REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Making the Public Know

August 6, 2010

REVENUE MEMORANDUM ORDER NO. 71-2010

SUBJECT : Guidelines and Procedures for the Conversion of Accounts Receivables/Delinquent Accounts (ARs/DAs) into the Accounts Receivables Conversion System (ARCS)

TO : All Internal Revenue Officers and Others Concerned

I. BACKGROUND

In line with the Bureau's thrust to collect additional revenue for the government, an effective and efficient handling of all Accounts Receivables/Delinquent Accounts (AR/DA) and conversion of these into the stand-alone data base system known as Accounts Receivable Conversion System (ARCS) is necessary to properly monitor the movement of these accounts and maximize its collection.

The soft-launch conversion of these delinquent accounts will be piloted in the Collection Enforcement Division (CED), Large Taxpayers Collection Enforcement Division (LTCED), Large Taxpayers District Office (LTDO) Makati, and Revenue District Office (RDO) No. 49, North Makati starting August 15, 2010 and ensure total conversion within sixty (60) days.

All other offices handling ARs/DAs shall commence the AR/DA conversion after the soft launch to start August 31 but not later than October 16, 2010 in the aforementioned offices. Conversion of ARs/DAs is a requisite for the Receivables Capability Rollout to create a single portfolio of AR/DA cases.

II. OBJECTIVES

This Order is issued to:

1. Prescribe guidelines and procedures in the Conversion of Accounts Receivable/Delinquent Accounts (AR/DA);
2. Identify the cases covered by the conversion process;
3. Define roles and responsibilities of concerned offices for the implementation of this Memorandum; and
4. Provide management the periodic status of AR/DA Conversion.

III. DEFINITION OF TERMS

1. **Conversion Input Form (CIF)** – refers to the form (Annex "A") that will be used to gather required information for ARCS before encoding to the said system.

2. **Accounts Receivable (AR)** – refers to the amount of tax due from a taxpayer who failed to pay the same within the time prescribed by law for its payment arising from (1) a self-assessed tax, or (2) a deficiency tax assessment issued by the Bureau.

3. **Delinquent Account (DA)** – an AR which arise from an unpaid self-assessed tax or an assessment which is already final and executory due to the following:

   3.1. failure to file a protest within thirty (30) days from receipt of the assessment;

   3.2. failure to submit all relevant supporting documents within sixty (60) days from filing of the protest; and

   3.3. failure to elevate to the Court of Tax Appeals (CTA) within thirty (30) days from receipt of the decision denying the protest.

4. **Collectible DA – FAN/FDDA-** refers to AR emanating from a Final Assessment Notice (FAN) or Final Decision on Disputed Assessment (FDDA) issued by the Bureau for deficiency internal revenue taxes. In addition, AR/DA covered by approved installment plan shall be included in this classification.

5. **Collectible DA – Unpaid Self-Assessed Taxes** – refers to AR resulting from any of the following:

   5.1. Tax due per return filed by taxpayers who failed to pay the same within the time prescribed for its payment; or

   5.2. Non-payment of the 2nd installment due from individual taxpayers who availed of installment payments of income tax under Sec. 56 (A) (2) of the Tax Code, as amended.

6. **Collectible DA - Dishonored Checks** – refers to AR resulting from tax payment made thru bank draft or check but was denied by drawee-bank due to drawer-taxpayer's insufficiency of funds in his/her/its bank accounts, accounts closure, or for other reasons of dishonor as prescribed under the Negotiable Instruments Law.

7. **Collectible DA – With Offer to Compromise** – refers to accounts covered by an application for the availment of the compromise settlement program of the Bureau, or the taxpayers have offered to compromise the deficiency taxes due from them under Sec. 204 (A) of the Tax Code, as amended.

8. **Collectible DA – With Application for Abatement** – refers to accounts wherein taxpayers have applied for abatement under an abatement program offered by the Bureau or have requested for abatement under Sec. 204 (B) of the Tax Code, as amended.

9. **Uncollectible DA – Suspense** – refers to DA where any of the following circumstances are present:

9.1. Taxpayer is deceased leaving no distrainable and leviable assets. However, if the assessment issued is for both spouses and the other spouse is still living, the same should not be considered as uncollectible.

9.2. Taxpayer is serving life imprisonment without distrainable and leviable assets.

9.3. Taxpayer is suffering from lingering illness and not capable of earning a living, without distrainable and leviable assets.

9.4. Taxpayer is declared insolvent by the court or is found to be incapable of earning a living upon verification, and without distrainable and leviable assets.

9.5. Taxpayer is an individual and his/her whereabouts is unknown, without distrainable and leviable assets.

9.6. The taxpayer is a foreign national who came to the Philippines as a consultant, or a foreign corporation who has done business in the Philippines, and left after the completion of the project leaving no distrainable and leviable assets.

9.7. Taxpayer is a domestic corporation, which was verified to have ceased operations or has been officially dissolved, with no distrainable or leviable assets and its subscribed shares of stock have been fully paid; Provided, it has been determined that the whereabouts of its responsible officers could no longer be located.

10. **Uncollectible DA – Write Off –** refers to DA where write off may be effected due to any of the reasons enumerated below:

10.1. DA case where the Final Assessment Notice was not received by the taxpayer due to change of address, notwithstanding the Bureau's timely receipt of information on such change of address from the said taxpayer and the period to assess has already prescribed (without prejudice to the institution of applicable administrative sanction against the erring Bureau official/s).

10.2. Period to collect has already prescribed (without prejudice to the institution of applicable administrative sanction against the erring Bureau official/s).

10.3. A decision was already rendered by the Court declaring the account as uncollectible, and such decision has become final and executory.

10.4. The DA is considered uncollectible, as decided by the Bureau's National Evaluation Board (NEB).

10.5. The administration and collection costs involved do not justify the collection of the total amount due –

10.5.1. Where the total amount due per assessment notice is Five thousand pesos (P5,000.00) and below, subject to adjustment to its present value using the Consumer Price Index (CPI), as published by the National Statistics Office (NSO),when deemed necessary; or

10.5.2. Where the total amount due per assessment notice is more than the above amount, subject to final approval by the National Evaluation Board.

However, if the docket involves assessments of more than one (1) tax type, the aggregate amount thereof should be subject to the above threshold.

11. **AR - Protested**- refers to AR where a request for reinvestigation or reconsideration has been filed due to the following reasons:

11.1. A written protest (legal or factual) was timely filed by the taxpayer but still awaiting the final resolution by the assessing office; or

11.2. The taxpayer failed to receive the assessment notice/letter because it was sent to the address reflected in the filed tax return or the address indicated in the BIR's ITS-Registration System, notwithstanding BIR's receipt of a notice of change of address or a notice of business cessation; or

11.3. The taxpayer failed to receive the assessment notice/letter because it was inadvertently sent to the wrong address.

12. **Collectible AR – Non-filing/Non-payment –** refers to AR originating from failure of a taxpayer to file a return or pay the tax due (e.g. stop-filer cases or automatic system- created receivables).

IV. GUIDELINES

1. Conversion Scope

All manually identified ARs/DAs shall be converted in the system, including the unpaid 2nd installments of individual taxpayers' income tax liabilities and dishonored checks.

2. Conversion Approach

2.1 A Conversion Team shall be created which will be composed of the following Revenue Officers :

Conversion Manager	-Chief, CED
Asst. Conversion Manager	-Assistant Chief, CED
Conversion Coordinators	-HREAs, LTS-Regular, Excise and LTDOs
	-HREA, Enforcement Service
	-Chief, LTCED
	-Chiefs, LTDOs
	-All Collection Division Chiefs
	-All Assessment Division Chiefs
	-All Legal Division Chiefs
	-All Special Investigation Division Chiefs (SID)
	-Chief, National Investigation Division (NID)
	-Chief, Prosecution Division (National Office)
	-Chief, Litigation Division (National Office)
	-Chief, Appellate Division (National Office)
	-Chief, Law Division (National Office)
	-All Revenue District Officers (RDOs)

Members

-All Chiefs, Collection Section (RDOs)
-Chief, Collection Enforcement Section (LTCED)
-Chief, Collection Section (LTDO)
-Chief, ARMAS, CED (National Office)

-Chief, Systems Maintenance & Support Division (National Office)
-All Seizure Agents of LTCED, LTDOs, CED and RDOs
-Case Officers of Assessment Divisions, NID, SID, Litigation, Prosecution, Appellate,Law Division and Legal Divisions

2.2 The abovementioned officers shall be responsible for identifying, classifying, segregating, reconciling and monitoring AR/DA for conversion. They shall likewise be responsible for conducting the pre-conversion activities, and ensuring accuracy of the encoded data.

2.3 Classification Code will be used to determine the type of AR/DA to be encoded:

Collectible DA:	**Classification Code**
Collectible DA-FAN/FDDA	DAF
Collectible DA-Unpaid Self-Assessed Tax	DAU
Collectible DA- Dishonored Checks	DAD
Collectible DA- with Offer of Compromise	DAC
Collectible DA- with Application for Abatement	DAA
Uncollectible DA:	
Uncollectible DA- Suspense	DAS
Uncollectible DA- Write-off	DAW
Collectible AR:	
Collectible AR- with Protest	ARP
Collectible AR- Non-filing/Non-payment	ARN

3. **Reconciliation of AR/DA Inventory**

The Reconciliation of the AR/DA inventory in the possession of each of the offices handling AR/DA shall be undertaken by the abovementioned offices. The detailed guidelines and procedures therefore shall be covered by a separate revenue issuance.

4. **Capture of New AR/DA Cases created beginning August 1, 2010**

ARs and DAs that will be created beginning August 1, 2010 and are included in Monthly Summary of Taxes Assessed (BIR Form No. 40.00), Collectible and Disputed Assessment shall be encoded in the ARCS by the Assessment Division, LTS and Enforcement Service, as the case may be, before the dockets of these cases are transmitted to the Collection Division or concerned RDO/LTDO/LTCED, as the case may be.

For unpaid second installments of individual taxpayers' income tax liabilities and dishonored checks that will be identified/created beginning August 1, 2010,

these delinquent accounts shall also be encoded into the ARCS by the RDOs immediately upon identification thereof.

5. **Correction of Encoding Errors**

Where errors in encoding occur and the same are already uploaded and saved in the ARCS, these shall be reported by the concerned office to the Conversion Manager and the same shall be resolved through data fixing.

V. PROCEDURES

1. Pre-Conversion Procedures

1.1. Conduct inventory of all AR/DA dockets that are lodged under the accountability of the concerned offices.

1.2. Identify and segregate ARs/DAs based on their classification. Classify the AR/DA cases as collectible or uncollectible and the same shall be further classified based on the definition provided under Section III hereof.

1.3. Assign a classification code which should be reflected in the upper right portion of the CIF.

1.4. Compile the docket of the case according to date of assessment.

1.5. Reconcile physical inventory of ARs/DAs against General Control Ledger.

1.6. Ensure an accurate inventory of ARs/DAs for conversion.

2. Conversion Procedures

2.1. Transcribe mandatory information in the CIF.

2.2. Validate correctness of transcribed information and update, if necessary.

2.3. Encode the CIF duly verified by the concerned Supervisor or Section Chief and approved by the Head of Office using the ARCS. For this purpose, trainings for all concerned national and regional personnel shall be conducted to ensure smooth operational AR/DA conversion.

2.4. Print Transaction Listing of ARCS.

2.5. Check the correctness of the encoded information.

2.6. Update the status of the converted ARs/DAs accordingly and as necessary.

3. Procedure for Newly Identified AR/DA after cut-off date

For newly identified ARs/DAs after August 1, 2010, the same procedure under Section V-2 above shall be applied.

4. Procedure for Correction of Encoding Errors

4.1 Use the modify screen in the ARCS to correct all encoding errors, except for errors in amounts.

4.2 Report errors in amounts encoded through a memorandum addressed to the Chief, SMSD requesting for data fixing.

VI. RESPONSIBILITIES OF CONVERSION TEAM

1. The Chief, CED as Conversion Manager shall :

   1.2 Provide over-all direction to all concerned personnel regarding the Conversion Activities.

   1.3 Resolve all non-technical issues and concerns raised by the Conversion Team during the implementation of the conversion plan.

   1.4 Monitor all activities pertaining to conversion of ARs/DAs.

2. The Assistant Chief, CED as Assistant Conversion Manager shall:

   2.1 Assist the Conversion Manager in the implementation of the conversion activities.

   2.2 Elevate to the Conversion Manager all issues and concerns of the ARMAS-CED.

3. HREAs of LTS and Enforcement Service/ Chief, LT-CED/ Chief, LTDOs/ RDOs/ Chief, Collection Division/ Chief, Assessment Division/ Chief, Legal Division/ Chief, Prosecution/ Chief, Appellate/ Chief, Litigation/ Chief, Law Division/ Chief, SID/ Chief, CED-ARMAS shall:

   3.1 Provide direction to all concerned personnel regarding the Conversion Activities.

   3.2 Resolve all non-technical issues and concerns raised during the implementation of the conversion plan.

   3.3 Monitor all activities pertaining to conversion.

   3.4 Approve the duly accomplished CIF.

   3.5 Elevate to the Conversion Manager all issues and concerns identified during the conversion process.

4. The Chief, Systems Maintenance & Support Division shall:

   4.1 Resolve immediately all technical issues and concerns raised by the Conversion Team during the implementation of the conversion plan.

5. The Section Chiefs LT-CED/ LTDO/ RDO/ Collection Division/ Assessment Division/ Legal Division/ Prosecution Division/ Litigation Division/Appellate Division/ Law Division/ SID/ NID/ CED-ARMAS shall:

   5.1 Review/verify the correctness and completeness of the CIF accomplished by Case Officers/Seizure Agents.

   5.2 Certify the correctness of the CIF for approval by the Conversion Coordinator.

   5.3 Supervise execution of conversion activities.

5.4 Elevate to the head of office all issues and concern raised during the conversion process.

6. The Case Officers/Seizure Agents of all concerned Offices shall:

6.1 Fill up all information needed in the CIF.

6.2 Identify the dockets with complete information as required in the CIF.

6.3 Submit to the concerned office Section Chief for verification the duly accomplished CIF for approval of the head of office.

6.4 Encode validated and approved CIFs to ARCS.

VII. REPORTS

All concerned offices are required to submit a Monthly AR/DA Conversion Report (Annex "B") of all encoded and converted AR/DA every 20th day of the month to the Conversion Manager, in soft copy at roberto.taron@bir.gov.ph or ramon.quevedo@bir.gov.ph. The Conversion Manager shall, in turn, prepare and submit to the ACIR, Collection Service, a monthly consolidated report thereon not later than the end of each month.

VIII. REPEALING CLAUSE

This Order supersedes all revenue issuances and/or portion thereof that are inconsistent herewith.

IX. EFFECTIVITY

This Order shall take effect immediately.

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

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