REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

October 17, 2005

REVENUE MEMORANDUM ORDER NO. 29-2005

SUBJECT : Prescribing the Guidelines and Procedures in Resolving Issues on Change in Accounting Period/Type.

TO : All Assistant Commissioners, Regional Directors, Revenue Data Center Heads, Revenue District Officers, Division Chiefs and Revenue Employees Concerned

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I. OBJECTIVES:

A. Define the guidelines and procedures in resolving issues on change in accounting period/type affecting REG, RPS, CBR, RCS, CMS and Audit systems.

B. Define the roles and responsibilities of all concerned offices.

C. Address the issues/problems prior to the implementation/roll-out of Lot B – Development of the eITS: Phase I of BIR Outsourcing Initiative

II. BACKGROUND:

Currently, taxpayer other than individual, is permitted to change his accounting period/type as approved by the Commissioner or as delegated to the Regional Director/Assistant Commissioner by submitting BIR Form No. 1905 together with the required attachments (e.g. SEC amendment, approval letter, etc.). The Integrated Tax System (ITS) handles this change by adding a new record or replacing the existing record either online or thru datafix in Registration (REG) System.

There are also cases that a change in accounting period/type is necessary in the system when there is inconsistency between REG system and the actual accounting period/type the taxpayer is using.

However, problems occur in interfacing other systems like Return Processing System (RPS), Collection and Bank Reconciliation (CBR) , Returns Compliance System (RCS), Case Monitoring System (CMS) and Audit (AUD).

Enhancement of these interfacing systems to accommodate new requirements need revisiting/revising the ITS design. Hence, it was put on-hold but to be included in Lot B – Development of the eITS: Phase I of BIR Outsourcing Initiative.

III. PROCEDURES:

In order to address such problems, scenarios are illustrated below with the corresponding solutions/actions to be taken.

CASE NO. 1 - FILING OF AMENDED RETURN OR COMPLIANCE RETURN FOR PREVIOUS ACCOUNTING PERIOD/TYPE

Taxpayer filed a return and the accounting period/type is different from the latest accounting period/type in the REG System. Return may be an amended return or a compliance return (for stop filer) wherein accounting period/type declared on the return filed is the previous accounting period/type. Return was then encoded but resulted to suspended return. The **Error Code 1011** (inconsistent accounting period in REG and in return) in RPS, and either **Error Code NM** (accounting type mismatched) or **Error Code NF** (unregistered accounting type) in CBR are encountered.

ACTIONS TO BE TAKEN:

a) Revenue District Office/Large Taxpayer District Office **(RDO/LTDO)**/LT-Document Processing & Quality Assurance Division **(LT-DPQAD)-Error Handler** prepares and provides **RDO/LTDO-**Taxpayer Service Section **(TSS), LTAD I** (RDO 116 - Regular Large Taxpayers) & **LTAD II** (RDO 121 – Excise Taxpayers) – **REG Section** the **'List of Taxpayers with Suspended Returns/Payments' (Annex "A")** with **Error Codes 1011,** and either **NM** or **NF** of taxpayer(s) for REG verification of current/correct accounting period/type.

b) **REG Officer/User** of **RDO/LTDO-TSS/LTAD I/LTAD II-REG Section** verifies and determines the **Annex "A"** based from the taxpayer's correct accounting period/type he is filing. Pertinent documents, such as the previously submitted BIR Form No. 1905 together with the required attachment/s, if there is/are any, reflecting the change from the old accounting period/type to the current/correct accounting period/type shall be retrieved to be attached to a Data Fix Request Form and for approval of the Revenue District Officer/Division Chief (**RDO/DC**).

c) **REG Officer/User** forwards to Revenue Data Center/Help Desk (**RDC/HD)** the approved Data Fix Request Form and attach photocopy of taxpayer's BIR Form No. 1905 together with the required attachment/s, if

there is/are any, and the **Annex "A"** for appropriate action**.** (Activities b and c shall be accomplished within five [5] days upon receipt of the **Annex "A".**)

d) **RDC/HD** logs in the Paradigm System the issue/problem and forwards the documents to the Information Systems Development Service – Systems Maintenance and Support Division (**ISDS–SMSD)** for appropriate action.

e) **ISDS-SMSD** prepares a migration request for changing the value of the accounting period/type in the REG System with the correct one and informs the **RDC/HD** via Paradigm System.

f) **RDC/HD** verifies correctness of the data fixed through the REG System.

- If correct, **HD** informs in writing the **REG Officer/User and Error Handler**.
- Otherwise, **HD** informs **ISDS-SMSD** for any errors/discrepancies.

g) **RDO/LTDO/LT-DPQAD–Error Handler** validates the RPS and CBR errors until the record is posted in TAS and resolves the succeeding errors that would arise. Afterwards, prepares and provides **REG Officer/User** the **'Request for Accounting Period Reversion' (Annex "B")** to revert the correct accounting period of the concerned taxpayer(s) in REG System.

h) **REG Officer/User** fills out another DataFix Request Form together with the **Annex "B"** for approval of the **RDO/DC** for the purpose of updating the accounting period/type to its current/latest value.

i) Perform items d, e, and f.

CASE NO. 2 – REGISTERED ACCOUNTING PERIOD/TYPE IS DIFFERENT FROM THE FILED RETURNS FROM THE START OF ITS BUSINESS

Same **Error Codes 1011**, and either of **NM** or **NF** are being encountered, when the accounting period/type in the REG System is the wrong accounting period/type implemented for a given taxpayer due to wrong encoding.

Example:

	REGISTRATION Table	**Correct Value per TP**
Acctg. Period /Type	C	F
Effective Date	05/01/1999	05/01/1999
Start Month	01	05

As per BIR records, the taxpayer should be a 'Fiscal' filer from the start of its business. Apparently in REG System, the accounting period/type in his account is 'Calendar'. Taxpayer was not informed that the accounting period/type registered in his account is

not consistent with the accounting period/type used in his filed returns. All these returns filed as 'Fiscal' were then converted and posted into a 'Calendar' accounting period/type by the **Error Handler.** On the other hand, the **Error Handler** upon discovery of this situation informs the **REG User/Officer** of the discrepancy in the taxpayer's accounting period/type per return filed and in REG system.

ACTIONS TO BE TAKEN:

a) **RDO/LTDO/LT-DPQAD-Error Handler** reverses all returns and payments posted in wrong accounting period/type and re-encodes to the current/correct accounting period/type. Afterwards, prepares and provides **RDO/LTDO-TSS/LTAD I/LTAD II-REG Section** the **Annex "A"** for REG verification of current/correct accounting period/type.

b) **REG Officer/User** of **RDO/LTDO-TSS/LTAD I/LTAD II-REG Section** verifies and determines the **Annex "A"** against the taxpayer's submitted BIR Form No. 1905 together with the required attachment/s, if there is/are any, to be attached to the DataFix Request Form.

c) **REG Officer/User** fills out a DataFix Request Form and attach photocopy of the retrieved BIR Form No. 1905 together with the other required attachment/s, if there is/are any, and the **Annex "A"** for approval of the **RDO/DC** and subsequently forward to **RDC/HD** for appropriate action. (Activities b and c shall be accomplished within five [5] days upon receipt of the **Annex "A".**) At the same time, prepares and provides **RDO Collection or Assessment Section/LTDO/LTAD I/LTAD II/LT Collection Enforcement Division (CED) - Case Officer/Examiner** the **'Request for Validation of all Open RCS Cases'** (**Annex "C")** to validate open RCS case/s of the taxpayer(s), if there is/are any.

d) **Case Officer/Examiner** of **RDO Collection or Assessment Section/LTDO/LTAD I/LTAD II/LTCED** validates the open RCS case/s, if there is/are any.

e) **Case Officer/Examiner** fills out a Datafix Request Form together with other required document/s for approval of the **RDO/DC** and subsequently forward to **RDC/HD** for closure of invalid case/s, if there is/ are any.

f) **RDC/HD** logs in the Paradigm System the issue/problem:
- For **Annex "A",** forwards the documents to the **ISDS–SMSD** for appropriate action.
- For **Annex "C"**, revalidates and runs the generic RCS case closure script to close invalid case/s.

g) **ISDS-SMSD** prepares a migration request for changing the value of the accounting period/type in the REG System with the correct one and informs the **RDC/HD** via Paradigm System.

h) **RDC/HD** verifies correctness of the data fixed through:
1) **REG System**
- If correct, **HD** informs in writing the **REG Officer/User and Error Handler**.
- Otherwise, **HD** informs **ISDS-SMSD** for any errors/discrepancies.

2) **RCS** on-line facility and informs the **Case Officer/Examiner.**

i) **RDO/LTDO/LT-DPQAD–Error Handler** validates the suspended return/payment in RPS/CBR until the record is posted in TAS.

CASE NO. 3 - FILING OF RETURNS UNDER THE NEW ACCOUNTING PERIOD/TYPE

Taxpayer requested a change of his accounting period/type from Calendar to Fiscal or vice versa by submitting BIR Form No. 1905 together with the required attachment/s, if there is/are any (e.g., approval letter, etc.), which was duly approved by the concerned BIR official. Taxpayer then filed his returns using the new accounting period/type, which change was not implemented by the RDO/LTDO/LTADI/LTADII in the taxpayer registration database under the REG System.

All returns filed and the corresponding tax payments due thereon, if there is/are any, under the new accounting period/type were then erroneously converted and posted under the old accounting period/type by **the Error Handler**. On the other hand, the **Error Handler** upon discovery of the situation informs the **REG Officer/ User** of the discrepancy in his accounting period/type per return filed and in REG System.

ACTIONS TO BE TAKEN:

a) **RDO/LTDO/LT-DPQAD-Error Handler** reverses all returns and payments posted in wrong accounting period/type and re-encodes to the current/correct accounting period/type. Afterwards, prepares and provides **RDO/LTDO-TSS/LTAD I/LTAD II-REG Section** the **Annex "A"** for REG verification of current/correct accounting period/type.

Please note that:

- Returns and payments to be reversed should have a return period that is covered by the effective date of the new accounting period/type; and
- Returns and payments posted in old accounting period/type with a return period prior to effective date of new accounting period/type should not be included for reversal.

b) **REG Officer/User** of **RDO/LTDO-TSS/LTAD I/LTAD II-REG Section** verifies and determines the **Annex "A"** against the taxpayer's submitted BIR Form No. 1905 together with the required attachment/s, if there is/are any, to be attached to the DataFix Request Form.

c) **REG Officer/User** fills out a DataFix Request Form and attach photocopy of the retrieved BIR Form No. 1905 together with the other required attachment/s, if there is/are any, and **Annex "A"** for approval of the **RDO/DC** and subsequently forward to **RDC/HD** for appropriate action. (Activities b and c shall be accomplished within five [5] days upon receipt of the **Annex "A".**). At the same time, prepares and provides **RDO Collection or Assessment Section/LTDO/LTAD I/LTAD II/LT Collection Enforcement Division (CED) - Case Officer/Examiner** the **Annex "C"** to validate open RCS case/s of the taxpayer(s), if there is/are any.

d) **Case Officer/Examiner** of **RDO Collection or Assessment Section/LTDO/LTAD I/LTAD II/LTCED** validates the open RCS case/s, if there is/are any.

e) **Case Officer/Examiner** fills out a Datafix Request Form together with other required document/s for approval of the **RDO/DC** and subsequently forward to **RDC/HD** for closure of invalid case/s, if there is/are any.

f) **RDC/HD** logs in the Paradigm System the issue/problem:

- For **Annex "A",** forwards the documents to the **ISDS–SMSD** for appropriate action.
- For **Annex "C"**, revalidates and runs the generic RCS case closure script to close invalid case/s.

g) **ISDS-SMSD** prepares a migration request for changing the value of the accounting period/type in the REG System with the correct one and informs the **RDC/HD** via Paradigm System.

h) **RDC/HD** verifies correctness of the data fixed through:

1) **REG System**

- If correct, **HD** informs in writing the **REG Officer/User and Error Handler**.
- Otherwise, **HD** informs **ISDS-SMSD** for any errors/discrepancies.

2) **RCS** on-line facility and informs the **Case Officer/Examiner.**

i) **RDO/LTDO/LT-DPQAD–Error Handler** validates the suspended return/payment in RPS/CBR until the record is posted in TAS.

CASE NO. 4 – GENERATION OF AUDIT NOTICE

Taxpayer is being audited for a taxable period that falls within the effectivity of the old accounting period/type but the accounting period/type reflected in the Audit Notice is the current accounting period/type.

ACTIONS TO BE TAKEN:

a) **Revenue Officer (RO)** fills out a DataFix Request Form for the purpose of correcting the taxable period in the Audit Notice and all other related system correspondences for approval of the **RDO/DC** and/or **Regional Director/Assistant Commissioner**.

b) **RDO/DC** forwards to **RDC/HD** the approved DataFix Request Form.

c) **RDC/HD** logs in the Paradigm System the issue/problem and forwards the documents to the **ISDS–SMSD** for appropriate action.

d) **ISDS-SMSD** prepares a migration request to correct the taxable period in the Audit Notice and all other related system correspondences. Afterwards, informs the **RDC/HD** via Paradigm System.

e) **RDC/HD** verifies correctness of the data fixed through the Case Monitoring System (CMS) and AUD.
- If correct, **HD** informs the **RDO/DC.**
- Otherwise, **HD** informs **ISDS-SMSD** for any errors/discrepancies.

IV. REPEALING CLAUSE

This Revenue Memorandum Order (RMO) supplements the existing revenue issuances on procedures affecting REG, RPS, CBR, RCS, CMS and Audit systems.

V. EFFECTIVITY

This RMO shall take effect immediately.

(Original Signed)
JOSE MARIO C. BUÑAG
OIC, Commissioner Of Internal Revenue

G2