REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

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December 1, 2022

REVENUE MEMORANDUM ORDER NO. 6-2023

SUBJECT : **Updated and Consolidated Policies, Guidelines and Procedures for BIR Audit Program**

TO : **All Internal Revenue Officials/Officers and Others Concerned**

I. BACKGROUND

In accordance with the digital transformation program of the Bureau of Internal Revenue (BIR), efforts are carried out to expand the functionalities of the Internal Revenue Integrated System (IRIS). A number of manual procedures are being automated to improve operational efficiency on audit activities.

Among the more significant development in these endeavors is the automated selection of taxpayers for issuance of electronic letter of authority (eLA) whose transactions were identified as risk areas based on prescribed law, rules and regulations, filed tax returns and other tax information available. To effectively implement the significant changes that such automation process shall introduce into the BIR's audit activities, it is therefore necessary to prescribe specific policies and guidelines governing the issuance of eLAs to cover the audit/investigation of taxpayer's internal revenue tax liabilities.

II. OBJECTIVES

This Order is being issued in pursuit of the following objectives:

1. To prescribe updated policies, guidelines and procedures to be observed in the audit/investigation of taxpayers by Investigating Offices (IO) in the National and Regional Offices;

2. To improve operational efficiency on audit activities; and

3. To enhance taxpayers' voluntary compliance by encouraging the correct payment of internal revenue taxes through the exercise of the enforcement function of the Bureau.

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III. INVESTIGATION/VERIFICATION OF TAXPAYERS

In general, all taxpayers are considered as possible candidates for audit. To cover such audit/investigation, electronic Letters of Authority (eLAs) or Tax Verification Notice (TVN), as applicable, shall be issued.

A. Mandatory Cases- these are transactions to which an audit is required as a condition precedent for the issuance of tax clearance, processing of claims for tax credit/refund and other cases as may be identified by the Commissioner of Internal Revenue as priority target for audit/investigation. The following shall be covered by this type of audit:

1. **To be covered by eLAs-**

	Selection Code
1.1 Claims for tax credit/refund of the following tax types a. Excise tax; or b. Income tax (except income tax claims of Job Order personnel), including final and creditable income tax withheld	ETRS for excise tax and ITR for income tax and withholding tax
1.2 Request for Tax Clearance of taxpayers whose gross sales/receipts for the immediately preceding year exceeds Three Million pesos (P 3,000,000.00) or whose gross assets upon retirement exceeds Eight Million (P 8,000,000.00) a. Due to death of taxpayer; or b. Taxpayers retiring from business; or c. Taxpayers undergoing merger/consolidation/ split-up/spin-off and other types of corporate reorganizations	TRC
1.3 Cases returned to the IO where the original Group Supervisor (GS)/Revenue Officer (RO) who conducted the audit are no longer available due to transfer of work assignment or separation from service (e.g., retirement, resignation, AWOL, etc.) a. For reinvestigation; or b. For compliance of review findings which resulted to deficiency tax or additional deficiency tax	CRIO
1.4 Cases referred by other IO due to taxpayer's transfer of business registration, where taxpayer agreed to	TOR

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have the audit continued by the new IO, provided the covered period is not yet prescribing.

1.5 One-Time Transactions (ONETT) — OTT

a. Cases which review findings resulted to a deficiency tax; or
b. Real property transactions with findings in the Electronic Certificate Authorizing Registration (eCAR) System

1.6 Policy cases/industry issues under the directive of the Commissioner — MCIR

2. **To be covered by TVNs –**

2.1 Persons requesting for Tax Clearance whose gross sales for the immediately preceding year is One Million (P1,000,000.00) but not exceeding Three Million (P3,000,000.00) or whose total assets upon retirement is Three Million (P 3,000,000.00) but not exceeding Eight Million (P 8,000,000.00)

a. Due to death of the taxpayer; or
b. Taxpayers retiring from business; or
c. Taxpayers undergoing merger/consolidation/split-up/spin-off and other types of corporate re-organization.

2.2 Claims for Value Added Tax (VAT) Refund;

2.3 Income Tax Refund of Job-Order personnel; and

2.4 Claims for refund/tax credit arising from erroneous payment of taxes, including double payment of taxes due to system error/glitch.

B. Priority Audit Cases – these are cases which have been electronically selected by the IRIS-Audit Module based on prescribed selection criteria pursuant to identified risks that need immediate action. The prescribed selection criteria shall make use of information from filed tax returns and other pertinent tax information available in the BIR Systems and the selection code for these are already embedded into the said module.

Also covered under this category are audit cases that shall be handled by the VAT Audit Section (VATAS) and Office Audit Section (OAS) of the Assessment Divisions (AD), and Large Taxpayers VAT Audit Unit (LTVAU) under the Large Taxpayers Service (LTS). The execution of the "Run Audit Program" in the IRIS-Audit module, including the submission of the list of taxpayers to be audited, shall be the responsibility of the Assistant Commissioner of the Assessment Service (ACIR-AS) and ACIR-LTS for non-large taxpayers and large taxpayers, respectively.

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Priority audit case can also be manually selected by the concerned Regional Director (RD)/ACIR-LTS but this has to be approved by the Commissioner of Internal Revenue. The selection code for these cases shall be "PCIR".

IV. POLICIES AND PROCEDURES

A. Issuance of eLA/TVN

1. The Revenue District Officers (RDOs)/Chiefs, Assessment Division and their concerned Regional Directors (RDs) for regional cases, Chiefs, Large Taxpayers Divisions (LTDs)/Large Taxpayers Audit Divisions (LTADs) and Assistant Commissioner-Large Taxpayers Service (ACIR-LTS) for LT cases, are equally responsible in ensuring that only tax returns of taxpayers registered within their jurisdiction, except tax returns related to One-Time Transaction (ONETT), and those that match the selection criteria based on taxpayer's non-compliance risks are subjected for issuance of eLAs.

2. The Case Management System – Audit (CMS-A) of IRIS shall be used in the creation, assignment, approval, issuance, printing and cancellation of eLAs, as well as in updating the status of the same. Existing audit cases being handled by ROs which were originally issued and printed using the Electronic Letter of Authority Monitoring System (eLAMS) shall still be managed and updated using the said system.

3. The "create manual case" of IRIS-CMS-A shall be used in the creation of mandatory cases, manually-selected priority audit cases with prior approval of the Commissioner of Internal Revenue under III.B hereof, and cases under the functional jurisdiction of the National Investigation Division.

4. For manually selected priority audit cases, prior approval of the Commissioner of Internal Revenue must be secured. The request for issuance of eLA shall be submitted by the concerned RD to the Deputy Commissioner-Operations Group (DCIR-OG) for regional cases, or by the Chiefs of LT Audit Divisions to ACIR-LTS for LT cases. The DCIR-OG/ACIR-LTS shall subsequently recommend for the approval of such issuance of eLA, if warranted.

5. The simultaneous investigation of all liabilities of a taxpayer shall be followed. One (1) eLA/TVN shall be issued for each taxable year to include all internal revenue tax liabilities of the taxpayer, except when a specific tax type had been previously examined. In this case, such tax type for a specific period shall be excluded from the covered tax types for audit.

6. Notwithstanding the policy above, the audit/verification of tax liabilities of taxpayers requesting for tax clearance under Items III.A.1.2 and III.A.2.1 hereof, and tax refund under III.A.2.2 to 2.4, shall be covered only by one eLA/TVN, whichever is applicable, that will cover the audit/verification of immediately preceding year and the short period tax returns prior to cessation/retirement of business. While in case of a tax refund, the eLA/TVN shall cover the taxable period indicated in the application and

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encoded into the IRIS-Tax Credit and Refund (TCR) module. For income tax refund, however, the audit shall be per taxable year since the request for refund is being signified at the time of filing of the Annual Income Tax Return.

7. Discrepancy Notices (DNs) deployed by the Audit Information Tax Exemption and Incentives Division (AITEID) and discrepancies or audit/review findings which need further verification arising from taxpayers with filed claims for VAT refund/credit referred by the VAT Credit Audit Division (VCAD) or Tax Audit Review Division (TARD) should be evaluated by the concerned RDO/LTD/LTAD to determine any tax implications. If the subject taxpayer is already the subject of an existing eLA, the DN or any information arising from the audit/review findings should be consolidated with the existing eLA/ audit case. If not, the RDO/LTD/LTAD may select the particular taxpayer for issuance of eLA, if necessary.

8. If an eLA has been issued under the VAT Audit Program (VAP) and subsequently, the taxpayer becomes a candidate for regular audit in the RDO/LTD/LTAD based on the selection criteria under this Order for the same taxable year, the request for eLA for regular audit shall not include the VAT liability already covered by the VAT audit. (For example: Taxpayer A has been audited for its VAT liability for 1st semester of 2020, the LA shall cover all tax liabilities and VAT for the 2nd semester only)

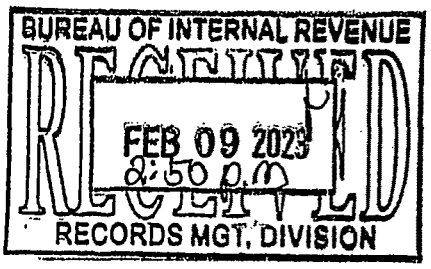
9. For ONETT case docket which resulted to a deficiency tax, the coverage of the eLA shall be limited to audit/investigation of the particular ONETT only and audit/investigation shall be conducted by the IO which issued the electronic Certificate Authorizing Registration (eCAR).

B. Assignment of Cases

1. All audit cases shall be electronically assigned to an RO/GS by the IRIS-CMS-A module after the taxpayer had been automatically selected by the IRIS-Audit module, except for mandatory cases and priority audit cases with prior approval of the Commissioner of Internal Revenue which shall be done manually.

2. Except for eLAs issued under the RATE Program of the National Office or Regional Office, and those issued to task forces, only ROs under the Assessment Group shall be authorized to conduct audit and investigation of tax cases, whether in a principal or assisting capacity. The same RO or lead RO shall not be assigned in the current year with the same taxpayers who have been examined for the prior year, except when there is only, at most, four (4) ROs in one district/IO.

3. Since the assignment of mandatory cases and those priority audit cases with prior approval of the Commissioner of Internal Revenue shall be manually done, the head of office (Division Chief/Revenue District Officer) shall ensure that these cases are equitably distributed among the available ROs.



Mandatory cases from Item III.A.1.1 to 1.6 hereof, shall not be included in the count of maximum workload of every RO, which is thirty (30) cases at a given time, subject to replenishment upon the submission of the report of investigation/closure of each case. Hence, assignment of a manually selected priority audit case with prior approval of the Commissioner of Internal Revenue shall, under no circumstances, be assigned to an RO who has met any of the following:

3.1 pending priority audit cases of thirty (30) or more; or

3.2 pending ten (10) mandatory cases; or

3.3 prescribing/prescribed cases; or

3.4 no office clearance; or

3.5 ten (10) or more returned audit cases and/or cases for reinvestigation; or

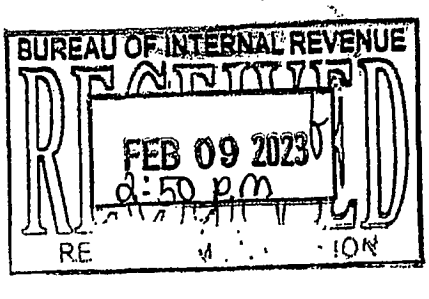
3.6 case(s) which has been outstanding for more than the prescribed period within which to conduct audit/verification as mentioned under item IV.C.6 hereof; or

3.7 tendered resignation or whose compulsory retirement is six (6) months or less away from the effective date of separation.

4. The Division Chief/RDO may assign more than one GS/RO to conduct the audit/verification, and all the names of the GS/RO must be indicated in the eLA/TVN. The lead RO is the examiner first listed in the eLA/TVN. One (1) eLA/TVN is counted as one case of the RO assigned to the case, except for eLA/TVN assigned to a group of ROs which shall be counted as a case of the lead RO only. Nevertheless, deficiency assessment/collection on the case shall be equally credited among all the ROs indicated on the eLA/TVN.

5. The Business Intelligence Division (BID) shall extract the number of pending cases of each RO in the eLAMS and submit the statistics to Administrative System Division (ASD) for uploading in the IRIS-CMS-A, every fifteenth (15th) day and end of the month, to ensure equitable assignment of audit cases in the said system based on the prescribed workload/inventory threshold. This shall be done as long as there are pending cases in eLAMS.

6. Returned audit cases by the reviewing office for compliance of review findings shall only be assigned to another RO if the previous RO who handled the case cannot act on it due to the circumstances stated in Item IV.G.2 hereof, at the time the case docket was returned. An Electronic Memorandum of Assignment (eMOA) with a system-generated number shall be issued through the IRIS/eLAMS in the assignment of these returned audit cases. However, if the review observation shall result to a deficiency tax or additional deficiency tax not covered by the previous report, a



replacement eLA shall be issued if the audit case is assigned to a different RO, which shall be under mandatory case Item III.A.1.3.b hereof.

7. Audit cases whose tax assessments have been validly protested and returned to IO for re-investigation shall likewise be assigned to another RO if the previous RO is no longer with the IO, thru the issuance of a replacement eLA which shall be under mandatory case Item III.A.1.3.a hereof.

C. Conduct of Audit and Submission of Reports of Investigation

1. The RO assigned to the case shall present or serve the eLA to the taxpayer or his/its representative in accordance with existing revenue issuances.

2. The audit procedures and techniques prescribed under existing revenue issuances shall be complied with by all concerned ROs.

3. Verification and processing of VAT refund claims under Section 112 of the 1997 Tax Code, as amended, must comply with the existing revenue issuances issued for this purpose.

4. Should the templates for correspondences and notices available in the IRIS-CMS-A are different from the prescribed forms or templates under recent applicable revenue issuances, the same must still be generated in order to automatically reflect completion of the default case events which has dependency on such 'generation'. However, the correspondence to be served to the taxpayer must be the one compliant with existing policies.

5. Each LA/TVN shall be covered by applicable audit reports (BIR Form 0500 series). These BIR Form 0500 series are available in CMS-A module; thus, the RO shall accomplish the applicable audit report covering the tax types covered by the LA/TVN.

6. The report of investigation/verification of cases covered by eLAs/eMOA/TVNs pursuant to this Order shall be submitted by the assigned RO within the following prescribed number of calendar days:

Case Classification	No. of Days
Cases covered by eLAs other than replacement eLA	180 days for Regional cases/240 days for LT cases/90 days for LTVAU, VATAS and OAS, from the date of the eLA
eMOA/replacement eLA on protested cases for reinvestigation	90 days for regional cases and 120 days for LT cases from receipt of the eMOA/Replacement eLA
eMOA/replacement eLA on cases returned by the reviewing office/	30 days from receipt of the eMOA/Replacement eLA

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Case Classification	No. of Days
eLA on ONETT case docket which review findings resulted to a deficiency	
TVN on persons requesting for Tax Clearance under III.A.2.1 hereof	60 days from the date of TVN

7. All mandatory documents and pertinent documents to support the audit reports, including schedules, working paper and detailed computations, must be attached to the audit case docket. Mandatory documents must be uploaded into the CMS-A using the "Update Case" facility.

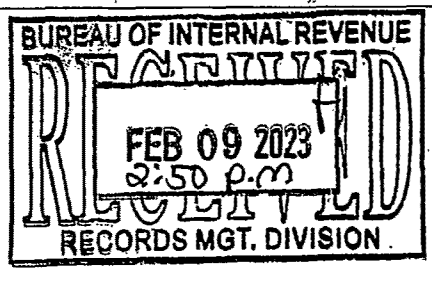
8. Reports of investigation on cases wherein the deficiency taxes per investigation were paid at the RDO level shall be prepared and submitted within ten (10) days from the date of taxpayer's payment of such deficiency tax assessments to the Chief, AD for Regional cases/Head Revenue Executive Assistant (HREA) for LT cases for appropriate review.

9. In case the report of investigation cannot be rendered within the prescribed period, the concerned RO shall prepare a monthly progress report starting from the time such audit report should have been rendered stating therein the reason for the delay in the submission of the report of investigation duly noted by his GS and approved by the RDO/LTD/LTAD. The said progress report/s shall be attached to the docket of the case.

D. Review of Audit Reports and Issuance of Termination Letter

1. The reviewing offices, AD in the regional offices or concerned Office of the HREA, shall review reports/dockets within the following prescribed number of calendar days:

Case Classification	No. of Days
Cases covered by eLAs	30 days from receipt of the case docket
eMOA/replacement eLA on protested cases for reinvestigation	30 days from date of receipt of the case docket
eMOA/replacement eLA on cases returned by the reviewing office/eLA on ONETT which review findings resulted to a deficiency tax	15 days from receipt of the case docket
TVN on persons requesting for Tax Clearance under III.A.2.1 hereof	15 days from receipt of the case docket



2. A Termination Letter (TL), following the herein template (Annex "A"), on all case dockets with no findings/discrepancy or paid cases shall be issued by the reviewing office after the approval of audit reports by the RD/ACIR-LTS.

   For eLA/TVN issued pursuant to Item III.A.1.2 and III.A.2.1 hereof, whichever is applicable, the concerned RDO/Chief LTD/LTAD shall issue a Tax Clearance and eCAR to the taxpayer within three (3) days from date of issuance of TL.

3. A random revalida of audit cases may be conducted by the Office of the Commissioner of Internal Revenue and/or the Office designated by the Commissioner of Internal Revenue.

E. Handling of Protests Against Tax Assessments

1. All letters of protest, requests for reinvestigation/reconsideration and similar correspondences shall be received by the Office of the concerned RD/ACIR-LTS who signed the PAN/FAN/FLD and shall be referred to the AD in the Regional Office or concerned Office of the HREA of the LTS in the National Office, as the case may be, for proper recording and resolution of protests.

2. The detailed procedures in the handling and resolution of protests shall be covered by a separate revenue issuance.

F. Monitoring of Cases

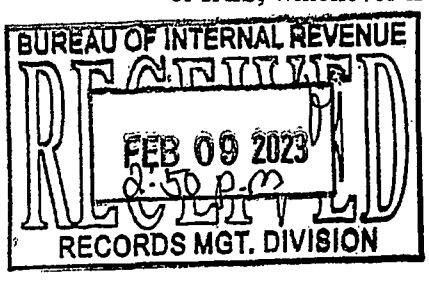
1. Cases referred (e.g., for resolution of legal issues) to the Legal Division (LD) in the Regional Offices/Legal Service (LS) in the National Office shall be removed from the inventory of the concerned RO for purposes of replenishment of cases.

   However, once the case is returned to the RO for continuation of audit/investigation, this shall be considered as part of his inventory or workload. If such returned cases result to an excess over thirty (30) cases, this situation will not be considered a violation.

2. Transfer of custody of case docket from IO for review of the AD/HREA-LTS, or issuance of SDT pursuant to RMO Nos. 45-2010 and 10-2013/legal action by the Legal Division of Regional Offices/Legal Service of the National Office and vice versa shall be acknowledged by the Office receiving the case docket using IRIS/eLAMS, whichever is applicable.

3. The head of the IO is primarily responsible in performing the following tasks:

   3.1 Monitoring of RQs' workload and status update of cases in eLAMS or IRIS, whichever is applicable;



3.2 Ensuring that all ROs listed in the eLA have specific assignments and output; and

3.3 Review of the aging of inventory of cases and enforcement of the immediate completion of long overdue cases by way of issuance of call-up memorandum and possible referral to the Regional Investigation Division for regional cases or Internal Investigation Division (IID) for cases under the EAS/LTS, for appropriate action.

G. Issuance of Replacement eLA

1. Issuance of replacement eLAs, if warranted, shall be made in either IRIS-CMS-A or eLAMS, where the eLA has been originally issued and printed.

2. A replacement eLA shall be done in the following instances:

   a. The original RO named in the eLA cannot continue the audit/investigation due to the RO's transfer to another office, retirement or resignation, authorized leave such as maternity leave or study leave, prolonged absence/unauthorized leave, or other reasons; provided, the statutory period to assess, pursuant to Section 203 of the 1997 Tax Code, as amended has not yet prescribed for the taxable period.

   b. In case the taxpayer has transferred its business registration, where the eLA/TVN have been served and the audit of which has already started prior to the effective date of transfer, the continuation of audit shall be conducted by the new RDO having jurisdiction over the taxpayer's new registration. However, the transfer of audit case shall not be allowed if the case is with the assigned RO for more than one hundred twenty (120) days or the case is a prescribing case.

   c. The audit reports have been returned by the reviewing office to the investigating office and the observation has tax consequence that will need amendment of audit reports/deficiency tax assessments and the original RO is no longer with the IO.

   d. In case of request for re-investigation of the taxpayer and the original RO is no longer with the IO at the time the audit case docket is referred for re-investigation.

3. If both the RO and GS are still assigned in the IO, no replacement eLA shall be issued. An eMOA is sufficient document in referring back the audit case to them for audit trail purposes only. In case only the RO is with the IO, the original GS need not affix the signature in the revised audit report to be submitted by the original RO.

4. No replacement eLA shall also be issued if the original RO has been promoted as GS. The audit report shall be rendered in his capacity as the original RO, without the need of the signature of the previous GS.

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5. Whenever a replacement eLA is issued, the head of the IO shall send a letter stating the details of the original eLA, such as SN eLA No./LOA No. and date of issuance to inform the taxpayer of the cancellation of the old eLA and the continuance of audit/investigation or conduct of re-investigation under the replacement eLA.

H. Administrative Sanctions

1. The concerned head of the IOs under the regional offices shall report to the Regional Director, Attention: The Chief, Regional Investigation Division, while head of IOs under the EAS and LTS, shall report to the ACIR, Internal Affairs Service, Attention: The Chief, IID, any RO under his supervision, with prescribed and long overdue tax cases that are still un-submitted despite several call up letters/reminders issued. A statement of all the facts and other documents (e.g., memoranda issued to the concerned RO calling his attention regarding submission of required reports of investigation within the prescribed period) must be submitted together with his report.

2. Any violations of the policies herein provided by any RO or Official shall be a ground for the imposition of appropriate administrative sanctions/penalties.

V. REPEALING CLAUSE

All other provisions of issuances, circulars and memoranda inconsistent herewith are hereby repealed, amended or modified accordingly.

VI. EFFECTIVITY

This Order shall take effect on January 1, 2023.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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