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

REVENUE MEMORANDUM ORDER NO. 62-2010

SUBJECT : Supplemental Guidelines on the Electronic Issuance of Letters of Authority and Related Audit Policies and Procedures

TO : Assistant Commissioners of the Large Taxpayers Service and Enforcement Service, All Regional Directors, Revenue District Officers, Chiefs of the Large Taxpayers Audit Divisions, Large Taxpayers District Offices, National Investigation Division, Assessment Divisions and Special Investigation Divisions of Regional Offices, Other Revenue Officers and Others Concerned

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I. Objectives

1. To ensure that all audit/investigation are monitored through the Letter of Authority Monitoring System (LAMS);
2. To provide guidelines for the smooth transition from the use of manually prepared Letters of Authority (LAs) and Tax Verification Notices (TVNs) to electronic LAs (eLAs);
3. To clarify other audit policies related to audit assignments; and
4. To prescribe the reporting requirements for audit/verification cases.

II. Policies and Procedures

1. Starting July 1, 2010, the manual issuance of LAs and TVNs shall be discontinued for all investigating offices under the Regional Offices, the Large Taxpayer Service (LTS), the Enforcement Service (ES), and the various Task Forces and Special Teams authorized by the Commissioner of Internal Revenue to conduct audit/investigation.

2. The cases enumerated below, which used to be issued TVNs, shall be covered by eLAs with Selection Codes as follows:

    2.1 Mandatory cases below the audit thresholds in the 2010 Audit Program for Revenue District Offices (RDOs)

	Selection Code
Claims for -	
a. Income tax refund	ITR - S

	Selection Code
b. Issuance of tax credit certificate	ITC – S
c. Income tax returns showing carry-over of excess withholding tax/income tax payments	ITE – S
d. VAT refund	VTR – S
e. VAT credit certificate	VTC – S
f. VAT returns showing excess input tax	VTE - S
Estate tax returns with other tax liabilities	EOT – S
Estate tax returns with no other tax liabilities	EST – S

2.2 Claims for tax refund/credit of excise tax under Title VI of the Tax Code of 1997, as amended

	Selection Code
Excise tax refund	ETR – S
Excise tax credit	ETC - S

2.3 Claims for tax refund/credit on erroneous/double payment of taxes

	Selection Code
Tax refund on erroneous/double payment of taxes	ERTR– S
Tax credit on erroneous/double payment of taxes	ERTC - S

2.4 Taxpayers who are retiring from business, undergoing merger/consolidation/split-up/spin-off and other types of corporate reorganizations with gross assets of One Million Pesos (₱ 1,000,000.00) up to Three Million Pesos (₱ 3, 000,000.00)

	Selection Code
Taxpayers retiring from business	RET– S
Taxpayers undergoing corporate reorganizations	MCS - S

2.5 Such other cases where TVNs were previously authorized for audit/verification of tax liabilities and other audit-related activities

3. The report of investigation/verification for RDO cases enumerated under Item No. II.2 hereof, shall be submitted within sixty (60) calendar days from the date of the eLA, except for reports on claims for VAT refund/credit which shall be submitted within sixty (60) calendar days from the submission of complete documents by the taxpayer-claimant.

For offices under the LTS and ES, the time frame to report the above cases shall be in accordance with their existing policy, unless otherwise amended in a separate issuance.

4. All unused LA and TVN forms which are still in the possession of the Assistant Commissioners – Large Taxpayers Service (ACIRs-LTS), Assistant Commissioner – Enforcement Service (ACIR-ES), Regional Directors, Revenue District Officers, Chiefs of Large Taxpayers Audit Divisions (LTADs), Large Taxpayers District Offices (LTDOs), National Investigation Division, Special Investigation Divisions (SIDs), Assessment Divisions (ADs), Administrative Divisions (AdDs) and Heads of Special Audit Task Forces shall be surrendered and duly accounted for to the Chief, Accountable Forms Division (AFD) within five (5) days from the effectivity of this Order. The Head of the concerned office/Task Force shall transmit to the Chief, AFD together with the unused blank LAs and TVNs a certified true copy of the last issued LA and/or TVN by their office and a transmittal list of the surrendered LAs/TVNs with information on the form name/form number and serial numbers of the surrendered LAs/TVNs. A copy of the list of surrendered LAs/TVNs and certified true copy of the last issued LA/TVN duly received by the AFD shall be furnished by the revenue officials to the Assistant Commissioner, Inspection Service within three (3) days from receipt of the AFD.

5. For manually prepared LAs covering 2009 tax returns, the concerned officials shall be given ten (10) working days from the effectivity of this Order to convert the same to eLAs using the LAMS. Likewise, all TVNs issued under the 2010 Audit Program for RDOs shall also be converted to eLA within the same period.

   Further, for other offices under the LTS, ES and for Task Forces and Special Teams, the concerned officials are also given the same time frame to enter the data of their manually issued LAs and TVNs into the LAMS.

6. All manually prepared LAs covering 2009 tax returns and TVNs issued shall be retrieved and replaced with eLAs. Thus, taxpayers who are in possession of manually prepared LAs/TVNs shall not entertain any Revenue Officer (RO) relative to the audit of his internal revenue tax liabilities for taxable year 2009 unless the same is replaced with eLA. Accordingly, the Bureau of Internal Revenue shall require the surrender of the manual LA/TVN and service of the replacement eLA even if the taxpayer has already paid his/its deficiency tax liabilities for 2009.

7. A Memorandum of Assignment (MOA) (Annex "A") with a system-generated number shall be issued through the LAMS under the following instances:

   7.1 Reassignment for the continuation of the audit/investigation to another RO due to resignation/retirement/transfer of the original RO;

   7.2 Assignment to the original RO of returned cases by the reviewing office and reassignment to another RO of returned cases in case of resignation/retirement/transfer of the original RO;

   7.3 Reassignment to another RO due to referral of the case to another investigating office (e.g., cases referred to SID by the RDO); and

7.4 Protested cases/cases for reinvestigation.

The existing LAMS shall be enhanced by the Information System Group (ISG) in order to track cases covered by eLAs where MOAs are issued.

8. The paper to be used in printing the eLAs shall be the same type of paper being used in printing the Certificate of Registration (COR) issued to taxpayers. Thus, the heads of offices shall ensure that there is enough supply of the said paper in their respective offices/divisions.

9. Regular audit cases covering 2009 tax returns reassigned to another RO due to transfer of the original RO to another RDO for the continuation of the audit/investigation of the case shall be considered as an addition to the RO's current inventory. Thus, the Revenue District Officer shall determine first the RO's workload prior to assignment of the case to observe the policy on the maximum workload per RO of 20 cases at any one time.

   In other investigating offices under the LTS and ES, as well as the Task Forces and Special Teams, their prescribed maximum workload of LAs per RO shall likewise be strictly followed. For team assignments, the case shall be counted in the name of the lead RO.

10. As a general rule, returned cases for compliance with review or reporting requirements shall be acted upon by the original RO assigned to the case. The same rule shall apply in case the RO transferred to another RDO within the jurisdiction of the regional office, except island district offices. The Assessment Division shall return the docket to the Revenue District Officer having jurisdiction over the taxpayer who is the subject of the audit/investigation. The said Revenue District Officer shall be responsible for ensuring that the returned case shall be acted upon by the original RO who transferred to another RDO. The Assessment Division shall also follow up action on the case by the original RO through the new Revenue District Officer where the original RO is currently assigned.

11. If the RO originally assigned to the case has resigned, retired or transferred to another RDO outside of the regional office or to an island RDO within the same regional office , the following guidelines shall be observed:

    11.1 If the original Group Supervisor (GS) is still in the district office, the case shall be reassigned to another RO within the group of the original GS.

    11.2 If both the original RO and GS who handled the case are no longer with the district office, the returned case shall be reassigned to another RO under the supervision of another GS.

12. Returned cases after review by the Assessment Division, the Regional Director or any reviewing office in the National Office shall be considered as an addition to the existing workload of the concerned RO. In case the maximum workload limit

of 20 cases has been exceeded upon receipt of returned cases, the excess shall not be considered as a violation of the policy on workload assignment. However, no new eLAs shall be assigned to the concerned RO until such time that his workload shall fall below the maximum workload of 20 cases and that he has submitted at least three (3) reports of investigation/verification coming from his beginning inventory of LAs and TVNs, if there is any.

13. Protested cases/cases for reinvestigation referred to the investigating office, just like mandatory cases, shall be excluded from the RO's maximum workload of 20 cases.

14. The concerned revenue officials and officers of the LTS and ES shall follow their existing policies on reassignment of cases, action on returned cases and maximum workload until such time that revised policies are issued in a separate RMO.

15. To ensure that the policies on the maximum workload and replenishment of these cases are properly implemented, the ISG shall enhance the LAMS so that each RO shall have the following separate inventories:

    15.1 Two (2) separate inventories for eLA cases –

        a. Regular cases on 2009 tax returns which is subject to the maximum workload; and
        b. Mandatory eLA cases which shall be excluded in determining the maximum workload at any one time.

    15.2 Four (4) separate inventories on MOAs issued to ROs covering the following cases:

        a. Regular cases for continuation of the audit/investigation which shall also be included in the maximum workload;
        b. Returned cases for compliance with review or reporting requirements;
        c. Protested cases/cases for reinvestigation; and
        d. Other assignments, e.g., inventory destruction, etc.

    15.3 Inventory of pending cases on 2008 and prior years which shall be considered in the replenishment or assignment of new cases for the purpose of monitoring and enforcing the policy of issuing one new eLA to an RO only if he has reported three (3) cases for 2008 and prior years and he has not exceeded his maximum workload.

16. The LAMS shall be enhanced to prevent any assignment of cases that are inconsistent with the policies set under this Order.

17. The submission of reports of investigation on eLAs/MOAs shall be deducted from the inventory of cases of ROs only upon actual receipt of the docket and electronic acknowledgement by the Assessment Division/reviewing office through the LAMS, even if the case has been acted upon by a higher office.

18. The Certificate Authorizing Registration (CAR) for estate tax cases where the gross sales/receipts from business and/or gross estate exceed Ten Million Pesos or Three Million Pesos, subject to the provisions of Item Nos. III.A.1.3 and A.1.4 of the 2010 Audit Program and with Selection Codes EOT and EST, shall be issued only after review of the estate tax case and other internal revenue tax liabilities by the Assessment Division and approval of the Regional Director of the reports of investigation and payment of deficiency tax(es), if any. Thus, the reports of investigation on the other internal revenue tax liabilities must be submitted within 180 days as prescribed under Item No. IV.23 of the 2010 Audit Program. The Revenue District Officer must see to it that the tax dockets on estate tax cases with eLAs together with the other tax liabilities are transmitted to the Assessment Division within two (2) days from the payment of deficiency tax, if any.

    In case the report of investigation on the other tax liabilities is not completed within the prescribed period to audit and the taxpayer insists that the CAR be issued even without the results of the audit on the other tax liabilities, the CAR may be issued provided that the executor or administrator or any of the legal heirs of the decedent shall post a bond, either through a bonding company or a cash bond, which shall be used to settle any deficiency tax liability that may arise after the completion of the audit. The concerned RO shall be required to prepare a proposed assessment on the other tax liabilities which shall be the basis of the bond to be posted by the executor/administrator/heirs of the decedent.

    18.1 The Assessment Division shall review the abovementioned estate tax cases within ten (10) working days from receipt of the docket. Thereafter, the docket shall be transmitted immediately to the Regional Director for approval and returned to the concerned Revenue District Officer for the issuance of the CAR.

    18.2 No CAR on the above estate tax cases covered by eLAs shall be issued by the Revenue District Officer unless the approved tax docket has been officially transmitted to him by the Chief, Assessment Division. Subsequently, the approved tax docket shall be transmitted to the Regional Administrative Division for safekeeping.

19. For estate tax cases below the thresholds set under Item Nos. III.A.1.3 and A.1.4 of the 2010 Audit Program and with Selection Codes EOT - S and EST – S, the CAR shall be issued prior to review by the Assessment Division. In instances where there are other tax liabilities involved, the CAR shall be issued only after the submission of report of investigation by the Revenue Officer on the estate tax as well as the other internal revenue tax liabilities, and after payment of deficiency tax liabilities, if any. Notwithstanding the issuance of CAR prior to review, the docket of estate tax case shall be submitted to the Assessment Division within two (2) days from release of the CAR, and the mandatory review thereof shall not be beyond five (5) days from receipt thereof by the Assessment Division.

    In case the report of investigation on the other tax liabilities is not completed within 60 calendar days from the date of the eLA as prescribed under Item No.

II.3 hereof and the taxpayer insists that the CAR be issued, the RDO shall observe the requirement on the posting of bond under Item No. II. 18 of this Order.

20. The Regional Director shall approve all requests for issuance of eLAs, whether for regular or mandatory cases, in accordance with the selection criteria set under the 2010 Audit Program, through the facility of the LAMS. Likewise, the investigating offices shall make use of the LAMS in printing the eLAs and the MOAs.

    All other investigating offices under the LTS, ES and Task Forces shall request their audit cases through the LAMS in accordance with the selection criteria and audit policies approved by the Commissioner for their offices/Task Forces/Special Teams.

III. Reporting Requirements

A. For Regional and District Offices

Pending the completion of the reporting modules of the LAMS enhanced by the ISG, the following reports shall be submitted by all concerned offices to the Assessment Service every 10th of the following month:

1. For Regional Directors

    1.1 Monthly List of Electronic Letters of Authority Issued (Annex B)
    1.2 Monthly Report of Tax Credit/Refund Approved and Granted (Annex C)

2. For the Revenue District Officers

    2.1 Monthly Status of Electronic Letters of Authority Issued and Acted Upon (Annex D)
    2.2 Monthly Summary of Assessment and Collection Activities (Annex E)

    Each RO under the district office shall also prepare a report showing the detailed results of audit/verification for each tax case accomplished during the month. The report shall be submitted to his Group Supervisor not later than the 5th day of the month. Likewise the Group Supervisor shall prepare a consolidated report on the accomplishments of ROs under his direct supervision for submission to the Revenue District Officer not later than the 6th day of the month copy furnished the Regional Director and Chief of the Assessment Division. Please take note that the accomplishment report of the ROs and Groups Supervisors shall not be transmitted to the Assessment Service. The format prescribed under Annexes "M" and "K" of RMO No. 67-99 shall be followed.

    2.3 Monthly Report on Claims for Tax Refund/Issuance for Tax Credit Certificate Filed (Annex F)

2.4 Monthly Report of Tax Credit/Refund Processed (Annex G)

The RDOs shall furnish the concerned Regional Directors with a copy of the abovementioned reports.

3. Reports prescribed under RMO No. 67-99 shall continuously be submitted to the Assessment Service:

3.1 For Regional Directors

3.1.1 Regional Accomplishment Report on Assessment Activities

3.2 For Chiefs, Assessment Division

3.2.1 Monthly Report on Cases/Dockets Received from Investigating Offices for Review
3.2.2 Monthly Report on Reviewed Cases
3.2.3 Monthly Summary of Taxes Assessed

B. The existing reports on audit cases required to be submitted by the investigating offices under the LTS and ES, as well as by the Task Forces and Special Teams, shall be maintained and complied with unless otherwise amended through another revenue issuance.

IV. Repealing Clause

All issuances inconsistent herewith are hereby modified or repealed accordingly.

V. Effectivity

This Order shall take effect immediately

(Original Signed)
JOEL L. TAN-TORRES
Commissioner of Internal Revenue

I-1