall be granted only where the request has been duly noted by the Deputy Commissioner - Legal and Inspection Group (DCIR-LIG).

R. The WTD shall act on all approved request for access to "Preprocessed" TRS data by the concerned investigating offices.

S. The RDs, ACIR-LTS (in the absence of ACIR, concerned HREA of LTS) and ACIR-CS shall be responsible for monitoring and evaluating the utilization by the requesting office(s) of the "Preprocessed" TRS data. A Quarterly Status Report on "Preprocessed" TRS Data Utilization, in a format prescribed herein, shall be submitted by the concerned LTS/LTDO/other investigating offices, thru RDs/ACIR or HREA-LTS/ACIR-CS, to WTD.

T. The WTD shall conduct, on a periodic basis, a reconciliation of all preprocessed TRS data farmed out to the requesting office(s) by comparing/matching the TRS data disseminated to the investigating office(s) with the Quarterly Status Report on "Preprocessed" TRS Data Utilization submitted by the same.

U. All TRS data disseminated to any Revenue Officer (RO) shall be utilized in the conduct of investigation (field audit or table audit) and the extent of utilization of said data shall be fully disclosed in the report of investigation/reinvestigation. The heads of the concerned WTD/LTDO/ investigating office shall be responsible for all TRS data furnished to the revenue officer(s) under their jurisdiction. For this purpose, the Assessment Division (AD) in the Regional Offices or any other offices authorized to review reports of investigation shall be furnished with copies of the TRS data disseminated to ensure proper utilization of the same.

V. Any record extracted from the DW shall be considered strictly confidential and shall be used exclusively for internal revenue tax purposes. All employees who in any way have access to the system should be informed of the legal provisions governing unlawful disclosure of information.

W. In the pilot phase, taxpayers to whom TRS-LNs were issued shall, aside from the payment of the required deficiency income taxes, pay the VAT and percentage taxes resulting from the findings of discrepancy in the TRS-LN.

X. The deficiency income and value added taxes/percentage taxes shall be computed using the formulas prescribed herein (Annex "P") and the corresponding payment shall be made using BIR Form No. 0605.

Y. The herein prescribed formulas for the computation of the deficiency taxes shall apply only to TRS-LNs issued to taxpayers that are not the subject of an investigation pursuant to an LA, since under the "no-contact-audit approach", the concerned RO has no opportunity to examine the records of the taxpayer for purposes of determining its true tax liabilities.

Z. The settlement and payment of the deficiency taxes under the TRS-LN or issue-based LA shall not preclude the Bureau from issuing a LA covering the comprehensive audit of a taxpayer's tax liability, if warranted. However, any payment of deficiency taxes pursuant to TRS-LN shall be credited against any assessment that may be made by the appropriate BIR Office pursuant to a notice of investigation or LA provided the discrepancies disclosed by said audit are of the same nature as the discrepancies reflected in the TRS-LN for the same taxable year.

AA. If the taxpayer received the TRS-LN but fails to respond within fifteen (15) days from receipt of the TRS-LN, the LTDO /investigating office shall issue a follow-up letter (Annex "R"). If despite the follow-up letter received by the TP, still no response within fifteen (15) days is received from the taxpayer, prepare issue-based Letter of Authority, "Notice for Informal Conference" and if no response within fifteen (15) days from receipt, transmit the docket to the Assessment Division or equivalent office for PAN/FAN preparation. WTD shall prepare LA/PAN/FAN during the pilot stage. Forward to the DCIR-OG, through the Collection Service, the docket attaching thereto the duly received copy of TRS-LN, DWARP, follow-up letter, duly issued issue-based

LA, for issuance of PAN and FAN, as the case may be, following the guidelines and procedures provided by RR No.12-99. However, for TRS-LN covering taxable 2005, no follow up letter is necessary. After the lapse of 15 days from delivery of the TRS-LN and no response is received, an issue-based LA shall be issued. (For pilot stage where cases are handled by the WITHHOLDING TAX DIVISION, the LA shall be signed by the DCIR-OG.) Thereafter, the Notice for Informal Conference shall be immediately issued/released. If still no response within fifteen (15) days from service of the Notice for Informal Conference is received, PAN and later FAN shall be issued by the DCIR-OG.

BB. In the event a taxpayer who has been issued a TRS-LN refutes the discrepancy shown thereon, the RO concerned shall, upon receipt of the protest letter of the taxpayer, evaluate the protest and require the latter to execute a Sworn Statement attesting to the alleged inaccuracies or errors in the data submitted by payor/payee or third party source. The payor/payee or third party source shall also be required to execute a Sworn Statement attesting to the data provided.

In case the above discrepancies remained unresolved at the end of the thirty (30) day period, the RO assigned to handle the TRS-LN shall recommend the issuance of issue-based LA to replace the TRS-LN. The head of the concerned investigating office shall submit a summary list of TRS-LNs for conversion to LAs (using the herein prescribed format in Annex "O2" hereof) to the DCIR-OG during the pilot stage /ACIR-LTS / RD for the preparation of the corresponding LAs with the notation "This LA cancels TRS-LN No. _____." The issue-based LA shall be reported within 30 days, for regional cases and 60 days, for LTS cases from issuance thereof.

CC. The audit to be conducted pursuant to an LA should be an issue-based audit focusing on the information provided by the payor/payee and the explanations furnished by the taxpayer. The audit shall be undertaken following the audit procedures and techniques under Revenue Audit Memorandum Order (RAMO) Nos. I-2000, 2-95, I-91 and 1-90. The RO concerned shall also comply with the reporting requirements prescribed under RMO No. 53-98, whichever is applicable.

In case a TRS-LN is issued to a taxpayer who is already the subject of an investigation pursuant to an LA for the period covered by the said TRS-LN, the TRS-LN shall not be considered cancelled but instead, processing should be consolidated with the investigation being conducted pursuant to the LA and shall form part of the audit docket. The TRS discrepancy reflected in the said TRS-LN should be properly utilized by including the extent of its utilization in the report of investigation by the concerned RO. The audit docket with the consolidation of the TRS-LN shall be subject to approval by the DCIR-OG, for regional cases, and Commissioner, for LTS cases. Dockets of TRS-LN where payment is in accordance with the findings in the matching process of the computer system shall be approved by the regional director for regional cases, (DCIR-OG for pilot stage) concerned HREA/ACIR-LTS for LTS cases. In case there is deviation from the resulting figure of the computer matching process, final approval shall be done by the DCIR-OG, for regional cases, and CIR for LTS cases after, of course, proper evaluation and recommendation by the concerned/appropriate investigating office, thru channels.

DD. For effective monitoring and to ensure proper utilization of the TRS data relative to TRS-LNs issued to taxpayers who are subjects of investigation pursuant to LAs for the same period (whether the LAs were issued before or subsequent to TRS-LN issuance), the concerned investigating offices shall prepare a Monthly Collection Report on LAs with TRS-LN Discrepancy using the format prescribed in Annex "O3" hereof, for submission to the ACIR-CS/ACIR or HREA-LTS/RD, copy furnished the WTD and DCIR-OG on or before the 10th day following the close of each month.

EE. The Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) shall be issued by the Commissioner, after evaluation by the Assistant Commissioner (ACIR)/Head Revenue Executive Assistant(HREA)-LTS, for LTS cases, or Deputy Commissioner-Operations Group (DCIR-OG), after evaluation by the Assistant Commissioner (ACIR)-Collection Service (CS), for non-LTS cases. However, if the findings reflected in the TRS-LN is not changed in the PAN/FAN, same shall be signed by the Regional Director/ACIR or HREA-LTS.

FF. After the pilot stage, processing of TRS-LN shall be totally devolved to the investigating offices (Regional Office/LTS) hence, issuance of issue-based LA/ Informal Conference/PAN/FAN up to the termination of the case which are being handled by the WTD-CS and DCIR-OG or CIR shall be done by the concerned investigating, reviewing and approving offices in the Regional Offices or LTS. However, if the findings reflected in the TRS-LN is changed by the Region/LTS, docket shall be approved by DCIR-OG/CIR.

IV. PROCEDURES

A. Systems Operations Division (SOD)-ISOS shall:

1. Upon instruction from DCIR-OG, extract records from the DW consisting of TRS Data culled from the returns filed by the taxpayer and its/his withholding agents, within the prescribed discrepancy threshold determined based on the following reconciliation:

   a. Agent – Taxpayer Reconciliation
   Alphalist of Payees-gross income paid to income recipient and withholding taxes reported by the WA vs. Gross Sales and withholding taxes declared/claimed as tax credits by taxpayer/recipient in ITS.

   b. Withholding Agent Reconciliation
   WA's annual information return versus monthly/quarterly remittance returns. Systems identification and computation of late filing of remittance returns and late submission of information returns with attachments.

   c. Line by Line Reconciliation
   WA's information on gross income/payment declaration versus amount withheld using the correct withholding tax rates.

2. Generate list of taxpayers with discrepancies within the prescribed threshold.

3. Sort the discrepancy list by RR/RDO or LTS/LTDO and arrange in alphabetical order. It shall also be sorted by the amount of discrepancy for priority action to be undertaken.

4. Inform in writing or via e-mail, the ACIR-CS/ACIR-LTS or concerned HREA-LTS/RD on the result of action undertaken based on the issues raised upon random test validation of discrepancies by the WTD.
5. Identify the taxpayers in the list by means of a system-assigned control number. The assignment of control number must be done in the following manner:

RDO Code	-	first three (3) digits
Tax type	-	next two alphanumeric code (for tax type) **WE** for Expanded Withholding Taxes **WC** for Withholding Tax on Compensation **WF** for Final Withholding Tax **WV** for Withholding on VAT **WP** for Withholding on Percentage Tax
TP Class	-	next one (1) digit **N** for non-individual **I** for individual
Year	-	next two (2) digits
Quarter	-	next two (2) digits
Serial No.	-	last five (5) digits

The serial number shall start from 00001 for each office and shall be reset to start again from 00001 at the beginning of each calendar year.

Hence, the control number for the first taxpayer (non-individual) in the discrepancy list covering Expanded Withholding Tax for 2005 in RDO Pasig should read as follows:

043-WE-N-05-00-00001

6. Generate annually or upon request the TRS-LN (Annex "A") together with DWAPR (Annexes "B", "B1", "B2"), corresponding to taxpayers identified in the discrepancy list, to be distributed as follows:

Original	-	ACIR-LTS/ACIR-CS/RD
Duplicate	-	WTD
Triplicate	-	File Copy

Make available in soft copy the withholding tax returns with attached alphalists in excel format downloaded to the WTD.

7. Transmit in writing and e-mail the following documents to the WTD within one (1) day from generation thereof:

7.1. In hard copies

a. List of taxpayers issued TRS-LNs sorted by RR/RDO / LTS/LTDO / investigating offices
b. System-generated TRS-LNs (duplicate copy)

7.2. Thru e-mail
a. Details of Withholding Agents/Payor & Payees/Income Recipient Report (DWAPR)

8. Provide OG a List of Taxpayers issued TRS-LNs sorted by RR/RDO/LTS/LTDO / investigating offices within one (1) day from printing thereof.

9. Generate reminder letters to taxpayers with request for installment payments one week before due dates of the installments.

10. Generate follow-up letters to taxpayers with overdue installments one week after the due dates.

11. Generate "Summary Report of Overdue Installments" every first working day of the week.

12. Generate ADHOC reports which shall be requiredby MANCOM from time to time.

B. Withholding Tax Division shall:

1. Submit through the CS the threshold summary to the DCIR-OG for the parameters in the issuance of TRS-LNs each year. The threshold may vary depending on the direction of top management.

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

3. Explore the possibilities of enhancing and improving the system for effective and efficient matching of data and processes. Conduct on a continuing basis, in coordination with the concerned offices under the ISG and OG, review of the TRS and enhancements thereof whenever necessary.

4. Receive from SOD the following:

4.1. In hard copies
a. List of taxpayers issued LNs sorted by RR/RDO/LTS/LTDO/ investigating offices with DWARP
b. System-generated LNs (duplicate copy)

4.2. Thru e-mail
a. Details of Withholding Agents/Payors and Payees/Income Recipient Report (DWAPR)

5. Check and validate in the ITS if generated TRS discrepancy with DWAPR is valid for issuance of TRS-LN or explain in writing the details on the result of validation.

6. Maintain masterfile of all TRS-LNs generated, received and transmitted to regions/ LTS/ investigating offices.

7. Receive from ACIR-LTS/ACIR-CS/RD the Monthly Consolidated Report on TRS-LNs issued within ten (10) days from the close of each month.

8. Maintain a permanent record of all taxpayers issued TRS-LNs showing the following information:
    - Control Number
    - Name of Taxpayer
    - TIN of Taxpayer
    - Period Covered
    - Amount of Sales per Return
    - Amount of Gross Profit
    - Amount of Tax Due
    - Amount of Tax Withheld
    - Amount of Discrepancy
    - % Discrepancy
    - Amount of Tax Due per Tax Type
    - Amount of Discrepancy
    - Line by line reconciliation discrepancy
    - Date Generated
    - Date Transmitted to WTD/LTS/Investigating office
    - Date Received by WTD/LTS/Investigating office
    - RR/LTS/WTD Code
    - RDO Code
    - Date Served
    - Date of Payment
    - Amount of Payment
    - Status (refer to RDO/LTDO/ investigating office Monthly Status Report on LN Issued)
    - Date of issuance of PAN
    - Date of issuance of FAN
    - Date of Protest, if protested by taxpayer
    - Date of finality of assessment

9. Monitor collection arising from TRS-LNs issued using the computerized tracking system to be developed for the purpose and reconcile it with the monthly update by the LTS/LTDO/RD/RDO.

10. Receive from the ACIR-LTS/LTDO/RD/RDO/investigating offices the duly approved Data Request Form (RF) for "Preprocessed" TRS data.

11. Access the DW containing historical data on TRS details enhanced with registration information matching.

12. Provide details of "Preprocessed TRS Data" to the requesting offices thru e-mail or registered mail whenever e-mail facility is not available.

13. Receive Consolidated Quarterly Status Report on "Preprocessed" TRS Data Utilization from the RD/LTS/LTDO/ACIR-ES/Investigating office on or before the 20th day following the close of each quarter.

14. Submit to the ACIR, CS on or before the 20th day of the second month following the close of each quarter the following:
    a. Consolidated Quarterly Status Report on TRS-LNs Issued
    b. Consolidated Quarterly Status Report on "Preprocessed" TRS Data Utilization

15. Submit to DCIR-OG, thru ACIR-CS, a copy of Consolidated Quarterly Status Report on TRS-LNs issued on or before the 20th day of the second month following the close of the quarter.

16. Receive from the LTS/LTDO/RD/RDO/investigating offices the Monthly Collection Report on LAs with TRS-LN Discrepancy (Annex "O3") on or before the 10th day following the close of each month for monitoring purposes.

17. Receive from the concerned reviewing office (Assessment Division/LTS) TRS-LNs for cancellation if the TRS-LN discrepancy was already considered in the audit case of taxpayers pursuant to LA issued for the same taxable year where all the findings reflected in the TRS-LN are part of the findings reported in the LA docket.

18. Prepare a consolidated list of TRS-LNs converted to issue-based LAs by WTD together with the reports received from LTS/LTDO/RD/RDO/investigating offices within twenty (20) days after the lapse of the 15-day period from service of TRS-LN and 15-day period from service of follow-up letter where no response was received from taxpayer or the 30 day period from TRS-LN issuance for TRS-LNs served with protests/objections, as the case may be. The issue-based LA shall be reported or docketed within 30 days, for regional cases or 60 days, for LTS cases, from issuance of the issue-based LA.

19. Analyze the statistical report on TRS-LNs issued per LTS/LTDO/RD/RDO/investigating offices and review the online consolidated TRS-LN status and collection report and print the same as needed in order to provide progress reports on TRS-LN status and collection as may be required by MANCOM.

20. During the pilot stage, WTD shall perform the functions stated under sub-Item EE hereof. The ROs under the WTD shall personally serve/registered mail the TRS-LNs, together with the DWAPR, to the taxpayer within five (5) days from the receipt thereof.

21. Provide MANCOM, thru the DCIR-OG and ACIR-CS with consolidated report on TRS-LN status and collection on or before the end of the fourth month after the close of the year and an annual status report on the TRS program/activities undertaken, as may be required. However, ad hoc reports may be provided to MANCOM or the CIR as the need arises.

C. Collection Service shall:

1. Evaluate the PAN and the FAN prepared by the WTD for approval of the DCIR-OG.

2. Monitor status of TRS-LNs/PAN/FAN issued and analyze the following reports submitted by WTD:

   a. Consolidated Quarterly Status Report on "Preprocessed" TRS Data Utilization
   b. Consolidated Quarterly Status Report on TRS-LNs Issued
   c. Withholding Tax Monthly Accomplishment Report

3. Provide directions on the immediate resolution of TRS cases.

4. Submit to OG a copy of Consolidated Quarterly Status report on TRS-LNs issued on or before the 20th day of the second month following the close of the quarter.

5. Review/Update, from time to time, the business and functional requirements of the TRS Data Warehouse facility to ensure timeliness, security, integrity and confidentiality of TRS data or records.

6. Sign any request by WTD for consultation with TPI source for current address of the taxpayer covered by the TRS-LN.

D. Large Taxpayers Service/ RD shall:

1. View the TRS-LN packages deployed, check the completeness by comparing the List of TRS-LNs sorted by office against the DWAPR and acknowledge in writing or via e-mail, receipt from the WTD of TRS-LN packages.

2. Direct the concerned investigating offices to download and print the TRS-LN packages for service of the TRS-LNs, together with the DWARP, to the concerned taxpayers.

3. Receive and review the Monthly Status Report on TRS-LNs issued submitted by the concernedLTAID1/LTAIDII/LTDO/RDO.

4. Monitor compliance by the concerned investigating offices, in providing online real-time updates (on TRS-LN status and collection) relative to TRS-LNs downloaded by the said offices and provide online updates on TRS-LNs using system access rights and privileges granted.

5. Submit to WTD, copy furnished CS, a Consolidated Monthly Status Report on TRS-LNs Issued within ten (10) days after the close of each month.

6. Receive from the requesting LTAID1/LTAIDII/LTDO/RDO/investigating office the duly accomplished "Preprocessed" TRS Data Request Form (RF).

7. Evaluate the RF before forwarding the same to the WTD for extraction of the desired TRS data.

8. Assign a control number to all approved RFs. Maintain a permanent record book of all approved RFs. The record book shall contain the following information:

    - RF control number
    - Date of RF
    - Name of the requesting Office/Officer
    - Type of Information requested
    - Amount of Gross Income Payment
    - Amount of withholding tax
    - LA Number
    - Taxable Year covered
    - Taxpayer's Name
    - Taxpayer's TIN

9. Monitor utilization of "Preprocessed" TRS data referred to the concerned LTAID1/LTAIDII/LTDO/investigating offices as narrated hereunder:

    (a) Receive the Quarterly Status Report on "Preprocessed" TRS Data Utilization from the LTAID1/LTAIDII/LTDO on or before the 20th day following the close of each quarter.

    (b) Ascertain compliance by the investigating offices on the submission of prescribed reports.

    (c) Evaluate the extent of TRS data utilization by the investigating office.

    (d) Consolidate the reports submitted by the investigating offices for transmittal to WTD, copy furnished CS, on or before the tenth (10th) day following the close of each month.

10. Evaluate the Summary List of TRS-LNs for Conversion to issue-based LAs submitted by the LTDO/ other investigating office (Annex "D") prior to approval.

11. Upon approval of the above list, prepare/accomplish and sign the corresponding LAs.

12. Prepare a consolidated list of LNs converted to LAs (per LTDO/other investigating office) and transmit a copy of the said list to the CS, thru the WTD.

13. Transmit the approved/signed LAs, together with the duly accomplished/approved Summary List of TRS-LNs for conversion to LAs, to the concerned investigating offices for encoding of the required information in the LA Monitoring System (LAMS) and for service to the concerned taxpayers.

14. Receive from the LTDO/ investigating office the Monthly Collection Report on LAs with TRS-LN Discrepancy (Annex "O3") on or before the 10th day following the close of each month for review and monitoring purposes.

15. Analyze the statistical report on TRS-LNs issued per LTDO/ investigating office and review the online consolidated TRS-LN status and collection report and print the

same as needed in order to provide progress reports on TRS-LN status and collection as may be required by top management.

E. LTDO/RDO/LTAID1/LTAID2/investigating offices or special team/task force handling TRS cases or Preprocessed Data shall:

1. Acknowledge thru e-mail receipt of the following from the WTD:
   - List of taxpayers issued TRS-LNs and identified by a system-assigned control number
   - System-generated TRS-LNs
   - Details of Withholding Agents/Payors and Payees Report (DWAPR)
   - Details of "Preprocessed" TRS Data acted upon

2. Print the DWAPR and the Details of "Preprocessed" TRS Data.

3. Serve the TRS-LNs, together with the DWAPR, to the taxpayer within five (5) days from the receipt thereof. The ACIR-LTS/RD shall be furnished with a copy of the list of TRS-LNs sent under its jurisdiction within the same period.

4. Determine appropriate action on the TRS-LNs issued to taxpayers with TRS data discrepancy:

   a. If there is an existing Letter of Authority (LA)

      a.1. Where the investigation of the tax liability of the taxpayer for the period covered by the TRS-LN is on-going

         a.1.a. Refer the TRS-LNs, together with the DWAPR, to the concerned RO for inclusion of the data in its on-going audit/investigation. However, the reports of investigation for the income tax covered by LA, including findings in the TRS-LN shall be finished within 30 days from referral of the TRS-LN, for regional cases and 60 days from referral of the TRS-LN, for LTS cases. Findings on VAT or Percentage Tax on the TRS-LN shall be processed independent of the LAs for these tax types.

         a.1.b. Require the concerned RO to include in its report of investigation the extent of utilization of the discrepancy reflected in the TRS-LN.

         a.1.c. Forward to the concerned Assessment Division or its equivalent office the docket bearing on the issued TRS-LN for review and evaluation of the extent of utilization of the discrepancy reflected in the TRS-LN.

      a.2. Where the case has undergone processing at the RDO/investigating office and is pending review at the Assessment Division/ or its equivalent office:

         a.2.a. Refer the TRS-LN, together with the DWAPR, to the Assessment Division or its equivalent office to ascertain if the discrepancy was

considered by the investigating officer in his report of investigation. If the discrepancy was considered, recommend cancellation of TRS-LN.

a.2.b. If the discrepancy was not considered, receive from the Assessment Division or its equivalent office the docket and the TRS-LN, together with the DWAPR, for delivery of the TRS-LN and DWAPR to the taxpayer and collection of the basic tax, plus increments, on corrected taxable base. Deficiency Income Tax shall, however, be collected if the deadline for filing the Annual Income Tax Return has already lapsed.

a.3. Where the case is already closed and terminated.

a.3.a. Refer the TRS-LN, together with the DWAPR, to the Assessment Division or its equivalent office to ascertain if the discrepancy was considered by the investigating officer in his report of investigation. If the discrepancy was considered, recommend cancellation of the TRS-LN.

a.3.b. If the discrepancy was not considered, receive from the Assessment Division or its equivalent office the docket and the TRS-LN, together with the DWAPR, for delivery of the TRS-LN with the DWAPR to the taxpayer for the collection of the following taxes:

i. If the discrepancy is over thirty percent (30%), require the taxpayer to pay the basic tax plus increments on corrected taxable base for Withholding Tax, Income Tax and business taxes (VAT and/or Percentage Taxes), Excise Tax, other taxes.

ii. If the discrepancy is not more than thirty percent (30%), require the taxpayer to pay the basic tax plus increment on corrected taxable base for Withholding Tax and Business Taxes (VAT and/or Percentage Tax), Excise Tax, other taxes.

iii. Deficiency tax and penalties for under withholding, non-withholding, under-remittance, non-remittance, late-remittance etc.

Additional deficiency assessments based on TRS-LNs shall be issued only in instances where the tax cases are not yet prescribed. However, even if the case has already been considered to have prescribed under the 3-year prescription rule but there was underreporting of over 30% of tax due, assessment notices and demand letters shall still be issued.

b. If there is no existing audit case viewed in the LAMS, serve the TRS-LN to the concerned taxpayer within five (5) days from receipt thereof

b.1. If the taxpayer pays the required taxes within the prescribed deadline in the TRS-LN, consider the TRS-LN case closed

b.2. Taxpayer's request for installment payment of the basic tax due plus increments per TRS-LN may be granted in accordance with the following:

b.2.a. No installment payment shall be allowed if the amount payable is not more than five hundred thousand pesos (P500,000.00)

b.2.b. If the amount payable exceeds P500,000.00 but not more than P3.0M, payment may be done in two (2) equal installments:
i. First installment must be on the deadline set in the TRS-LN
ii. Second installment, within 30 days from the deadline of first installment or upon approval by the ACIR/RD concerned

b.2.c. If the amount payable exceeds P3.0M, payment may be done in three (3) equal monthly installments

Any request for deviation from the above-prescribed payment scheme shall be subject to the recommendation of investigating office and approval of higher authorities, as follows:

1. Over P500,000 up to P10M . . . HREA/ACIR-LTS/ACIR CS/RD
2. Over P10M . . . . . DCIR-OG/CIR

All approved Applications for Installment Payments (Annexes "H" & "H-1") shall be signed by both the Recommending Officer and Approving Officer and the same shall be entered in the TRS for tracking purposes, if electronically feasible. If not feasible, the RDO/RD/WTD/LTS/investigating offices shall manually track payments of taxpayers with requests for installment payments.

For cases with request for installment payments, a system-generated Reminder Letter (Annex "I") shall be released to the taxpayer one (1) week before the due date of the installment. For cases with past due installments, a system-generated Follow-up Letter (Annex "K") shall be sent to the taxpayer one (1) week after the due date of the installment.

For the investigating RO to be able to release the follow-up letter, a system-generated Summary Report of Overdue Installment (Annex "J") shall be generated every first working day of the week.

b.3. If the taxpayer is refuting the accuracy of the figures in the TRS-LN, together with the DWAPR:

b.3.a. Validate and evaluate the merit of the protest by reconciling the figures against the Withholding Tax Returns with attached alphalist (if any)/ VAT/Income Tax/Percentage tax returns, etc. filed by the taxpayers.
i. Require the TP to submit the necessary schedules and supporting documents to substantiate his claim.
ii. Reconcile submitted documents against DWAPR and returns available in the ITS.

iii. Check the accuracy against source documents (e.g. Payment Form, Tax Returns, Alphalists, Certificates etc.).
iv. Require the TP to execute a Sworn Statement (Annex M) attesting the veracity and authenticity of documents presented/submitted.
v. Recommend closure of TRS-LN, if warranted.

b.3.b. If the discrepancy is a result of erroneous encoding, update the ITS data and submit report to WTD using Annex "L" for the latter to validate the same in the ITS. Determine who committed the encoding error. This encoder should be subjected to disciplinary action. Request WTD to initiate the production of revised TRS-LN, or recommend closure of TRS-LN, if warranted.

b.3.c. If the discrepancy is on the data submitted by a third party, obtain Sworn Statements from the TPI sources (Annexes "M1" and "M2") attesting to the veracity of the data provided

i. Prepare and send a "Confirmation Request"(CR) (Annex C) to be signed by the heads of the concerned investigating office for purposes of verifying the accuracy of the figures appearing in the DWAPR.
ii. If the TPI source agrees with the figures in the CR, secure a sworn statement to allow the RO to build a case. The confirmation by the Taxpayer/withholding agents/TPI source should be embodied in a Confirmation Certificate" (CC) (Annexes "G" and "G-1").
iii. Request for CC from the TPI source, if necessary.

If the TPI source would not want to confirm the data as provided to the BIR, this TPI source shall be subjected to tax fraud investigation.

b.3.d. If the TPI source is outside of the jurisdiction of the RDO/LTAIDI/LTAIDII/LTDO/WTD/Investigating Office where the TP is registered:

i. Prepare a CR to be transmitted to and signed by the CIR where the latter shall request for a sworn statement and Confirmation Certificate signed by the TPI source.
ii. Assist the head of the investigating office in the preparation of Monthly Status Report of CRs (Annex "N") transmitted outside his office/to the CIR office and submit the same to the WTD for information.
iii. Monitor compliance on the request for signature on CRs released to CIR.
iv. Provide the taxpayer fifteen (15) days to reconcile the figures.
v. If TP interposes no more objections, require the payment of deficiency taxes and penalties, if any.

b.3.e. If the TP object/protests the Sworn Statements of the TPI source:

i. The RO concern may recommend the most appropriate enforcement action to expedite the recovery of unpaid taxes (e.g. issuance of issue-based LA, surveillance, stock taking or legal action).

ii. The RO shall implement the audit/investigation following RAMO 1-2000, 2-95, 1-91 and 1-90, as may hereafter be amended, and observe the mandatory reporting requirements embodied under RMO No. 53-98 as may be amended In cases of surveillance or stocktaking, the same shall be in accordance with pertinent revenue issuances.

iii. The RO shall finish the case and terminate audit within thirty (30) days from receipt of TPI source Sworn Statement.

In the event that the report cannot be rendered within the prescribed period due to constraints attributable to the TP, indicate the reasons in the Lists of TRS-LNs "Under Protest" selected for Audit (Annex O) to be attached to the Quarterly Report of TRS-LNs issued, to be submitted to the WTD, copy furnished CS. Nonetheless, the issue-based audit should be finished within 30 days for regional cases and 60 days for LTS cases from the issuance of the issue-based LA.

iv. Prepare and send final follow-up letter (Annex "Q") informing that inaction shall result to the issuance of PAN within 15 days upon receipt thereof.

v. Check if there is a need to issue "Notice of Informal Conference".

vi. Prepare issue-based Letter of Authority, "Notice for Informal Conference" and if no response within fifteen (15) days from receipt, transmit the docket to the Assessment Division or equivalent office for PAN/FAN preparation. WTD shall prepare LA/PAN/FAN during the pilot stage.

vii. Transmit the docket to the Assessment Division or its equivalent office for the preparation of PAN and FAN, as the case may be.

b.4 If the taxpayer received the TRS-LN but fails to respond within fifteen (15) days from receipt of the TRS-LN, the LTDO /investigating office shall issue a follow-up letter (Annex "R").

b.4.a. If despite the follow-up letter received by the TP, still no response within fifteen (15) days is received from the taxpayer, prepare issue-based Letter of Authority, "Notice for Informal Conference" and if no response within fifteen (15) days from receipt, transmit the docket to the Assessment Division or equivalent office for PAN/FAN preparation. WTD shall prepare LA/PAN/FAN during the pilot stage.

b.4.b. Forward to Assessment Division or its equivalent office the docket attaching thereto the duly received copy of TRS-LN, DWARP, follow-up letter, issue-based LA, Notice for Informal Conference, endorsement memo for issuance of PAN and FAN, as the case may

be, following the guidelines and procedures provided by RR No. 12-99.

b.5 If the TRS-LN cannot be served because the taxpayer cannot be located, consult the TPI-source as to the current address of taxpayer and try to locate the said current address of taxpayer for service of the TRS-LN.

. Exhaust all means (e.g. consult the TPI source, SEC, DTI, LGU, MERALCO, PLDT, MWSS, etc.) within fifteen days from the date of failure to serve or to locate the taxpayer as observed in the service of LA or in the case of corporation, locate whereabouts of corporate officers and submit to the Chief WTD/LTDO/LTAID I/LTAIDII/RDO/investigating office an appropriate report in writing for proper disposition of LN by the DCIR-OG/CIR and consequently for the removal of the same from the accountability of the case officer.

5. Institute collection proceedings.

6. Prepare a Quarterly Status Report on TRS-LNs issued (Annex "D") and transmit to the Chief, WTD for consolidation, who in turn shall submit the same to the ACIR-CS/DCIR-OG/CIR within twenty (20) days after the close of each quarter.

7. Prepare the "Preprocessed" TRS Data Request Form (RF) (Annex "E") for approval/signature of the RD/ACIR-LTS/ACIR-CS in three (3) copies to be distributed as follows:

Original	-	WTD
Duplicate	-	RD/LTS
Triplicate	-	file copy

8. Submit the following reports to the Chief WTD and ACIR-LTS/ACIR-HS/RD

   a. Quarterly Status Report on TRS-LNs issued (Annex "D") on or before the 20th day of the following quater;

   b. Quarterly Status Report on "Preprocessed" TRS Data Utilization (Annex "F") on or before the twentieth (20th) day following the close of the quarter.

F. Assessment Division/ LTS or its equivalent officeshall:

1. Where the investigation of the tax liability of the taxpayer pursuant to a LA for the period covered by the TRS-LN is on-going at the time of receipt of the TRS-LN and DWAPR:

   a. Receive the docket containing the report of investigation pursuant to the LA and TRS-LN.

   b. Follow the prescribed procedures in the review of dockets and ascertain whether the discrepancy reflected in the TRS-LN was considered by the RO in the report of investigation.

If the discrepancy was not considered, require the concerned RO to incorporate the discrepancies.

2. Where the case is pending review/already closed and terminated at the time of receipt of TRS-LN and DWAPR.
   a. Receive the TRS-LN together with the DWAPR
   b. Follow the procedures laid out in this RMO where findings in the TRS-LN shall be incorporated in the docket if the case is pending review or, where the case was already terminated, process separately findings in the TRS-LN. Consult procedures laid down in the preceding paragraphs of this RMO.

G. Office of DCIR-Operations Group (OG)/CIR shall:

1. Spell-out the parameters and prescribe the threshold in the issuance of TRS-LN.

2. Receive from the SOD List of Taxpayers issued TRS-LNs sorted by RR/RDO or LTS/LTDO within one (1) day from printing thereof for monitoring purposes.
3. Receive from the LTS/ CS a Consolidated Monthly Status report on TRS-LNs issued within twenty five (25) days after the close of each month.

4. Receive from the WTD the Consolidated Quarterly Status Report on TRS-LNs issued on or before the twentieth (20^{th}) day of the second month following the close of the quarter.

5. Evaluate the PAN and the FAN prepared by the WTD for approval of the DCIR-OG during the pilot stage, unless otherwise provided in other provisions of this RMO or subsequent amendatory/supplemental RMO.

6. Monitor the over-all implementation of the TRS-LN System.

H. ISDS through Systems Development Division shall:

1. Determine the technical capabilities of existing facilities to ensure timely generation of accurate discrepancy reports.

2. Provide adequate support and technical assistance to the SOD in the extraction and generation of discrepancy reports.

3. Make data available to OG/LTS/CIR through the WTD. Original Data received by WTD can only be viewed and not editable by the investigating offices. Attachments such as alphalists should be in the form of the original file format submitted by the taxpayer, as well as converted excel files format which can be easily analyzed by the investigating office.

V. REPEALING CLAUSE

This Order supersedes all revenue issuances or portions thereof inconsistent herewith.

VI. EFFECTIVITY

This order takes effect immediately.

(Original Signed)
LILIAN B. HEFTI
Commissioner of Internal Revenue