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

October 2, 2014

REVENUE MEMORANDUM ORDER NO. 35-2014

SUBJECT : Policies, Guidelines and Procedures in the Use of Accounts Receivable Management System in the Management and Monitoring of Accounts Receivable / Delinquent Accounts

TO : All Internal Revenue Officers and Others Concerned

I. BACKGROUND

The Accounts Receivable Management System (ARMS) is a web-based stand-alone system that was developed to facilitate the monitoring of Accounts Receivable/Delinquent Accounts (ARs/DAs) from creation to closure. It has four modules which include the following:

1. Add module – the module that allows the creation of AR/DA docket and cases in the ARMS;

2. Modify module – the module that allows the updating of the status of the AR/DA and the transfer of accountability to a case docket from one person to another or from one office to another;

3. Report and Correspondence– the module that allows generation of needed correspondences and reports; and

4. Payment and Settlement Module – module that allows closure of the case when AR/DA is fully paid or approved to be written-off.

II. OBJECTIVES

This Order is issued to:

1. Prescribe uniform policies, guidelines and procedures in the use of the Accounts Receivable Management System (ARMS) in the management and monitoring of Accounts Receivable/Delinquent Account (ARs/DAs); and

2. Identify the appropriate access of revenue officers and officials allowed to use the system.

III. POLICIES AND GUIDELINES

1. Once the ARMS is deployed to the concerned offices, all ARs/DAs arising either from self-assessed taxes or from assessments which became final and executory must be created using the "add module" of the ARMS facility;

2. ARs/DAs emanating from the issuance of FAN of offices without ARMS shall be added in the ARMS thru uploading of the Form 40.00 excel format report by the Systems Development Division. However, the facility for automatic creation of AR/DA cases from unprotested FANs shall be available once the Enhanced Audit Module in the Tax Information Systems Version 1 is already available.

3. Requests for access to ARMS shall be approved by the concerned Head of Office. However, access to ARMS by the head of office shall be approved by their respective immediate superior (e.g., division chief's request for access shall be approved by the Assistant Commissioner/Regional Director, as the case may be, who has jurisdiction over them);

4. Offices and officers handling the AR/DA shall regularly update the case status following the guidelines provided under Revenue Memorandum Order No. 11-2014 so that collectible and uncollectible accounts can be determined;

5. The enclosed Job Aid (Annex A) in the use of the ARMS shall always be used as reference by the users; and

6. Technical problems encountered in the use of the ARMS shall always be logged with the Help Desk and the same shall be immediately resolved by the concerned office under the Information Systems Group.

IV. PROCEDURES

1. **Revenue District Office** (under Revenue Region Nos. 4, 5, 6, 7 , 8, 9, except island districts of RR No. 6 and 9)/**Large Taxpayers Document Processing and Quality Assurance Division/Assessment Division/ Office of the HREA-Regular or Excise/Office of the ACIR-Enforcement Service:**

    a. The Chief, Collection Section/LTDPQAD appropriate section chief shall add new delinquent accounts created arising from self-assessed taxes (e.g., unpaid second installment, unredeemed dishonored check, unpaid tax due per return filed) upon failure of the concerned taxpayers to pay the tax due per tax return filed on the time prescribed for its payment, while for AR arising from assessments which became final and executory shall be added into the ARMS database by an accountable officer under the Assessment Division, Office of the HREA-Large Taxpayers Service (Regular or Excise) and Office of the ACIR-Enforcement Service for cases emanating from concerned RDOs, Large Taxpayers Audit Divisions and National Investigation Division, respectively;

b. Upon encoding into the system using the "add module" of the ARMS, the Assistant Revenue District Officer/Assistant Division Chief, LTDPQAD/ Chief, Billing Section of the Assessment Division/ concerned HREA of LTS/HREA of Enforcement Service shall validate the encoded information using the "task manager module" of the ARMS. Once the encoded information are validated, the case docket is already created;

c. Using "modify module", the head of office shall transfer-out the AR/DA docket to the Chief, Collection Division/Large Taxpayers Collection Enforcement Division (LTCED)/ARMD; and

d. The transferred-out AR/DA dockets shall remain under the inventory of the concerned RDO/LTDPQAD/AD/Office of concerned HREAs until the same have been acknowledged as received by the Chief, Collection Division/LTCED/ARMD using the ARMS on-line facility.

2. **Collection Division** (under Revenue Region Nos. 4, 5, 6, 7, 8 and 9)/**LTCED/Accounts Receivable Monitoring Division (ARMD)**:

a. The Chief, Collection Division/LTCED/ARMD shall acknowledge receipt of the AR/DA dockets using the ARMS facility once the physical dockets of the same are received;

b. The Chief, Collection Division, shall transfer-out, using the modify module, the AR/DA dockets to the Head, Arrears Management Team (AMT), for assignment to the Seizure Agents;

c. The Head, AMT/Chief, LTCED/ARMD shall transfer-out the AR/DA docket to the Seizure Agent (SA) to whom the same shall be assigned for collection enforcement, using the modify module;

d. SA shall update the status of each of the AR/DA case/s composing the AR/DA docket, using the modify module, on a regular basis;

e. SA shall generate the necessary correspondences needed to be sent to the delinquent taxpayers or to the concerned persons or entities which have possession of the delinquent taxpayer's leviable or distrainable properties, using the "generate correspondences" module;

f. In the event the delinquent taxpayer settled the tax liabilities, the amount paid shall be encoded by the SA using the "payment and settlement" module;

g. If the delinquent taxpayer applied for the installment settlement of the tax liabilities, the SA shall encode into the ARMS, using "payment and settlement" modules, the installment mode approved by authorized Revenue Official, as well as the installment payments that shall be made after the approval. However, in the case of approved installment for AR/DA case handled by AMT in the Collection Division, the installment payments shall

be monitored and encoded by the Chief, Receivable and Collection Enforcement Section (RACES) after the AR/DA docket is transferred-out by AMT to the Chief, RACES.

h. If the delinquent taxpayer applied for the abatement of penalties or compromise settlement of the tax liabilities, the SA shall update the status of the particular AR/DA case which is the subject of the taxpayer's application by encoding into the ARMS the details of the taxpayer's application. Thereafter, the case shall likewise be transferred-out to the Chief, RACES/appropriate section under LTCED/ARMD for appropriate action;

i. The Chief, RACES/appropriate section under LTCED/ARMD shall transfer-out the AR/DA docket with application for either abatement of penalties or compromise settlement of the delinquent account to the concerned RDO/investigating office under LTS for the initial evaluation of the application/Compromise and Abatement Review and Evaluation Section of ARMD. The evaluation of the compromise settlement applications which are under the Regional Evaluation Board (REB)/LTS Evaluation Board (LTSEB)'s authority shall be routed to each member of the REB/LTSEB, but there is no need to transfer-out the AR/DA docket to the home Office of the REB/LTSEB member. The Collection Division, thru the RACES/LTCED, being the secretariat of the Evaluation Boards, shall be the one responsible for the monitoring of the movement of the applications until the approval or disapproval thereof. Once approved or disapproved, the Chief, RACES shall update the AR/DA case status in the ARMS using modify module and indicate the action taken by the REB/LTSEB, using the task manager module;

j. The Chief, Collection Division/LTCED shall transfer-out AR/DA dockets bearing on the AR/D cases with application for abatement of penalties and compromise settlement under the jurisdiction of the National Evaluation Board (NEB), to the Accounts Receivable Monitoring Division (ARMD);

3. **Revenue District Office** (under other revenue regions not indicated under item 1 hereof and island districts of RR No. 6 and 9)/**Large Taxpayers District Office**:

a. Receive from the Assessment Division/ACIR-Large Taxpayers Service the AR/DA dockets bearing assessments which already became final and executory. Acknowledge receipt of these dockets by clicking on the "acknowledge" button that will appear as pending task of the Head of Office at his/her ARMS' home page;

b. Head of Office shall transfer-out the dockets pertaining to AR/DA arising from unprotested FANs to the Chief, Collection Section for the enforcement of collection remedies, who will then transfer-out the same to the Seizure Agent (SA);

c. The SA shall acknowledge receipt of the AR/DA arising from unprotested FANs, as well as AR/DA cases arising from self-assessed taxes. The SA

shall add the latter into the ARMS as new AR/DA docket and cases by using the add module. The SA shall likewise specify the AR/DA case status pursuant to the guidelines specified under RMO No. 11-2014;

d. The Chief, Collection Section shall validate the encoded data. Once validated, a new AR/DA docket is created, and the docket must be transferred-out to the concerned SA for collection;

e. The SA shall acknowledge the assigned AR/DA and generate the necessary correspondences as prompted by the ARMS. The SA shall regularly update the status of the AR/DA case as long as the case is still under his accountability;

f. In case the delinquent taxpayer requested for the installment payment of his tax liabilities, the SA shall have it approved by the concerned revenue official under existing installment payment policy, and monitor the installment payments after its approval.

g. In case the delinquent taxpayer applied for the compromise settlement of his tax liabilities or applied for the abatement of penalties, the SA shall recommend appropriate action to the Revenue District Officer (RDO)/Head of Office; and

h. The RDO/Head of Office shall endorse the AR/DA to the Chief, Collection Division/Large Taxpayers Collection Enforcement Division (LTCED) as the committee secretariats, using the "modify-transfer" facility of the ARMS.

4. **Collection Division** (for revenue regions without any AMT):

a. The Chief, Collection Division shall acknowledge receipt of the AR/DA dockets by clicking the appropriate button appearing in his pending tasks;

b. If the AR/DA case which is the subject of the delinquent taxpayer's application for compromise settlement is within the jurisdiction of the Regional Evaluation Board (REB), there is no need to use the ARMS in transferring-out the AR/DA docket bearing the particular AR/DA case to the concerned REB member. The concerned Revenue Officer in the Collection Division shall update the status of the particular case in the ARMS once the same has been denied or approved to enable the preparation of the Authority to Cancel Assessment (ATCA), as well as the access to the "account adjustment" facility of the ARMS; and

c. The Chief, Collection Division shall transfer-out to the ARMD, for appropriate action, AR/DA dockets bearing on the AR/DA cases with application for abatement of penalties and compromise settlement under the jurisdiction of the National Evaluation Board (NEB). Prior to the said transmission, the docket should contain the results of the initial evaluation and recommendation of the application by the REB.

5. **Regional Legal Division and Prosecution Division/Litigation Division/Law Division in the National Office**

   a. The concerned Revenue Officer under these offices shall acknowledge receipt of the physical docket of the AR/DA docket which was referred either for the filing of criminal charges to taxpayers who failed to pay their taxes despite execution of summary remedies, or for legal opinion or ruling relative to the taxpayer's protest filed against the assessment issued;

   b. The concerned RO who received the physical dockets shall inform the Head of Office of such receipt so that the latter shall acknowledge receipt of the AR/DA dockets and cases using the ARMS facility and thereafter shall assign the same to the Legal Case Officer;

   c. The Legal Case Officer shall acknowledge receipt of the AR/DA dockets from the head of office and shall regularly update the status of the AR/DA using the modify module; and

   d. After action has been taken of the AR/DA docket/case, the Legal Officer shall transfer-out the same to the Head of Office who shall then transfer-out the docket and case to the concerned receiving office using modify module (transfer docket).

6. **Assessment Division /Office of the ACIR-Enforcement Service/Office of the HREA-Regular/Office of the HREA-Excise**:

   a. The concerned RO under these offices shall add into the ARMS database the ARs/DAs arising from assessments which became final and executory using the "ADD Docket" module in ARMS. In the event that the ARMS is not yet deployed to these offices, use the Form 40 excel format to list the details of the unprotested FANs and forward the same to the SDD for uploading of the AR/DA cases in the ARMS. However, the facility for the automatic creation of AR/DA cases from unprotested FANs shall be available once the Enhanced Audit Module in the Tax Information Systems Version 1 is already available;

   b. Acknowledge on-line the physical receipt of the AR/DA dockets with request for reinvestigation using the ARMS. However, no request for re-investigation shall be granted for cases covered by unprotested FANs or where the tax assessments have already become final, executory and demandable;

   c. Once the request for re-investigation has been approved, by the Regional Director/ACIR-LTS, pursuant to existing guidelines and policies, these offices shall transfer-out the AR/DA docket to the RDO/Investigating office under LTS for reinvestigation and updating of case status.

   d. If the result of the re-investigation resulted to a reduced tax assessment which was already settled by the delinquent taxpayer, update the AR/DA

case in the ARMS using "payment and settlement" module, generate ATCA and access the account adjustment facility to finally close the AR/DA case. However, if the result of re-investigation has not yet been settled, and a revised assessment is recommended to be issued, the ATCA shall be prepared to cancel the entire assessment that was previously issued and issue a new FAN for the revised assessment; and

e. When the AR/DA docket/case referred to these offices are not yet in the ARMS database, the same shall be added into the ARMS database using the "add docket" module facility of the ARMS. If the AR/DA docket/case is already in the ARMS database, use either the "modify" or "payment and settlement module" to update the status of the AR/DA docket/case.

V. REPORT GENERATION

The generation of reports pertaining to ARs/DAs is likewise available in the ARMS; thus, the same shall be extracted by the appropriate office under the Information Systems Group based on the following frequency:

a. **General Control Ledger Report, including attachments supporting the figures reflected in the report** – every 10th day of the Month (report covers inventory of AR/DA as of the end of the preceding month), consolidated and per office;

b. **Report on Warrant of Distraint and Levy Issued** – every 10th day of the month (report covers the preceding month only), consolidated and per office;

c. **Report of Seized and Forfeited Properties**- every 15th day of the month, consolidated and per office;

d. **Report on approved abatement and compromise settlement applications** – every 15th day of the month;

e. **Report of Delinquent Taxpayers with approved Authority to Cancel Assessment (ATCA)** – every 10th of the month (report covers the preceding month), consolidated and per office; and

f. **Report of Taxpayers with issued Notice of Tax Lien (NTL), Notice of Levy (NOL) and Notice of Encumbrance (NOE)** –every 15th day of the month, consolidated and per office.

VI. EFFECTIVITY

This Order shall take effect immediately.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue