REVENUE MEMORANDUM ORDER NO. 42-2000 issued September 26, 2000 prescribes the policies and procedures to intensify the collection/settlement of delinquent accounts and disputed assessments through compromise. Cases which may be subject to compromise settlement are the following: 1) delinquent accounts; 2) cases under administrative protest pending in the Regional Offices, Revenue District Offices, Legal Service, Large Taxpayers Service (LTS), Enforcement Service (ES), Excise Taxpayers Service (ETS) and Collection Service; 3) cases disputed before the courts; 4) cases for collection filed in courts; and 5) criminal violations, other than those already filed in court or those involving fraud.

Cases that cannot be the subject of compromise settlement are: 1) withholding tax cases; 2) criminal tax fraud cases; 3) criminal violations already filed in court; 4) cases involving assessments issued after June 30, 2000; and 5) delinquent accounts with duly approved schedule of installment payments.

All National and Regional Offices are authorized to accept taxpayers' offers of compromise of all outstanding delinquent accounts and disputed assessments as of June 30, 2000, based on the prescribed minimum percentages specified in the Order. For delinquent accounts and disputed assessments of taxpayers registered under the LTS and ETS, the same shall not be compromised for less than 50% of the basic assessed tax. Assessments already issued and sustained by any Court, but has not become final, may be the subject of compromise upon payment of 100% of the basic assessed tax.

The acceptance or approval of a taxpayer's offer of compromise will be based on the following grounds: 1) a reasonable doubt as to the validity of the claim against the taxpayer exists; and 2) the financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.

A taxpayer's offer of compromise shall be subject to the approval of the National Evaluation Board (NEB) if the basic assessed tax exceeds P 1 million or the settlement offered is less than the minimum rates of 40% (for doubtful validity), 10% (for financial incapacity) and 50% (in cases of taxpayers registered under the LTS and ETS) of the basic assessed tax. The Regional Evaluation Board (REB), on the other hand, will evaluate and approve applications for compromise settlement of assessments issued by the respective Regional Offices involving basic assessed taxes of P 500,000.00 or less. For assessments issued by the Regional Offices where the basic assessed tax exceeds P 500,000.00 but not over P 1,000,000.00, or for assessments issued by the National Office where the basic assessed tax does not exceed P 1,000,000.00, the compromise offer shall be approved by the Commissioner of the Internal Revenue.

Cases with Warrants of Distraint and/or Levy and/or Warrants of Garnishment are also covered in the Compromise Settlement Program. Cases with final decision of any court, on the other hand, can only be compromised on the ground of financial incapacity.

The deadline for the filing of the application for compromise settlement is November 15, 2000.