REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

28 October 2010

REVENUE MEMORANDUM ORDER No. 80-2010

SUBJECT: CY 2010 Audit Criteria

TO: All Internal Revenue Officials and Employees Concerned

I. OBJECTIVES

1. To prescribe the criteria in the audit of 2009 tax returns by Revenue District Offices (RDOs), Large Taxpayers Service Audit Divisions and the National Investigation Division; and

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

II. POLICIES AND GUIDELINES

The following policies and guidelines shall be observed in the audit of 2009 tax returns by the Revenue District Offices:

1. All taxpayers are considered as possible candidates for audit.

2. Priority shall be given to the following taxpayers who render professional services:
   - Lawyers;
   - Doctors;
   - Engineers;
   - Accountants; and
   - Other Professionals.

3. Last Priority status for income tax audit shall be accorded to those taxpayers with an effective income tax rate of eighteen percent (18%) (Gross Income X 18%).

   Taxpayers with the following effective VAT rate are also last in the priority for VAT audit:
   - 3% or higher for sale of goods; and
   - 6% for sale of service.

   3.1 An exception to the Last Priority status shall be those taxpayers where there are findings / suspicions of under-declaration of sales / revenues.

III. EFFECTIVITY

This Order shall take effect immediately.

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

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