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

September 26, 2007

REVENUE MEMORANDUM ORDER NO. 29-2007

SUBJECT : Prescribing the Audit Policies, Guidelines and Standards at the Large Taxpayers Service

TO : Assistant Commissioner, Head Revenue Executive Assistants, Chiefs, Large Taxpayers Audit & Investigation Divisions, Chiefs, Large Taxpayers District Offices (LTDOs), Large Taxpayers Service and All Internal Revenue Officers Concerned

---

I. OBJECTIVES

1. To develop and prescribe audit policies, guidelines and standards necessary to improve the quality of audits:

2. To ensure proper application of laws through the adoption of fair and uniform rules and procedures in the conduct of audit of Large Taxpayers; and

3. To enhance voluntary compliance by the strict monitoring of top corporate taxpayers and specialized industry groups.

II. AUDIT POLICIES AND GUIDELINES

1. The Chief, Large Taxpayers Audit & Investigation Divisions/ LTDOs shall draw a list of taxpayers selected for audit under its current selection criteria. The list shall state the name of taxpayer selected for audit, the nature of business, the amount of gross sales/receipts, the selection code, the PSIC code, and the corresponding amount of tax paid for the period. The said list shall be submitted to the Assistant Commissioner/Head Revenue Executive Assistant, Large Taxpayers Service for approval, copy furnished the Commissioner of Internal Revenue.

2. All Letters of Authority (LOAs) shall be issued and approved by the Assistant Commissioner/ Head Revenue Executive Assistants.

3. The assignment of cases in the respective investigation divisions and LTDOs shall be the prerogative of the respective Chiefs, Large Taxpayers Audit & Investigation Divisions/LTDOs who has direct supervision over the personnel and jurisdiction over the taxpayer subject to audit. The Chiefs, Large Taxpayers Audit & Investigation Division/LTDOs shall, however, ensure a fair, reasonable and equitable assignment of cases to all revenue officers at all times.

4. All Tax Verification Notices shall be issued and approved by the ACIR/HREA, Large Taxpayers Service, unless otherwise delegated in writing to the Chiefs, Large Taxpayers Audit & Investigation Divisions/ LTDOs in order to facilitate the verification and processing of tax returns requiring the immediate issuance of certificates/tax clearance. However, the ACIR/HREA, Large Taxpayers Service may revoke anytime in writing the authority of the Chief, Large Taxpayers Audit & Investigation Divisions/LTDOs to sign Verification Notices when he / she deem it necessary.

5. One Letter of Authority/Tax Verification Notice (TVN) shall be issued for each taxable/period except for cases involving retirement, corporates reorganization and other situations where short-period returns shall be investigated. The investigation of tax cases of General Professional Partnerships shall include all the partners irrespective of where the partners are registered but the approval of the reports of investigation for the partners shall be with the RDO and Region where the partners are registered.

6. Letters of Authority/Tax Verification Notices shall be issued only when the duplicate copy of the tax returns for the taxable period/s covered by the LOA or TVN is attached thereto, except in the following cases:

    a. Where the return of a taxpayer selected for audit cannot be located in the Large Taxpayers Audit & Investigation Division/ LTDO, the LOA/TVN shall be issued only when there is a certification to that effect, by the Chief, Large Taxpayers Document Processing and Quality Assurance Division. For newly enlisted LTS taxpayers the returns shall be retrieved from the former home Revenue District Office.

    b. Where the basis for the issuance of the LOA/TVN is the result of a Third Party Information.

7. A Revenue Officer / Group Supervisor shall not audit / investigate the same taxpayer for two (2) consecutive years/periods.

III. AUDIT REPORTS

Audit reports shall follow the guidelines prescribed under audit manuals available in addition to other reporting requirements provided for under existing issuances.

IV. REPORTING REQUIREMENTS

The following reports shall be submitted:

1. By Revenue Officers

   1.1 Progress report of audit / investigation. For short audit every two (2) weeks; for package audit monthly;

   1.2 Field Audit / Investigation Reports;

   1.3 Monthly Summary of audit activities, to include nature of discrepancies, industry issues, audit effort ratio and amount assessed / collected; and

   1.4 Monthly Report on Pending Inventory of Cases / Dockets (covered by both LAs and TVNs).

   The foregoing reports shall be submitted to the Group Supervisor not later than on the 3rd day of the following month.

2. By Group Supervisors

   2.1 Consolidated progress reports of all cases / dockets submitted by Revenue Officers;

   2.2 Consolidated list of field audit reports submitted by Revenue Officers;

   2.3 Consolidated report on audit activities; and

   2.4 Consolidated report of Pending Inventory of Cases / Dockets (covered by both LOAs and TVNs).

   The foregoing reports shall be submitted to the Chief, LTAID I & II/ LTDO and Section Chiefs not later than on the 5th day of the following month.

3. By Chief, Large Taxpayers Audit & Investigation Division/ LTDO

   3.1 Monthly List of LAs/ TVN Issued

   This report shall reflect any reassignment, loss, cancellation, or spoilage of LAs/TVNs, referrals to other Offices, and reporting of cases covered.

   3.2 Monthly Status of LOAs/TVNs Issued and Acted Upon

This report shall reflect any reassignment, loss, cancellation, or spoilage of LOAs/TVNs, referrals to other Offices, and reporting of cases covered by LOAs/TVNs during the particular month. Cases still pending audit or investigation as of the end of the month and/or terminated cases where no official reports thereon have yet been rendered and duly transmitted to the Large Taxpayers Service shall not be included in this report.

3.3 Monthly Summary of Assessment and Collection Activities

This report shall contain detailed information on the results of the audit/investigation conducted per case and per tax type, including the processing of claims for tax credit/refunds and the result of table audit, if any. This report also reflects the summary of the number of tax cases acted upon and closed by the Office during the given month including original investigation/verification cases, and dockets returned by the Large Taxpayers Service for compliance of certain reporting requirements. Only cases/dockets actually transmitted for review to the LTS as of the end of each month shall be included in this report. This report shall not include collections arising from voluntary payment of capital gains tax arising from sales/transfer of shares of stock not traded through stock market.

3.4 Monthly Inventory of Pending Cases / Dockets (covered by both LOAs and TVNs)

This report shall contain a summary of the Revenue Officer's Monthly Report of Pending Inventory being accomplished individually by Revenue Officers for both original investigation and reinvestigation cases. It reflects the number of pending cases per tax year, the inventory of pending cases at the beginning of each month, the number of new dockets/cases started during the month, the number of returned dockets, the number of closed/reported cases, and the total number of pending inventory as of the end of the month covered by the report. In addition to these information, this report also shows as aging analysis in number of months of the pending cases/dockets.

These reports shall be submitted to the Assistant Commissioner / Head Revenue Executive Assistant, Large Taxpayers Service not later than on the 10th day of the following month.

4. By Assistant Commissioner, Large Taxpayers Service

4.1 Monthly List of LAs / TVNs issued;

4.2 Monthly Status Report of all LAs / TVNs issued;

4.3 Monthly Summary of cases/dockets received for review, returned to Large Taxpayers Audit Review Unit, referred to other offices and forwarded to CIR for final evaluation and approval, if warranted under the circumstances;

4.4 Monthly Summary of Taxes Assessed/Collected; and

4.5 Monthly Inventory of Pending Cases/Dockets (covered by both LAs and TVNs).

The foregoing reports shall be submitted to the Commissioner not later than on the 15th day of the following month.

V. VIOLATIONS AND PENALTIES

Violations of any provision of this Order or any unauthorized deviations from the foregoing policies and instructions shall be dealt with accordingly.

VI. EFFECTIVITY

This Order takes effect immediately.

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