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

July 12, 2004

REVENUE MEMORANDUM ORDER NO. 34-2004

SUBJECT : **Prescribing Guidelines and Procedures in the Processing, Matching, Dissemination, Utilization and Monitoring of Importation Data from the Bureau of Customs for Audit and Enforcement Purposes**

TO : **To All Internal Revenue Officers and Others Concerned**

I. BACKGROUND

A modernized Bureau of Internal Revenue is committed to move forward on upgrading and improving the way it uses technology to promote the sound administration of the internal revenue laws through prevention and detection of fraud.

To support this approach, enhancements were introduced to the existing Integrated Tax System (ITS) to allow the system to handle the data transmitted by the Bureau of Customs (BOC) and to fully-automate the matching of said data with the return information in the Limited Returns Processing System (LRPS).

The Third Party Information (TPI) – BOC Data Warehouse Facility (DWF) was developed through the collaborative effort between the Information Systems Group and the Assessment Service for the full implementation of the TPI program. The main objective of the TPI-BOC DWF is to address the voluminous data clogging the ITS infrastructure and to handle data transmitted by an external government agency (BOC).

The Data Warehouse (DW) system is geared towards meeting the challenges presented by a diminishing revenue collection and increased incidence of tax evasion. The shift from traditional enforcement techniques to non-traditional strategies comes as the Bureau leverages information technology to tap into potential source of revenue growth by initiating computer matching of BOC and LRPS data.

Discrepancy reports generated by the DW system provide management with information to determine levels and trends of non-compliance and allow management to formulate guidelines on the investigation of taxpayers deliberately misdeclaring their importations to evade taxes.

II. OBJECTIVES

This Revenue Memorandum Order is issued to:

1. Enhance productivity by establishing common standards in the processing, matching, accessing, exploring/manipulating, and monitoring of BOC third party financial data;

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

3. Delineate the duties and responsibilities of offices involved in the implementation of the TPI-BOC DW Facility including all activities associated with requests for access and dissemination of BOC importation data to the concerned investigating office;

4. Prescribe procedures in the resolution of discrepancies, examination of taxpayers' records, and assessment and collection of deficiency taxes;

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

III. POLICIES AND GUIDELINES

1. Data to be drawn from the Third Party Information (TPI)-BOC Data Warehouse Facility shall be classified into two (2) categories, namely: "Processed" BOC data and "Preprocessed" BOC data.

   "Processed" BOC data refers to BOC data matched with return information in the LRPS based on a pre-defined threshold.

   "Preprocessed" BOC data refers to importation details showing individual transactions enhanced with registration information matching.

2. The Systems Operations Division (SOD) under the Information Systems Group (ISG) shall be responsible for generating the following:

   - List of Taxpayers with discrepancies within the threshold amount approved by management for the issuance of Letter Notice
   - System-generated Letter Notices (LNs) plus Details of Importation with Return Information Matching (DIRIM).

3. The Audit Information Tax Exemption and Incentives Division (AITEID), through the Assessment Service (AS), may recommend to the Deputy Commissioner of Internal Revenue, Operations Group (DCIR, OG) a set threshold for the annual discrepancy/variance resulting from the matching of the quarterly input tax per Value Added Tax (VAT) declarations in the LRPS with the VAT amount paid per import entry (summarized quarterly) as transmitted by the BOC.

4. The AITEID under the AS, in coordination with the concerned offices under the ISG, shall be responsible for creating ADHOC reports as may be required by management.

5. The AITEID, in coordination with the concerned offices under the ISG, shall be responsible for monitoring the status of BOC LNs issued and farmed out to the investigating offices as well as the collection therefrom.

6. The concerned offices under the ISG shall be responsible in developing a computerized tracking system to monitor collection arising from BOC LNs issued.

7. For the effective implementation of the Third Party Matching (TPM) BOC VAT vs. LRPS Input Tax, the AITEID, in consultation with the ACIR, AS, and in coordination with the concerned offices in the ISG, shall conduct on a continuing basis, quality review of the system and recommend enhancements thereto, whenever necessary and practicable.

8. The Revenue District Office (RDO)/Large Taxpayers District Office (LTDO)/Large Taxpayers Audit and Investigation Division (LTAID) I & II shall render a Monthly Status Report on BOC LNs Issued, in a format prescribed herein, to be submitted to the AITEID for monitoring purposes.

9. The System Operations Division (SOD) – Information Systems Operations Service (ISOS) shall establish adequate security measures regarding the loading, updating/modifying, processing/transforming, and downloading of BOC data in the DW to ensure the integrity and accuracy of the same.

10. The Systems Support Division (SSD) – ISOS shall provide adequate support to the AITEID in terms of maintaining the computer hardware.

11. All ISG offices involved in the development of the DW facility for TPI projects shall provide adequate support to the AITEID in engineering flexibility into the existing system to facilitate "Preprocessed" BOC data exploration/manipulation for dissemination to concerned offices.

12. All requests for access to "Preprocessed" BOC data shall be covered by a Letter Request (LR) duly approved by the RD/ACIR-LTS/Assistant Commissioner, Enforcement Service (ACIR-ES), as the case may be. Access to "Preprocessed BOC data shall be limited to taxpayers for whom Letters of

Authority (LAs)/Audit Notices (ANs)/Tax Verification Notices (TVNs) have been issued.

13. For cases investigated by the National Investigation Division (NID) and Special Task Force(s) created by the Commissioner where no LA/AN/TVN have been issued, access shall be granted only where the request has been duly noted by the Deputy Commissioner of the Legal and Inspection Group (DCIR-LIG) or Deputy Commissioner of Operations Group (DCIR-OG), as the case may be.

14. The AITEID shall act on all approved requests for access to "Preprocessed" BOC data by the concerned investigating offices.

15. The RDs, ACIR-LTS and ACIR-ES shall be responsible for monitoring and evaluating utilization by the requesting office(s) of "Preprocessed" BOC data. A Quarterly Status Report on "Preprocessed" BOC Data Utilization, in a format prescribed herein, shall be submitted by the concerned RDO/LTDO/LTAID/NID, thru RDs/ACIR-LTS/ACIR-ES, to AITEID.

16. All BOC data disseminated to any revenue officer shall be utilized exclusively 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 RDO/LTDO/LTAID I & II/NID shall be responsible for all BOC 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 on request with copies of the BOC data disseminated to ensure proper utilization of the same.

17. BOC data and other information obtained from the AITEID shall be considered strictly confidential and shall be used exclusively for internal revenue tax purposes. The same shall not be divulged to any unauthorized personnel within and outside the Bureau. Any divulgence or retrieval of said information by any revenue personnel shall be a ground for the imposition of administrative sanctions and filing of appropriate charges against the erring official or employee.

18. All undertakings of the concerned RDO/LTDO/LTAID I & II/NID relative to this Order shall be factored into the evaluation of their performance which will be the subject of a separate Revenue Memorandum Order.

IV. PROCEDURES

A. At the Systems Operations Division (SOD)

1. Perform the following activities relative to the retrieval of importation data from the Bureau of Customs (BOC):

a. Pick up on or before the 10th day following the close of the quarter the monthly importation data/records from BOC in Compact Disc (CD).
b. View the CD for invalid fields (e.g. PLEASE DO NOT USE, INVALID CONSIGNEE, etc.) and resolve the same with the BOC.
c. Extract, transform and load BOC data to the Data Warehouse Server (DWS).

2. Extract records from the Data Warehouse containing the Third Party Matching (TPM) BOC Data on taxpayers with pre-defined discrepancies on Taxable Base/VAT Amount per BOC vs. Imported Purchases and Input Tax declared by the taxpayer in the ITS-RPS.

3. Generate annually a list of taxpayers with discrepancies/variances within the threshold specified by AITEID and approved by the DCIR, OG. (The above list shall be generated on or before September 30th of each year after receipt from AITEID of the set threshold immediately upon approval by the DCIR, OG)

4. Sort the discrepancy list by RR/RDO or LTS/LTDO/LTAID and arrange the names of the taxpayers in alphabetical order.

5. Identify each taxpayer in the discrepancy 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
IM	-	for TPM-BOC Importation Data
Year	-	next two (2) digits
Quarter	-	next two (2) digits
Serial No.	-	last five (5) digits

The serial number will reset to **1** when the taxable year changes and for each RDO/LTDO/LTAID.

Hence, the control number for the first taxpayer in the discrepancy list covering the taxable year of 2003 to be transmitted to RDO Intramuros should read as follows:

033-IM-03-00-00001

6. a. Prepare List of Taxpayers Issued BOC Letter Notices (LNs) sorted by RR/RDO or LTS/LTDO/LTAID in three (3) copies, to be distributed as follows:

Original/Duplicate	-	FAS
Triplicate	-	AITEID

b. Furnish AITEID and the concerned RR/RDO; LTS/LTDO/LTAID the same list in item 6(a) of this Order via e-mail to avoid encoding error.

7. Generate, in three (3) copies, Letter Notices (Annex "A") together with the List of Taxpayers Issued BOC LNs sorted by RR/RDO; LTS/LTDO/LTAID.

Original/Duplicate	-	RR/RDO; LTS/LTDO/LTAID
Triplicate	-	File copy

8. Transmit, upon generation, the following, in hard copy, to the Financial And Administrative Service (FAS) for delivery/mailing to the concerned RDO/LTDO/LTAID:

   a. List of taxpayers issued BOC Letter Notices (LNs) sorted by RR/RDO; LTS/LTDO/LTAID
   b. The original and duplicate copies of system-generated BOC LNs corresponding to the taxpayers identified in the discrepancy list, duly signed by the Commissioner

9. a. Generate the Details of Importation with Return Information Matching (DIRIM) shown in Annex "B" hereof and transmit the same, via e-mail, to the concerned RDO/LTDO/LTAID and to AITEID.
   b. For RR/RDO without e-mail facility, transmit the DIRIM to the FAS for delivery to the former.

B. At the Audit Information, Tax Exemption and Incentives Division (AITEID)

1. Review periodically the existing implementing guidelines on the electronic information exchange with the BOC and submit recommendation to AS on amendments to extant provisions therein, as may be necessary.

2. Explore other areas of cooperation or collaboration with the BOC for the effective implementation of Section 5(B) of the NIRC of 1997, as amended.

3. Spell out the parameters for the issuance of the BOC LNs. Refer to AS for review the set threshold on the annual discrepancy/variance on or before May 31st of each year. (The threshold may vary for each year depending on the policy direction of top management)

4. Receive from Systems Operations Division (SOD) the following:

   4.1 Thru e-mail

      a. Details of Importation with Return Information Matching (DIRIM)
      b. List of taxpayers issued BOC LNs sorted by RR/RDO or LTS/LTDO/LTAID

   4.2 Hard Copy

a. Triplicate copy of List of taxpayers issued BOC LNs sorted by RR/RDO or LTS/LTDO/LTAID

5. Maintain a permanent record of all taxpayers issued BOC LNs farmed out to the various investigation offices with the following information:

- Control Number
- Name of Taxpayer
- TIN of Taxpayer
- Period Covered
- Amount of Discrepancy
- Amount of Estimated Collection per Tax Type
- Date Transmitted
- Date Received
- RR Code
- RDO Code

6. Receive from the RDO/LTDO/LTAID I & II a Quarterly BOC Report On Changes/Updates to ITS (Annex "C") resulting from erroneous data capture/encoding, together with supporting documents used as bases for the changes/updates in the ITS, on or before the 25th day following the close of each quarter.

7. Receive from the RDO/LTDO/LTAID BOC LNs plus protest letter of taxpayers with supporting documents for cases where the declaration per VAT/Income return of the taxpayer is greater than the figures supplied by the BOC.

   a. Verify the completeness and accuracy of the data per BOC LNs by confirming the same with the BOC.
   b. Recommend appropriate action after confirmation with the BOC.

8. Receive from RDO/LTDO/LTAID/NID Quarterly Status Report on BOC LNs Issued (Annex "D") on or before the 10th day of the second month following the close of each quarter.

9. Ascertain collection arising from BOC LNs issued using the computerized tracking system developed for the purpose and reconcile with the quarterly Status Report submitted by the RDO/LTDO/LTAID I & II.

10. Receive from the RD/ACIR-LTS/ACIR-ES the duly approved Letter Request (LR) shown in Annex "F" hereof for "Preprocessed" BOC data together with photocopies of the corresponding Letter of Authority (LA)/Audit Notice (AN)/Tax Verification Notice (TVN).

11. Check the duly approved LR against photocopies of the LA/TVN/AN. Determine if the LR contains the following required minimum information before processing the same:

- Name of Taxpayer
- TIN
- Business Address
- Requesting Revenue Officer(s)
- LA/AN/TVN Number
- Date of Issuance of LA/AN/TVN
- Taxable Year Covered
- Details of data requested

12. If the LR is not properly accomplished and the required information is incomplete, return the LR to the requesting office for compliance with the minimum requirement.

13. If the LR is found to be in order, extract the requested information from the BOC Data Warehouse and provide the Details of "Preprocessed" BOC data to the requesting office in hard/soft copy or thru e-mail depending on the size of the files.

14. Furnish, upon request, the "Preprocessed" BOC data acted upon to the concerned reviewing office (Assessment Division (AD) in the RR/DCIR-OG/DCIR-LIG/ACIR-LTS/ACIR-ES) for review and evaluation of the extent of utilization of the BOC data in audit/investigation.

15. Maintain a permanent record of all LRs received/acted upon with the following information:

    - LR control Number
    - Date of LR
    - Taxpayer's TIN
    - Taxpayer's Name
    - Taxable Year Covered
    - LA Number
    - Type of Information Requested
    - Name of Requesting Office/Officer
    - Date of Release of Requested Data

16. Receive from the RD/ACIR-LTS a Consolidated Quarterly Status Report on BOC LNs Issued (Annex "E") on or before the 20th day of the second month following the close of each quarter.

17. Receive from the RD/ACIR-LTS a Consolidated Quarterly Status Report on "Preprocessed" BOC Data Utilization on or before the 25th day following the closed of each quarter.

18. Receive from the RDO/LTDO/LTAID I & II/NID a copy of the Quarterly Status Report on "Pre-processed" BOC Data Utilization (Annex "G") every 15th day following the end of each quarter.

19. Monitor and evaluate proper utilization of "Preprocessed" BOC data disseminated to the investigating offices.

20. Submit to the ACIR, AS, on or before the end of the second month following the close of each quarter the following:

    a. Consolidated Quarterly Status Report on BOC LNs Issued
    b. Consolidated Quarterly Status Report on "Preprocessed" BOC Data Utilization

21. Submit to MANCOM, thru the DCIR-OG, on or before the end of the second month after the close of each year an annual status report on the activities undertaken.

C. At the Assessment Service

1. Receive and review the threshold value on discrepancy/variance specified by the AITEID.

2. After evaluation, forward and endorse the set threshold to the DCIR, OG for approval.

3. Evaluate recommendation submitted by the AITEID regarding amendments to existing Memorandum of Agreement (MOA) and Implementing Rules and Regulations (IRR) with the BOC.

4. Receive and review the following reports submitted by AITEID:

    a. Consolidated Quarterly Status Report on BOC LNs Issued
    b. Consolidated Quarterly Status Report on "Preprocessed" BOC Data Utilization.

5. Require the appropriate ISG Office to establish technical safeguards to ensure the security and confidentiality of matched data or records to protect against any anticipated threats to their security or integrity.

D. At the Financial and Administrative Service (FAS)

1. Receive from SOD the following, in hard copy:

    a. Original and duplicate copies of List of Taxpayers Issued BOC LNs sorted by RR/RDO; LTS/LTDO/LTAID
    b. Original and duplicate copies of system-generated BOC LNs, corresponding to the taxpayers identified in item (a) above, duly signed by the Commissioner
    c. Details of Importation with Return Information Matching (DIRIM) for RDOs without e-mail facility

2. Account for the completeness of the system-generated BOC LNs transmitted by SOD by checking the same against the List of Taxpayers issued BOC LNs in item 1(a) above.
3. Deliver/mail to the concerned RDO/LTDO/LTAID the following: original copy of item 1(a); item 1(b); and 1(c) above.

E. At the Regional Office/Large Taxpayers Service/Enforcement Service

1. Acknowledge thru e-mail, upon receipt from SOD, the List of Taxpayers Issued BOC LNs farmed out to the RDO/LTDO/LTAID I & II.

2. Receive and review the Quarterly Status Report on BOC LNs Issued submitted by the concerned RDO/LTDO/LTAID I & II on or before the 10th day of the second month following the close of each quarter.

3. Analyze and collate the data contained in the above report and prepare a Consolidated Quarterly Status Report on BOC LNs Issued using the format prescribed in Annex "E" hereof, for submission to AITEID on or before the 20th day of the second month following the close of each quarter.

4. Receive from the requesting RDO/LTDO/LTAID/NID the duly accomplished Letter Request (LR) for "Preprocessed" BOC Data.

5. Evaluate the LR before forwarding the same together with photocopies of the corresponding LA/AN/TVN to AITEID for extraction of the requested data.

6. Assign a control number to all approved LRs. Maintain a permanent record of all approved LRs containing the following information:

    - LR control number
    - Date of LR
    - Taxpayer's TIN
    - Taxpayer's Name
    - Taxable Period covered
    - LA/TVN/AN Number
    - Type of Information requested
    - Name of requesting Office/Officer

7. Monitor utilization of "Preprocessed" BOC data disseminated to the concerned RDO/LTDO/LTAID/NID as follows:

    a. Receive the Quarterly Status Report on "Preprocessed" BOC Data Utilization (Annex "G") from the RDO/LTDO/LTAID/NID on or before the 15th day following the close of each quarter.

b. Ascertain compliance by the investigating offices on submission of prescribed reports
c. Evaluate the extent of BOC data utilization by the investigating offices
c. Prepare a Consolidated Quarterly Status Report on "Preprocessed" BOC Data Utilization for transmittal to AITEID, on or before the 25th day following the close of each quarter.

F. At the RDO/LTDO/LTAID

1. Acknowledge thru e-mail receipt of the following from SOD:

   a. List of taxpayers issued BOC LNs duly identified by a system-assigned control number;
   b. Details of Importation with Return Information Matching (DIRIM).

2. Receive from AITEID the Details of "Preprocessed" BOC data acted upon thru e-mail or in hard/soft copy.

3. Receive from FAS the following:

   a. Original and duplicate copies of system-generated BOC LNs.
   b. Hard copy of Item 1(a) above.
   c. Details of Importation with Return Information Matching (DIRIM) for RDOs without e-mail facility.

4. Generate hard copies of the DIRIM and the Details of "Preprocessed" BOC data transmitted via e-mail.

5. Determine the appropriate action on the BOC LNs issued to taxpayers with BOC 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 BOC LN is on-going

         a. Refer the BOC LN, together with the DIRIM, to the concerned revenue officer for inclusion of the data in its on-going audit/investigation
         b. Require the concerned revenue officer to include the extent of utilization of the discrepancy in his report of investigation
         c. Forward to the concerned reviewing office the docket bearing on the BOC LN issued for review and evaluation of the extent of BOC data discrepancy utilization. Dockets bearing on the verification of and action on BOC LNs issued are subject to post-audit by a Technical Working Group (TWG) to be created for that purpose.

A.2 Where the case has undergone processing at the RDO and is pending review at the reviewing office

a. Refer the BOC LN, together with the DIRIM, to the concerned reviewing office to determine if the discrepancy stated in the BOC LN was considered in the report of investigation.
b. If not considered, receive from the reviewing office the docket, together with the BOC LN and the DIRIM, to effect delivery of the BOC LN to the taxpayer for the collection of the following taxes:

b.1 For BOC LNs issued covering the taxable period 2003 onward, collect the basic VAT, 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.
b.2 For BOC LNs issued covering 2002 and prior years, require the taxpayer to pay the basic tax plus increments on corrected taxable base for VAT and Income Tax.
b.3 The computation of the deficiency tax(es) shall be based on the formula prescribed in BIR Form 2112-C (Annex "L").

A.3 Where the case is already closed and terminated

a. Refer the BOC LN, together with the DIRIM, to the concerned reviewing office to ascertain if the discrepancy stated in the BOC LN was considered in the report of investigation.
b. If not considered, receive from the reviewing office the docket, together with the BOC LN and the DIRIM, to effect the delivery of the BOC LN to the taxpayer for the collection of the following taxes:

b.1 If the discrepancy is at least thirty percent (30%), require the taxpayer to pay the basic tax plus increments on corrected taxable base for VAT and Income Tax. Deficiency Income Tax shall, however, be collected if the deadline for filing the annual Income Tax Return has already lapsed.
b.2 If the discrepancy is less than thirty percent (30%), require the taxpayer to pay the basic tax plus increment on corrected taxable base for VAT only.

Additional deficiency assessments on BOC LNs shall be issued only in cases where the tax cases are not yet prescribed.

B. If there is no existing audit case, effect the service of the BOC LN to the concerned taxpayers within five (5) days from receipt thereof

B.1 Refer the BOC LN to the revenue officer handling the RELIEF LN, if any, issued to the same taxpayer for the same taxable period.
Although the guidelines and procedures in handling assessments against taxpayers issued BOC LNs are substantially the same as those issued RELIEF LNs, a separate docket will have to be prepared for each type of LN issued.

B.2 If the taxpayer interposes no objection to the discrepancies in the LN and pays the required taxes within the prescribed deadline in the BOC LN, consider the BOC LN case closed. Attach the computation sheet and photocopy of the proof of payment to the Quarterly Status Report on BOC LNs Issued for transmittal to the AITEID.

B.3 If upon serving the LN to the taxpayer, it was found out that the same is under investigation for the same taxable period and the same tax type pursuant to a LA by the National Investigation Division (NID):

a. If the investigation is still on-going

1. Require the taxpayer to present photocopy of the said LA and transmit the same, together with the Quarterly Status Report on BOC LNs Issued indicating therein that the LN has been referred to NID;
2. Refer the BOC LN, together with the DIRIM, to the NID for incorporation by the latter in its audit/investigation.

b. If the investigation is already completed and the case is pending review/closed or terminated

1. Require the taxpayer to present photocopy of the said LA, together with the proof of payment of deficiency tax(es), if any;
2. Refer the LN, together with the proof of payment to the TWG for evaluation of the extent of utilization of the BOC LN discrepancy.

B.4 In all instances except B.2 and B.3 of this page, prepare the docket consisting of the following documents for transmittal to the reviewing office:

a. Duplicate copy of BOC LN
b. Computation of the deficiency tax(es)

c. Copy of the latest Income Tax Return (ITR) and audited financial statements to determine the Gross Profit Rate (GPR)
d. Payment Form (BIR Form 0611A)
e. Revenue Officer's Memorandum Report indicating the results of evaluation and analysis by the concerned revenue office and the latter's recommendation

B.5 Taxpayers receiving BOC LNs may submit a written request for installment payment of the basic tax due plus increments per BOC LN using the prescribed application format shown in Annex "H" and "H-1" hereof under the following circumstances:

1. No installment payment shall be allowed if the amount payable is not more than five hundred thousand pesos (P500,000)
2. If the amount payable exceeds P500,000 but not more than P3.0M, payment may be done in two (2) equal installments:

    b.1 First installment must be on the deadline set in the BOC LN
    b.2 Second installment, within 30 days from the deadline of first installment

c. If the amount payable exceeds P3.0M, payment may be done in three (3) equal monthly installments
d. If the taxpayer is requesting for installment payment outside the above-prescribed payment scheme, prepare the docket consisting of the documents enumerated in item B.3 and submit the docket, together with the Application for Installment Payments duly accomplished by the taxpayer for approval by higher authorities, as follows:

    Over P500,000 up to P10M...Regional Director/ACIR-LTS

    Over P10M .....MANCOM

All approved Applications for Installment Payments (BOC) (Annexes "H" or "H-1") shall be signed by both the Recommending Officer and Approving Officer.

The concerned RDO/LTDO/LTAID shall keep track of payments of taxpayers with requests for installment payments and indicate the same in the appropriate columns provided in the Quarterly Status Report on BOC LNs Issued.

For cases with requests for installment payments, the RDO/LTDO/LTAID shall issue a Reminder Letter (Annex "I") to the taxpayer one (1) week before the due date of the installment. On the other hand, for cases with past due installments, Follow-up Letter (Annex "J") shall be sent to the taxpayer one (1) week after the due date of the installment.

B.6 If the taxpayer is refuting the accuracy of the figures in the BOC LN together with the DIRTM -

a. Validate the figures against the physical returns (e.g. VAT/Income Tax returns, etc.) filed by the taxpayers, as well as proofs of actual importation (e.g. Import Entry Declaration, Bill of Lading, proof of payments, etc.)

a.1 If the discrepancy is a result of erroneous data capture/encoding:

1. Update the records in the ITS
2. Document all changes/updates in the ITS
3. For transparency and to allow AITEID to validate said changes/updates, prepare a Quarterly BOC Report on Changes/Updates to ITS (Annex "C") and submit the same together with the physical returns and other basis(es) for the updates to AITEID on or before the 25th day following the close of each quarter.
4. After resolving the above discrepancy in favor of the taxpayer, consider the case closed and indicate the same in the Quarterly Status Report on BOC LNs Issued.
5. If resolved in favor of the Bureau, effect the collection of the discrepancy VAT and/or other taxes as the case may be.

a.2 If the declaration per VAT/Income Tax Return is greater than the figures per BOC and the taxpayer was able to present proofs of actual importation, prepare a summary report of unreconciled importations and forward the same, together with the proofs of actual importation to AITEID for confirmation of the figures from the BOC.

B.7 If the taxpayer fails to respond within fifteen (15) days from receipt of the BOC LN, issue a follow-up letter (Annex "M"). If despite the follow-up letter, still no response is received

from the taxpayer, submit the BOC LN to the TWG for appropriate action.

B.8 If the BOC LN cannot be served due to the following reasons, refer the case to the TWG within ten (10) days for proper disposition.

a. Taxpayer cannot be located despite all efforts
b. Taxpayer has transferred to another RDO without informing the previous RDO having jurisdiction over the same (i.e., the taxpayer's ITS records were not properly updated).

6. Prepare a Quarterly Status Report on BOC LNs Issued (Annex "D") and submit the same to the RD/ACIR-LTS, copy furnished AITEID, on or before the 10th day of the second month following the close of each quarter.

7. Prepare the Letter Request (LR) for "Preprocessed" BOC data (Annex "F") for the approval and signature of the DCIR-LIG/ACIR-LTS/Regional Director (RD) in three (3) copies to be distributed as follows:

Original	–	AITEID
Duplicate	–	DCIR-LIG / ACIR-LTS / ACIR-ES / RD
Triplicate	–	requesting office (for file)

8. Evaluate the "Preprocessed" BOC data supplied by the AITEID and incorporate the same in the on-going audit/investigation.

9. Prepare the Quarterly Status Report on "Preprocessed" BOC Data Utilization (Annex "G") and submit to the RD/ACIR-LTS, copy furnished AITEID, every 15th day following the close of each quarter.

G. At the National Investigation Division (NID)

1. Receive from the concerned RDO/LTDO/LTAID the docket containing the BOC LN and DIRIM

2. Require the concerned revenue officer to incorporate the discrepancy reflected in the BOC LN in his report of investigation.

3. Upon completion of the investigation, forward to the concerned reviewing office the docket bearing on the issued BOC LN for review and evaluation of the extent of utilization of the discrepancy per BOC LN. Dockets bearing on the verification of and action on BOC LNs issued are subject to post-audit by the TWG.

4. Prepare a Quarterly Status Report on BOC LNs Issued (Annex "D") hereof and submit the same to the AITEID on or before the tenth (10th) day of the second month following the close of each quarter.

5. Prepare the "Preprocessed" BOC Data Letter Request (LR) (Annex "F") for the approval and signature of the Assistant Commissioner - Enforcement Service (ACIR-ES) in three (3) copies to be distributed as follows:

Original	-	AITEID
Duplicate	-	ACIR-ES / DCIR-LIG
Triplicate	-	For File

For cases where no Letter of Authority has been issued, the LR shall be duly noted by the Deputy Commissioner – Legal and Inspection Group (DCIR-LIG).

6. Evaluate the "Preprocessed" BOC data furnished by AITEID and incorporate the same in the on-going audit/investigation.

7. Prepare the Quarterly Status Report on "Preprocessed" BOC Data Utilization (Annex "G") and submit to ACIR-ES, copy furnished AITEID, every 15th day following the close of the quarter.

H. At the Reviewing Office (ACIR-LTS / ACIR-ES / Assessment Division)

1. Where the investigation of the tax liability of the taxpayer for the period covered by the BOC LN is on-going at the time of receipt of the BOC LN and DIRIM by the investigating office:

   a. Receive from the investigating units the docket containing the BOC LN and the DIRIM.
   b. Follow the prescribed procedures in the review of dockets and ascertain whether the discrepancy reflected in the BOC LN was considered by the investigating officer in the report of investigation.

      b.1 If the discrepancy was considered, forward the docket on the issued BOC LN to the TWG for post-audit.
      b.2 If the discrepancy was not considered, remand the docket to the concerned investigation office for appropriate action.

2. Where the case is pending review/already closed and terminated at the time the BOC LN and DIRIM were received by the investigating units.

   a. Receive from the investigating units the BOC LN together with the DIRIM
   b. Follow the procedures laid out in 1 (b) above.

3. Receive from RDO/LTDO/LTAID I & II copies of the requested "Preprocessed" BOC data supplied by AITEID to the investigating units.

4. Verify the current status (i.e. closed/terminated/still pending) of tax cases provided with "Preprocessed" BOC data by the AITEID.

    a. If closed/terminated – check the case docket to ascertain if the "Preprocessed" data was utilized and considered in the report of investigation. If not, ascertain tax consequences and forward the docket of the case with appropriate recommendation to the ODCIR-OG for final disposition.
    b. If still pending – review case docket to check if the requested "pre-processed" data was utilized. If not, return the case docket to the investigating office for appropriate action.

I. At the Office of the Technical Working Group (TWG)

1. Conduct post audit of dockets, bearing on the verification of and action on BOC LNs Issued, forwarded by the RDO/LTDO/LTAID/NID.

2. Act on all BOC LNs referred by the RDO/LTDO/LTAID/NID for the following reasons:

    a. Taxpayer failed to respond despite follow-up letter
    b. Taxpayer cannot be located despite all efforts
    a. Taxpayer transferred to another RDO without updating its ITS records
    b. Issues that cannot be resolved at the level of RDO/LTDO/LTAID/NID

3. For cases where the taxpayers issued BOC LNs are subject of investigation by the NID pursuant to a LA covering the same taxable period

    a. If the investigation is already completed and the case is pending review/closed or terminated, receive from the RDO/LTDO/LTAID the BOC LN, together with the proof of payment of deficiency tax(es), if any;
    b. Refer the BOC LN, plus the proof of payment to the concerned reviewing office to ascertain if the discrepancy was considered by the investigating officer in his report of investigation;
    c. If the discrepancy was not considered, receive from the reviewing office the docket and the BOC LN for referral to NID to effect the collection of the required taxes.

J. At the Information Systems Development Service / Systems Development Division

1. Evaluate from time to time the functionality of the existing system and its interoperability with other systems.

2. Provide the necessary support in the retrieval and generation of discrepancy reports.

3. Provide SOD with adequate technical support including programs and scripts needed for the generation of BOC LNs.

4. Prescribe practices/procedures for maintaining any system of records under the Data Warehousing Project.

5. Provide assistance in updating/revising the existing MOA and IRR with the BOC to facilitate any changes in the data/data handling procedures whenever necessary.

V. EFFECTIVITY

This Order shall take effect immediately.

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

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