REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

November 29, 2007

REVENUE REGULATIONS NO. 15-2007

SUBJECT : Regulations Allowing for the Abatement of Penalties/Surcharges and Interest on Disputed/Litigated Assessments.

TO : All Internal Revenue Officers and Others Concerned.

SECTION 1. PURPOSE. — Pursuant to Section 204(B) of the National Internal Revenue Code (Code) of 1997, as amended, these Regulations are hereby promulgated in order to give the taxpayers the opportunity to settle their preliminary or final assessments, disputed/protested administratively or judicially, by way of application for payment of basic tax and abatement or cancellation of all penalties, including surcharge and interest.

Before an assessment reaches finality, the liability of the taxpayer is not yet certain and, therefore, the imposition of penalties at this stage appears to be unjust and/or makes the assessment excessive. This paves the legal avenue for the abatement thereof because pursuant to Section 204(B) of the Code, as amended, the Commissioner is authorized to abate or cancel tax liability and/or the penalties thereon when the tax or any portion thereof appears to be unjustly or excessively assessed, or the administration and collection costs involved do not justify the collection of the amount due. Accordingly, herein program of abatement of penalties would encourage taxpayers to pay the basic tax assessed as soon as possible to avoid the rigors of a protracted protest/litigation process.

This Abatement Program is also aimed to substantially reduce the Bureau's rising inventory of disputed/litigated assessments by adopting a more pragmatic and expedient approach to convert these accounts into much needed revenue.

SEC. 2. COVERAGE. — The following cases, with duly issued Assessment Notice as of November 29, 2007, involving taxable year ending December 31, 2005 and prior years, shall be covered hereof:

a) Cases under administrative protest pending in the Regional Office, Revenue District Office, Legal Service, Large Taxpayer's Service (LTS), Collection Service, Enforcement Service and other Offices in the National Office; and

b) Civil tax cases being disputed before the Department of Justice and the courts, e.g., MTC, RTC, CTA, CA and SC, including cases with decision which are not yet final and executory.

The following cases, however, shall be excluded:

a) Cases involving issues decided by the Supreme Court with finality unless the issues involved difficult question of law or issues without established precedent ruling or Supreme Court Decision at the time of the transaction;

b) Cases where the Presidential Commission on Good Government (PCGG) has an interest and/or there is a need to coordinate with the PCGG; and

c) Withholding tax cases.

SEC.3. PLACE FOR FILING APPLICATION FOR ABATEMENT OF PENALTIES AND INTEREST. — All applications, consisting of a letter request by the taxpayer for abatement of penalties and interest, duly accomplished Application for Abatement Form (Annex "A"), as well as copy of the Pre-assessment Notice (PAN) or Final Assessment Notice (FAN) being the subject of application for abatement, shall be filed with the following offices:

a) **Revenue District Office (RDO)** — For Regional Office Cases under the jurisdiction of the concerned district;

b) Concerned Group of the **Large Taxpayers Service (LTS)** — For Large Taxpayers Cases under the jurisdiction of the concerned group of the Large Taxpayers Service.

The abatement docket or record consisting of the "Application for Abatement of Penalties and Interest" together with the copy of Assessment Notice and duly validated payment form/proof of payment (BIR Form No. 0618) of basic tax shall, thereafter, be forwarded to the appropriate Technical Working Committee (TWC) mentioned in Section 5 hereof for its review and evaluation. However, if the case is under judicial protest, a photocopy of the Application for Abatement as well as of the payment form shall be given to the concerned Legal Office for its information/coordination with appropriate collecting office/TWC.

SEC.4. TIME FOR PAYMENT OF THE 100% BASIC TAX ASSESSED. — The filing of the application and payment of an amount equal to One Hundred Percent (100%) of the Basic Tax assessed shall be made **not later than February 29, 2008, unless extended by the Commissioner on meritorious grounds,** with the Accredited Agent Bank (AAB) of the RDO/LTS/Large Taxpayers District Office (LTDO) that has jurisdiction over the taxpayer. In the absence of an AAB, payment may be made with the

Revenue Collection Officer/Deputized Treasurer of the concerned BIR Office that has jurisdiction over the taxpayer.

SEC. 5. APPROVAL OF ABATEMENT. — The Commissioner has the sole authority to abate or cancel internal revenue taxes, penalties and/or interest pursuant to Section 204(B), in relation to Section 7(c), both of the National Internal Revenue Code of 1997. Nonetheless, this program covers just the abatement of penalties and interest, and the processing of the cases shall be coursed through the following officials:

a) The Deputy Commissioner-Operations Group, who shall constitute a TWC for the evaluation and review of any application for abatement or cancellation of penalties and/or interest on disputed assessments/protested cases of taxpayers under the jurisdiction of the Region;

b) The Assistant Commissioner/concerned Head Revenue Executive Assistant of the LTS, who shall constitute a TWC for the evaluation of application for abatement of penalties and interest on protested/disputed/litigated assessments of taxpayers under the jurisdiction of the Large Taxpayers Service.

The recommendation of the aforementioned Officials, through their respective TWCs, shall be the basis of the approval or disapproval by the Commissioner of the application. Provided, however, that with respect to abatement of penalties and interest on protested/disputed assessments of taxpayers under the LTS, the concerned Officials, through the concerned TWC, shall first have its recommendation approved or disapproved by Management Committee (MANCOM), through a majority vote of all the members, before the same is elevated to the Commissioner for appropriate action.

Upon approval by the Commissioner, the tax case is accordingly terminated through the issuance of a Termination Letter (Annex "B"), and Authority to Cancel Assessment (ATCA) pertinent to that portion of the assessment (i.e., the penalties/interest) abated. The Termination Letter and the Authority to Cancel Assessment shall be signed by the BIR Official who signs the same on audit cases that have been protested administratively or judicially.

SEC. 6. PROCESSING TIME. — The application for abatement or cancellation of penalties and/or interest, together with complete supporting documents (Assessment Notice, Payment Form), should be transmitted by the concerned Offices mentioned in Sec. 3 hereof to the respective TWCs within five (5) days from receipt by said office. The concerned TWC has fifteen (15) days within which to act on the case.

SEC. 7. EFFECTIVITY CLAUSE. — These Regulations shall take effect after fifteen (15) days from date of publication in a newspaper of general circulation.

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

Recommending Approval:

(Original Signed)
LILIAN B. HEFTI
Commissioner of Internal Revenue