REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

Quezon City

January 16, 2007

REVENUE REGULATIONS NO. 3-2007

SUBJECT: **Regulations Providing for the Policies, Guidelines and Procedures in the Implementation of the Expanded One-Time Administrative Abatement of all Penalties/Surcharges and Interest on Delinquent Accounts and Assessments.**

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

POLICY STATEMENT

The Abatement Program under Revenue Regulations No. 15-2006 has been recently implemented to provide an opportunity for taxpayers with delinquent accounts and assessments (preliminary or final, disputed or not) as of June 30, 2006 to pay 100% of the basic tax due in order to settle their existing case(s). In order to provide an equal opportunity to other delinquent taxpayers who were previously not covered by the abatement program, these Regulations are promulgated to expand the coverage thereof.

SECTION 1. SCOPE – Pursuant to Section 244 in relation to **Section 204 (b)** of the National Internal Revenue Code (NIRC) of 1997, these Regulations are hereby issued to expand the coverage of the Abatement Program under Revenue Regulations No. 15-2006.

SECTION 2. COVERAGE - The following cases shall be covered hereof:

a) Delinquent Accounts/Accounts Receivable Cases except those cases where the Presidential Commission on Good Government (PCGG) has an interest and/or there is a need to coordinate with the PCGG;

b) Income Tax 2nd Installment Cases;

c) Dishonored Checks Cases;

d) Cases under administrative protest pending in the Regional Offices (ROs), Revenue District Offices (RDOs), Legal Service (LS), Large Taxpayer Service (LTS), Collection Service (CS), Enforcement Service (ES) and other offices in the National Office (NO) except those cases where the PCGG has an interest and/or there is a need to coordinate with the PCGG;

e) Assessed cases, whether preliminary or final, disputed or not, as of **November 30, 2006** except those cases where the PCGG has an interest and/or there is a need to coordinate with the PCGG;

f) **Collection and Civil tax cases** being disputed before the Department of Justice and the courts, e.g., MTC, RTC, CTA, CA and SC including decided cases which are not yet final and executory except those cases where the PCGG has an interest and/or there is a need to coordinate with the PCGG;

g) Cases with pending request for Compromise Settlement under RR No. 6-2000, RR No. 7-2001, and RR No. 30-2002 as amended by RR No. 8-2004 and other prior years' issuances. However, request for compromise settlement pursuant to the aforementioned regulations, where the amount offered is more than 100% of the basic tax which has already been approved shall not be covered by these Regulations;

h) Cases with pending request for abatement under RR No. 13-2001. However, request for abatement pursuant to the aforementioned RR, which has already been approved shall not be covered by these Regulations;

i) Failure to withhold Withholding Taxes discovered upon audit;

j) Criminal violations, (except those already filed in court, those involving Criminal Tax Fraud, those under the Rate Program of the Bureau, and tax fraud cases which are the results of confidential information, unless allowed to avail by the Commissioner or his representative on meritorious grounds);

k) Letter Notice Cases;

l) "Accounts Payable or Due to BIR" account duly recorded or acknowledged by the taxpayer in his books of accounts;

m) Taxpayers who have been paying their tax liabilities through an approved installment plan, provided, they have paid 100% or more of the basic tax as originally assessed, and provided further that they will waive any claim for refund of what they may have already paid;

n) **Government Withholding Agents (e.g., NGAs, GOCCs, LGUs, etc.) or any delinquent taxpayers who have already remitted 100% of the basic withholding tax and was assessed penalties (surcharge, interest and compromise penalties) for late payment. In this case, the interest assessed shall be considered as the basic tax which should be paid to be able to avail of this Program.**

SECTION 3. DEFINITION OF TERMS – In applying the provisions of these regulations, the following terms shall be defined as follows:

a) Delinquent Account – refers to the amount of tax due on or before **November 30, 2006** from a taxpayer who failed to pay the same within the time prescribed for its payment, arising from (1) a self-assessed tax, or (2) a deficiency assessment issued which has become final and executory.

b) Assessment, preliminary or final, disputed or not, - refers to a tax assessment issued or self assessment made on or before **November 30, 2006** which has not yet become final and executory.

c) Basic Tax Assessed – The term refers to any of the following:

1.) Unpaid tax shown on the return filed;

2.) Tax due shown on the Assessment Notice and Letter of Demand, excluding surcharge and interest;

3.) Unpaid 2nd Installment Income Tax;

4.) Amount of Dishonored Check;

5.) **Deficiency interest, if the assessment issued was for penalties only (interest and surcharge).**

SECTION 4. WHO MAY AVAIL – Any person/taxpayer, natural or juridical, may settle thru the abatement program any delinquent account or disputed assessment where the Assessment Notice has been released as of **November 30, 2006**, by paying an amount equal to One Hundred Percent (100%) **or more** of the Basic Tax assessed with the Accredited Agent Bank (AAB) of the Revenue District Office (RDO)/ Large Taxpayers Service (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 RDO that has jurisdiction over the taxpayer. After payment of the basic tax, the assessment for penalties/surcharge and interest shall be cancelled by the concerned BIR Office following existing rules and procedures. Thereafter, the docket of the case shall be forwarded to the Office of the

Commissioner, thru the Deputy Commissioner for Operations Group, for issuance of Termination Letter.

This Abatement Program shall include taxpayers who have already paid any portion of the increments (surcharge, interest, etc.) on their tax liabilities, provided, they will waive any claim for refund of paid amount in excess of 100% of the basic tax paid.

Taxpayers with existing tax case(s) on which the Presidential Commission on Good Government has/have an interest are not covered by this Program.

SECTION 5. PLACE FOR FILING APPLICATION FOR ABATEMENT OF PENALTIES AND INTEREST – All applications shall be filed, accepted and processed with the following offices:

a.) Revenue District Office – For Regional Accounts under its jurisdiction;

b.) Assessment Division – For Regional Office Cases with administrative protest;

c.) Legal Division – For Regional Office Cases with judicial protest or for judicial action or with administrative protest involving legal issues;

d.) Collection Service – For Delinquent Accounts under the jurisdiction of the National Office other than LTS cases;

e.) Large Taxpayers Service (LTS) – For Large Taxpayers Cases under the jurisdiction of the Large Taxpayers Service;

f.) Legal Service – For National Office Cases that are for judicial action or with judicial protest and/or administrative protest involving legal issue;

g.) Enforcement Service – for tax cases handled by the National Investigation Division of the National Office.

Notwithstanding the above provisions, the Office which has possession of the docket of the case shall receive and process all applications for abatement of penalties/surcharge and interest on delinquent accounts and assessed tax cases.

SECTION 6. MODE OF PAYMENT – Upon filing of the application for/acceptance of the offer to avail of the Abatement Program, the amount offered in complete settlement of the delinquent account/assessed tax cases shall be paid with the Authorized Agent Banks (AABs) located within the jurisdiction of the RDO/LTS/LTDO where the taxpayer is registered. In the absence of AABs, the payment may be made to the Revenue Collection Officer/Deputized Treasurer of the City/Municipality of the RDO/LTDO that has jurisdiction over the taxpayer.

Staggered payments if the amounts payable under this Abatement Program may be considered on a case to case basis in accordance with the existing regulations of the Bureau upon approval of the Regional Director for regional cases, and concerned ACIR (LTS, Collection, Legal, or Enforcement) for National Office cases. Nonetheless, cases pending in courts shall not be withdrawn unless the concerned taxpayer fully pays one hundred percent (100%) of the basic tax.

If the amount, as abated, is not paid as required herein, the approved staggered payment is automatically nullified and the delinquent account or assessment shall be reverted to the original assessed amount plus the statutory increments incident to delinquency, which shall be collected thru the summary remedies and/or judicial processes provided for by law.

SECTION 7. EFFECTIVITY – These regulations shall take effect after fifteen (15) days following publication in any newspaper of general circulation and shall remain in force until March 31, 2007 subject to extension by the Commissioner of Internal Revenue on meritorious grounds.

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

Recommending Approval:

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue