

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

September 18, 2003

REVENUE MEMORANDUM ORDER NO. 30-2003

SUBJECT: Guidelines and Procedures in the Extraction, Analysis, Disclosure/Dissemination, Utilization, and Monitoring of RELIEF data for Audit and Enforcement Purposes

TO : All Internal Revenue Officers and Others Concerned

I. BACKGROUND

The Bureau of Internal Revenue is in the process of establishing a state-of-the-art, centralized Data Warehouse (DW) geared towards enhancing revenue collection. The shift to non-traditional enforcement techniques serves to widen the coverage of its “RELIEF” auditing system which has generated additional revenue since “RELIEF” became operational in 2002.

The system, which stands for “Reconciliation of Listing for Enforcement” can detect tax leaks by matching the data available under the Bureau’s Integrated Tax System (ITS) with data gathered from third party sources (i.e. Schedules of Sales and Domestic Purchases, and Schedule of Importations submitted by VAT taxpayers pursuant to RR No. 7-95, as amended by RR Nos. 13-97, 7-99 and 8-2002).

Through the consolidation and cross-referencing of third party information, discrepancy reports on sales and purchases can be generated to uncover under declared income and over claimed purchases (goods and services). Timely recognition and accurate reporting of unregistered taxpayers and non-filers can be made possible.

II. OBJECTIVES

1. Establish adequate controls to ensure security/integrity and confidentiality of RELIEF data maintained in the DW, consistent with relevant statutes and policies concerning Unlawful Disclosure;
2. Delineate the duties and responsibilities of offices responsible for oversight of the RELIEF system including all activities associated with requests for access and farming out of RELIEF data to the regional and district offices;
3. Prescribe procedures in the resolution of matched error or discrepancies, examination of taxpayer's records, assessment and collection of deficiency taxes;
4. Prescribe standard report format to be used by all concerned offices in the implementation of this Order.

III. POLICIES AND GUIDELINES

1. Information to be drawn from the RELIEF system shall be classified into two (2) major groups, namely: "Processed" RELIEF data and "Preprocessed" RELIEF data consisting of the following:
 - a. Quarterly Summary List of Sales (SLS) with monthly total sales per buyer/customer
 - b. Quarterly Summary List of Purchases (SLP) with monthly total purchases per supplier
 - c. Quarterly Summary List of Importation chronologically reflecting every transaction or individual transaction for each month;

"Processed" RELIEF data refers to data matched by the system following pre-defined threshold.

"Preprocessed" RELIEF data refers to historical data on SLP/SLS details that are enhanced with registration information matching. The data may or may not have been consolidated yet.

2. The concerned offices under the Information Systems Group (ISG) shall be responsible for developing the RELIEF infrastructure and establishing a centralized RELIEF database that serves as a comprehensive integrated resource network that will allow for automatic matching of processed RELIEF data with data available under the Bureau's ITS.

3. The Systems Operations Division (SOD) under the ISG shall be responsible for generating the following:

- List of Taxpayers with discrepancies within the threshold amount set by management for the issuance of Letter Notice
- System-generated Letter Notices (LNs) plus Details of Taxpayer's Customers'/Suppliers' Records.

Details of Taxpayer's Customers'/Suppliers' Records (DTCS) refer to taxpayer's sales/purchases as reported by its customers/suppliers in the Summary List of Purchases (SLP) and Summary List of Sales (SLS), respectively.

4. Taxpayers in the discrepancy list to be generated by the SOD shall be sorted by Revenue Region (RR)/Revenue District Office (RDO)/Large Taxpayers District Office (LTDO)/Large Taxpayers Audit & Investigation Division (LTAID) I & II and arranged in alphabetical order prior to the assignment of a control number for identification and easy monitoring.
5. The Audit Information, Tax Exemption and Incentives Division (AITEID) under the Assessment Service (AS), in coordination with the concerned offices under the ISG, shall be responsible for transmitting the LNs, together with the DTCS, to the investigating offices.
6. The concerned offices under the Information Systems Group (ISG) shall be responsible for developing a computerized tracking system to monitor collection data arising from LNs issued
7. The monitoring of the service of the LNs and collection therefrom shall be the responsibility of the AITEID but the monitoring of the whole process shall be the responsibility of the Office of DCIR-Special Concerns Group (SCG).
8. For the effective implementation of the RELIEF system, the AITEID, in consultation with the concerned offices under the ISG and SCG, shall conduct, on a continuing basis, quality review of the system and recommend enhancements, whenever necessary.
9. The concerned offices under the ISG shall ensure timely generation of the discrepancy reports which, per se, depends on the timeliness of the DW update.
10. The RDO/LTDO/LTAID I & II shall render a Monthly Status Report on LNs Issued, in a format prescribed herein, to be submitted to the AITEID, copy furnished SCG, for monitoring purposes.

11. All requests for access to “Preprocessed” RELIEF data shall be covered by a Request Form (RF) duly approved by the RD/ACIR-LTS/Assistant Commissioner, Enforcement Service (ACIR-ES), as the case may be. Access to “Preprocessed” RELIEF Data shall be limited to taxpayers for whom Letters of Authority(LA)/Audit Notices (ANs) have been issued. For Tax Fraud cases where no LA/AN have been issued, access shall be granted only where the request has been duly noted by the Deputy Commissioner of the Legal and Inspection Group (DCIR-LIG).
12. The AITEID shall act on all approved requests for access to “Preprocessed” RELIEF data by the concerned investigating offices.
13. The AS shall conduct training for AITEID personnel who are in any way involved in the operation of the RELIEF system to apprise them of their responsibilities and to indoctrinate them with respect to procedures established by the ISG to implement this Order.
14. The RDs, ACIR-LTS and ACIR-ES shall be responsible for monitoring and evaluating utilization by the requesting office(s) of “Preprocessed” RELIEF data . A Quarterly Status Report on “Preprocessed” RELIEF Data Utilization, in a format prescribed herein, shall be submitted by the concerned RDO/LTDO/LTAID/TFD, thru RDs/ACIR-LTS/ACIR-ES, to AITEID.
15. The AITEID shall conduct, on a periodic basis, a reconciliation of all preprocessed RELIEF data farmed out to the requesting office(s) by comparing/matching the RELIEF data disseminated to the investigating office(s) with the Quarterly Status Report on “Preprocessed” RELIEF Data Utilization submitted by the same.
16. All RELIEF data disseminated to any revenue officer shall be utilized in the conduct of investigation (field audit or table audit) and the extent of utilization of said data shall be fully disclosed in the report of investigation/reinvestigation. The heads of the concerned RDO/LTDO/LTAD I & II/SID/TFD shall be responsible for all RELIEF data furnished to the revenue officer(s) under their jurisdiction. For this purpose, the Assessment Division (AD) in the Regional Offices or any other offices authorized to review reports of investigation shall be furnished with copies of the RELIEF data disseminated to ensure proper utilization of the same.
17. Any record extracted from the Data Mart shall be considered strictly confidential and shall be used exclusively for internal revenue tax purposes. All employees who in any way have access to the system should be informed of the legal provisions governing unlawful disclosure of information. Any divulgence, unless authorized by law, shall be a ground for the imposition of administrative sanctions and filing of appropriate charges against the erring official and employee.

IV. PROCEDURES

A. *At the Systems Operations Division (SOD)*

1. Extract records from Data Mart containing Third Party Matching (TPM) RELIEF Data on taxpayers with pre-defined discrepancies on the following:
 - a. Sales and Output Tax reported by the taxpayer's Sellers/Suppliers in RELIEF (SLS) vs. Domestic Purchases and Input Tax declared by taxpayer in ITS-RPS
 - b. Domestic Purchases and Input Tax reported by the taxpayer's Purchasers/Customers in RELIEF (SLP) vs. Sales and Output Tax declared by the taxpayer in the ITS-RPS
2. Generate every 25th day of the month list of taxpayers with discrepancies within the threshold amount set by management.
3. Sort the discrepancy list by RR/RDO or LTS/LTDO/LTAID and arrange the names of the taxpayers in alphabetical order.
4. Identify the taxpayers in the list by means of a system-assigned control number. The assignment of control number must be done in the following manner:

RDO Code	-	first three (3) digits
R	-	for RELIEF
Year	-	next two (2) digits
Quarter	-	next two (2) digits
S/P	-	for Sales /Purchases
Serial No.	-	last five (5) digits

Hence, the control number for the first taxpayer in the discrepancy list covering the first quarter of 2003 to be disseminated to RDO Pasig should read as follows:

043-R-03-01-P-00001

5. Generate the Letter Notices together with the Details of Taxpayer's Customer'/Suppliers' Records (Annexes "A" and "B"), corresponding to taxpayers identified in the discrepancy list.

Original	-	RD/ACIR-LTS/ACIR-ES
Duplicate	-	AITEID
Triplicate	-	File copy

6. Transmit the following to the AITEID within one (1) day from generation thereof:

- 6.1 In hard copies

- a. List of taxpayers issued LNs sorted by RR/RDO or LTS/LTDO/LTAID
 - b. System-generated LNs

- 6.2 Thru e-mail

- a. Details of Taxpayer's Customers/Suppliers Records (DTCS)

7. Provide SCG a List of taxpayers issued LNs sorted by RR/RDO/LTS/LTDO/LTAID within one (1) day from printing thereof.
8. Generate reminder letters to taxpayers with request for installment payments one week before due dates of the installments.
9. Generate follow-up letters to taxpayers with overdue installments one week after the due dates.
10. Generate "Summary Report of Overdue Installments" every first working day of the week.

B. At the Audit Information, Tax Exemption and Incentives Division (AITEID)

1. Receive from Systems Operations Division (SOD) the following:

- 1.1 In hard copies

- a. List of taxpayers issued LNs sorted by RR/ RDO or LTS/LTDO/LTAID
 - b. System-generated LNs

- 1.2 Thru e-mail

- a. Details of Taxpayer's Customers/Suppliers Records (DTCS)

2. Farm out the LNs, together with the DTCS, sent either thru e-mail or registered mail where the e-mail facility is not available, to the RDO/LTDO/LTAID I & II/TFD within three (3) days from receipt thereof. The (RD)/ (ACIR-LTS)/(ACIR-ES), shall be furnished with a copy of the list of LNs sent to each RDO/Division under its jurisdiction within the same period.

3. Maintain a permanent record of all taxpayers issued LNs farmed out to the various investigating offices showing the following information:
 - Control Number
 - Name of Taxpayer
 - TIN of Taxpayer
 - Period Covered (Year and Quarter)
 - Amount of Discrepancy (Sales/Purchases) per Tax Type
 - Amount of Tax per Tax Type
 - Date Transmitted
 - Date Received
 - RR Code
 - RDO Code
4. Receive from RD/ACIR-LTS a Monthly Consolidated Report on LNs Issued by RDOs/LTDO/LTAID I & II within 25 days from the close of each month.
5. Ascertain collection arising from LNs issued using the computerized tracking system developed for the purpose and reconcile it with the monthly update submitted by the RR/LTS/ES.
6. Receive from the RD/ACIR-LTS/ACIR-ES the duly approved RF for “Preprocessed” RELIEF data.
7. Access the Data Mart containing historical data on SLS and SLP details enhanced with registration information matching.
8. Provide details of “Preprocessed” RELIEF data to requesting offices thru e-mail or registered mail whenever e-mail facility is not available.
9. Maintain a permanent record of all RFs received/acted upon with the following information:
 - RF Control Number
 - Name of Requesting Office/Officer
 - Type of Information requested
 - LA Number
 - Taxable Year Covered
 - Date of Release of Requested Data
 - Name of Taxpayer Involved
 - TIN of Taxpayer Involved

10. Receive Consolidated Quarterly Status Report on “Preprocessed” RELIEF Data Utilization from the RD/LTS/ES on or before the 25th day following the close of each quarter.
11. Evaluate RELIEF data utilization by investigating offices.
12. Submit to the ACIR, AS on or before the 20th day of the second month following the close of each quarter the following:
 - a. Consolidated Quarterly Status Report on LNs Issued
 - b. Consolidated Quarterly Status Report on “Preprocessed” RELIEF Data Utilization
13. Conduct, on a continuing basis, in coordination with the concerned offices under the ISG and SCG, quality review of the System and enhancements whenever necessary.
14. Submit to SCG a copy of Consolidated Quarterly Status Report on LNs Issued on or before the 20th day of the second month following the close of the quarter.
15. Submit to MANCOM, thru the DCIR-OG, on or before the end of the second month after the close of the year an annual status report on the RELIEF program/activities undertaken.

C. At The Assessment Service

1. Review the following reports submitted by AITEID:
 - a. Consolidated Quarterly Status Report on “Preprocessed” RELIEF Data Utilization
 - b. Consolidated Quarterly Status Report on LNs Issued
2. Review/Update, from time to time, the business and functional requirements of the RELIEF Data Warehouse Facility to ensure timeliness, security, integrity and confidentiality of RELIEF data or records.

D. At The Regional Office/Large Taxpayers Service/Enforcement Service

1. Receive and review the Monthly Status Report on LNs Issued submitted by the concerned RDO/LTDO/LTAID I & II
2. Submit to AITEID, copy furnished SCG, a Consolidated Monthly Status Report on LNs Issued within 25 days after the close of each month.

3. Receive from the requesting RDO/LTDO/LTAID/TFD the duly accomplished “Preprocessed” RELIEF Data Request Form (RF).
4. Evaluate the RF before forwarding the same to the AITEID for extraction of the desired RELIEF data.
5. Assign a control number to all approved RFs. Maintain a permanent record book of all approved RFs. The record book shall contain the following information:
 - RF control number
 - Date of RF
 - Name of the requesting Office/Officer
 - Type of Information requested
 - LA Number
 - Taxable Year covered
 - Taxpayer’s Name
 - Taxpayer’s TIN
6. Monitor utilization of “Preprocessed” RELIEF data referred to the concerned RDO/LTDO/LTAID/TFD as narrated hereunder:
 - (a) Receive the Quarterly Status Report on “Preprocessed” RELIEF Data Utilization from the RDO/LTDO/LTAID/TFD on or before the 20th day following the close of each quarter.
 - (b) Ascertain compliance by the investigating offices on the submission of prescribed reports.
 - (c) Evaluate the extent of RELIEF data utilization by the investigating office.
 - (d) Consolidate the said reports submitted by the investigating offices for transmittal to AITEID, copy furnished SCG, on or before the 25th day following the close of each month.

***E. At The RDO/LTDO/LTAID
At The TFD for “Preprocessed” RELIEF Data***

1. Acknowledge thru e-mail receipt of the following from the AITEID:
 - List of taxpayers issued LNs and identified by a system-assigned control number
 - System-generated LNs,
 - Details of Taxpayer’s Customers/Suppliers Records (DTCS)
 - Details of “Preprocessed” RELIEF Data acted upon

2. Print the DTCS and the Details of “Preprocessed” RELIEF Data.
3. Determine appropriate action on the LNs issued to taxpayers with RELIEF data discrepancy
 - A. If there is an existing Letter of Authority (LA)
 - A.1. Where the investigation of the tax liability of the taxpayer for the period covered by the LN is on-going
 - a. Refer the LNs, together with the DTCS, to the concerned revenue officer for inclusion of the data in its on-going audit/investigation.
 - b. Require the concerned examiner to include in its report of investigation the extent of utilization of the discrepancy in the LN.
 - c. Forward to the concerned reviewing office the docket bearing on the issued LN for review and evaluation of the extent of utilization of the discrepancy reflected in the LN. Dockets bearing on the verification of and action on LNs issued are subject to post-audit by the SCG.
 - A. 2 Where the case has undergone processing at the RDO and is pending review at the reviewing office
 - a. Refer the LN, together with the DTCS, to the concerned reviewing office to ascertain if the discrepancy was considered by the investigating officer in his report of investigation
 - b. If the discrepancy was not considered, receive from the reviewing office the docket and the LN, together with the DTCS, for delivery to the taxpayer and collection of the following taxes:
 - b.1 For LNs issued covering the taxable period 2003 onward, collect the basic VAT, plus increments, on corrected taxable base. Deficiency Income Tax shall, however, be collected if the deadline for filing the annual Income Tax Return has already lapsed.
 - b.2. For LNs issued covering 2002 and prior years, require the taxpayer to pay the basic tax plus increments on corrected taxable base for VAT and Income Tax

A.3. Where the case is already closed and terminated.

- a. Refer the LN, together with the DTCS, to the concerned reviewing office to ascertain if the discrepancy was considered by the investigating officer in his report of investigation.
- b. If the discrepancy was not considered, receive from the reviewing office the docket and the LN, together with the DTCS, for delivery of the LN to the taxpayer for the collection of the following taxes:
 - b.1. If the discrepancy is at least thirty percent (30%), require the taxpayer to pay the basic tax plus increments on corrected taxable base for VAT and Income Tax. Deficiency Income Tax shall, however, be collected if the deadline for filing the annual Income Tax Return has already lapsed.
 - b.2. If the discrepancy is less than thirty percent (30%), require the taxpayer to pay the basic tax plus increment on corrected taxable base for VAT only

Additional deficiency assessments or LNs shall be issued only in instances where the tax cases are not yet prescribed.

B. If there is no existing audit case, serve the LN to the concerned taxpayers within five (5) days from receipt thereof

- B.1 If the taxpayer pays the required taxes within the prescribed deadline in the LN, consider the LN case closed
- B.2 Taxpayers receiving LNs may request, in writing, for installment payment of the basic tax due plus increments per LN under the following circumstances:
 - a. No installment payment shall be allowed if the amount payable is not more than five hundred thousand pesos (P500,000.00)
 - b. If the amount payable exceeds P500,000.00 but not more than P3.0M, payment may be done in two (2) equal installments:
 - b.1 First installment must be on the deadline set in the LN
 - b.2 Second installment, within 30 days from the deadline of first installment
 - c. If the amount payable exceeds P3.0M, payment may be done in three (3) equal monthly installments

Any request for deviation from the above-prescribed payment scheme shall be subject to the approval of higher authorities, as follows:

1. Over P500,000 up to P10M...Regional Director/
ACIR-LTS
2. Over P10M MANCOM

All approved Applications for Installment Payments (Annexes “H” & “H-1”) shall be signed by both the Recommending Officer and Approving Officer and the same shall be entered in the RELIEF System for tracking purposes, if electronically feasible. If not feasible, the RDO shall still track payments of taxpayers with requests for installment payments.

For cases with requests for installment payments, a system-generated Reminder Letter (Annex “T”) shall be released to the taxpayer one (1) week before the due date of the installment, if the said reminder letter is already available in the System. On the other hand, for cases with past due installments, a system-generated Follow-up Letter (Annex “K”) shall be sent to the taxpayer one (1) week after the due date of the installment.

For the investigating officer to be able to release the follow-up letter, a system-generated Summary Report of Overdue Installment (Annex “J”) shall be generated every first working day of the week.

- B.3 If the taxpayer is refuting the accuracy of the figures in the LN, together with the DTCS -
- a. Validate the figures against the VAT/Income Tax returns, etc. filed by the taxpayers.
 - a.1 If the discrepancy is a result of erroneous encoding, update the ITS data and submit report to AITEID for the latter to validate the same in the ITS.
 - a.2 If the discrepancy is on the data submitted by a third party, forward the LN to the SCG for confirmation of the figures from the TPI source by sending a “Confirmation Request” (CR) Annex “C”). The confirmation by the TPI source should be embodied in a “Confirmation Certificate”(CC) (Annexes “G” & G-1”).

After the receipt of the “Confirmation Certificate”, the LN, together with the CR, shall be retransmitted to the RDO/LTDO/LTAID by the SCG with an instruction as to the next course of action to take.

If there is no response on the CR, the SCG shall recommend appropriate action on the case.

B.4. If the taxpayer fails to respond within thirty (30) days from receipt of the LN, issue a follow-up letter. If despite the follow-up letter, still no response is received from the taxpayer, submit the LN to the SCG for appropriate action.

B.5 If the LN cannot be served because the taxpayer cannot be located, consult the TPI-source as to the current address of taxpayer and try to locate the said current address for service of the LN. If despite all efforts, still the taxpayer cannot be located, refer the case to the SCG within ten (10) days for proper disposition.

4. Prepare a Monthly Status Report on LNs Issued (Annex “D”) transmitted by AITEID and submit the same to the RD/ACIR-LTS, copy furnished AITEID and SCG, within twenty (20) days after the close of each month.

5. Prepare the “Preprocessed” RELIEF Data Request Form (RF) (Annex “E”) for approval/signature of the RD/ACIR-LTS/ACIR-ES in three (3) copies to be distributed as follows:

Original	-	AITEID
Duplicate	-	RD/LTS
Triplicate	-	file

6. Submit the following reports to the RD/ACIR-LTS/ACIR-ES on or before the 20th day of the following month:

- a. Monthly Status Report on LNs Issued (Annex “D”)
- b. Quarterly Status Report on “Preprocessed” RELIEF Data Utilization (Annex “F”), copy furnished AITEID

All activities/accomplishment of the concerned RDO/LTDO/LTAID I & II/TFD in relation to this Order shall be considered in the evaluation of their performance which will be the subject of a separate Revenue Memorandum Order.

F . At the Reviewing Office

1. Where the investigation of the tax liability of the taxpayer for the period covered by the LN is on-going at the time of receipt of the LN and DTCS by the investigating office:
 - a. Receive from the investigating units the docket containing the LN and DTCS.
 - b. Follow the prescribed procedures in the review of dockets and ascertain whether the discrepancy reflected in the LN was considered by the investigating officer in the report of investigation.
 - b.1 If the discrepancy was considered, forward the docket on the issued LN to SCG for post-audit.
 - b.2 If the discrepancy was not considered, remand the docket to the concerned investigating unit for appropriate action.
2. Where the case is pending review/already closed and terminated at the time of receipt of LN and DTCS by the investigating units.
 - a. Receive from the investigating units the LN together with the DTCS
 - b. Follow the procedures laid out in 1(b) of the same page.

G. At the Office of DCIR- Special Concerns Group (SCG)

1. Receive from the Systems Operations Division (SOD) List of taxpayers issued LNs sorted by RR/RDO or LTS/LTDO/LTAID within one (1) day from printing thereof.
2. Receive from the RDO/LTDO/LTAID I & II a Monthly Status Report on LNs Issued, in a format prescribed herein, within twenty (20) days after the close of each month.
3. Receive from the Regional Office/Large Taxpayers Service/ Enforcement Service a Consolidated Monthly Status report on LNs Issued within twenty five (25) days after the close of each month.
4. Receive from the Audit Information, Tax Exemption and Incentives Division (AITEID) Consolidated Quarterly Status Report on LNs Issued on or before the twentieth (20th) day of the second month following the close of the quarter.
5. Request for “Confirmation Certificate” from the TPI-source, if necessary.

6. Act on request of RDO/LTDO/LTAID for consultation with TPI-source for current address of the taxpayer covered by the LN.
7. Maintain a permanent record of all taxpayers issued LNs showing the following information:
 - Control Number
 - Name of Taxpayer
 - TIN of Taxpayer
 - Period Covered (Year and Quarter)
 - Amount of Sales/Purchases per Return
 - Amount of Discrepancy (Sales/Purchases)
 - % Discrepancy
 - Amount of Tax per Tax Type
 - Date Generated
 - Date Transmitted to RR/RDO
 - Date Received by RR/RDO
 - RR/LTS Code
 - RDO Code
 - Date Served
 - Date of Payment
 - Amount of Payment
 - Status (refer to RDO/LTDO/LTAID Monthly Status Report on LN Issued)
 - Date of issuance of PAN
 - Date of issuance of FAN
 - Date of Protest, if protested by taxpayer
 - Date of finality of assessment

H. At the ISDS/Systems Development Division

1. Determine the technical capabilities of existing facilities to ensure timely generation of accurate discrepancy reports.
2. Provide adequate support and technical assistance to the SOD in the extraction and generation of discrepancy reports.

V. REPEALING CLAUSE

This Order supersedes all revenue issuances or portions thereof inconsistent herewith.

VI. EFFECTIVITY

This Order takes effect immediately.

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue