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

July 24, 2019

REVENUE MEMORANDUM ORDER NO. 46-2019

SUBJECT : **Further Amending the Procedures, Policies and Guidelines in the Preparation of the "Reports on Drastic Changes in Collection Performance (BIR Form Nos. 1771A to 1771C) and the Revision of the Format Thereof**

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

I. BACKGROUND

Despite the issuance of Revenue Memorandum Order (RMO) No. 25-2014 that provided the revised procedures, policies and guidelines as well as the enhanced format of the Reports on Drastic Changes in Collection Performance, it has been observed that the compliance thereof as to timeliness and quality of report is still substantially low. Most of the information and explanation contained therein are generic statements, devoid of analysis and are not often reflective of the true and correct reasons for the performance of collection of internal revenue taxes for a particular period.

In order to provide the top management and internal/external stakeholders with prompt, accurate and useful information for policy formulation and decision purposes, it is deemed necessary to amend the abovementioned RMO and to revise the format of reports on drastic changes in collection performance, particularly the Report on Reasons for Increase (Decrease) in Collection and Impact on Collection Goal (BIR Form No. 1771B) and Summary of Reasons for Drastic Changes in Collection and Impact on Collection Goal in Peso Value (BIR Form No. 1771C).

II. OBJECTIVES

A. To revise the format of the reports on drastic change in collection performance in order to facilitate easier preparation and necessary analysis;

B. To ensure prompt submission of the required reports by the Revenue Regions (RRs) /Revenue District Offices (RDOs)/Large Taxpayers Service (LTS) and Regional Collection Divisions (RCDs) to the Assistant Commissioners of the Collection Service and Planning & Management Service; and

C. To establish a more organized, efficient and effective method of data gathering, extracting and analysis to reflect the true and correct reasons that caused the drastic change in the collection performance of internal revenue taxes.

III. AMENDATORY PROVISIONS

A. POLICIES and GUIDELINES

1. The Summary Report of Collection Performance (BIR Form No. 1771A) shall be submitted by the RDO/LT Regular Audit Divisions (LTRAD)/LT Excise Audit Division (LTEAD)/Excise LT Field Operations Division (ELTFOD)/LT Divisions – Cebu/Davao to the RCD/LT Performance Monitoring and Programs Division (LTPMPD) on a monthly basis. The prescribed format is shown in the herein attached *Annex "A"* of this Order.

2. The Report on Reasons for Increase (Decrease) in Collection and Impact on Collection Goal (BIR Form No. 1771B) shall be renamed as **Report on Specific Reasons for Increase (Decrease) in Collection Performance by Taxpayer, by Industry and by Tax Type.** It shall have a new format to show the ranking of taxpayers by tax type and industry, who contributed to the drastic change in collection performance of internal revenue taxes *(Annex "B")*.

   For this purpose, drastic change in collection performance is defined as increase/decrease in tax collections by at least fifteen percent (15%) as compared to same period of the previous year and when actual collection exceeds or falls short of the assigned collection goal by 7.5%

3. For purposes of uniformity and relevance, the column in BIR Form No. 1771B for Major Industry shall be in accordance with the Philippine Standard Industrial Classification (PSIC) of 1994 per the Registration database of the BIR Integrated Tax System.

4. The BIR Form No. 1771B shall be submitted by the RDO/LTRAD/ LTEAD/ELTFOD/LT Divisions – Cebu/Davao to the RCD/LTPMPD on a monthly basis.

   The report shall contain among others, specific reasons for those taxpayers identified and classified under the Taxpayer Account Management Program (TAMP) and those belonging to the medium and ONETT segments that had major contribution to the drastic change in collection performance. The 1771B Form shall likewise reflect the revenue impact of the current period over the previous period, per taxpayer, which shall be indicated in the positive or negative columns of the report, whichever is appropriate. The specific reasons that shall be cited should be duly supported by relevant data/information/documents. The taxpayers shall be ranked for each tax type, from highest to lowest, depending on their contribution to the increase/decrease in collection.

For this purpose, the Systems Development Division (SDD) shall develop a script for the generation of comparative data on tax collections from the top 100 and bottom 100 taxpayers belonging to the large and medium segments and those under the TAMP as well as ONETT taxpayers whose tax payments contributed a significant impact on the revenue collection performance of the implementing office. The generation of the required data (Annex "D") that will be farmed out to the concerned offices every 18th of the month shall be made by the Revenue Data Center (RDC)/National Office Data Center (NODC) following the script developed by SDD.

5. The BIR Form No. 1771C shall be renamed as **Summary of Reasons for Drastic Changes in Collection and Impact on Collection Goal by Industry and Tax Type.** This report shall, likewise, have a new format to give importance on the major industries per tax type that affected the collection performance of the respective RRs/LTS *(Annex "C")*. This shall contain the reasons attributable to the top industries that had a significant impact on the collection performance by major tax type based on BIR Form No. 1771B submitted by the RDOs/LTRAD/ LTEAD/ELTFOD/LT Divisions – Cebu/Davao. Likewise, the report shall present the net revenue impact of each specific reason on previous year's collection and the set goal. Net revenue impact shall be defined as the net impact between the positive and the negative reasons affecting the drastic change in collection performance. This Form shall reflect both the monthly and the cumulative summary of the reasons for drastic change in collection performance.

6. If there is an instance that no drastic change resulted in collection performance by type of tax/es in any given month, the phrase "No Drastic Change/s" shall be indicated in the "Specific Reason" column of Form Nos. 1771B and 1771C.

7. A **Narrative Report** shall be prepared by the RCD/LTPMPD explaining the reasons for the monthly and cumulative increase/decrease in the collection of internal revenue taxes and the attainment/non-attainment of assigned collection goal. This report shall contain explanations for each tax type and shall be presented in such a way that the following are addressed:

   a. **WHAT** – The report shall indicate the type of taxes and the corresponding amounts of actual collection for the current period as compared with the previous period and the assigned goal **indicating the percentage variance** that had major impact (positive and negative) on the collection performance of the respective implementing offices;

   b. **WHO** – The report shall cite the major industries that contributed to the drastic change in the collection performance and the achievement/non-achievement of the set target of the respective implementing offices; and

   c. **WHY** – The report shall indicate the specific and accurate reasons attributing to the drastic change in collection performance of the respective implementing offices corroborated by pertinent data/information/documents. Generic reasons (e.g. increase/decrease in sales, increase/decrease in volume of transactions etc.) shall not be acceptable.

8. The Narrative Report and the BIR Form No. 1771C, together with copies of the BIR Form Nos. 1771A and 1771B, shall be submitted by the RCD/LTPMPD on a monthly basis to the Chiefs, Collection Performance Monitoring Division (CPMD) and Research & Statistics (RSD) thru the respective Regional Directors/Assistant Commissioner, LTS.

9. The reasons to be cited in BIR Form Nos. 1771B and 1771C should be specific with new reason codes enumerated as follows:

Reason Codes	Examples
ADM (Administrative Measures)	***a.*** Transfer of Taxpayers (TTPs) from one district office to another/enlisting or delisting of large taxpayers (LTs) b. BIR programs [e.g., Run After Tax Evaders (RATE), Value Added Tax Audit Section/Unit (VATAS/VATAU), Oplan Kandado, Tax Compliance Verification Drive (TCVD), etc. c. Other administrative measures that made an impact on revenue tax collections (e.g., tax information drive, audit efforts, etc.)
LEG (Legislative Measures)	New tax laws, court decisions and other legislative measures that made an impact on revenue tax collections
ECO (Economic Factors)	Factors that had effects in the Gross Domestic Product (GDP) that contributed to the growth/decline in sales resulting from increase/decrease in consumer demand, increase/decrease in volume of transactions resulting from product shifts, cessations of business operations, corporate re-organizations (e.g. mergers and consolidation)
FOR (Fortuitous Events)	Factors that are beyond the control of man such as fire, flood, typhoon or earthquake affecting the business operations of certain taxpayers.

10. The Reports on Drastic Changes in Collection Performance (BIR Form Nos. 1771A to 1771C) of each implementing office shall be submitted to the next office level within the prescribed periods set in this Order, as follows:

Implementing Office	Report on Drastic Change in Collection Performance	Next Office Level	Due Date
a. NODC/RDC	Comparative Collection Data of Top 100 and Bottom 100 Taxpayers	RDOs/RLTAD/ ELTAD/ELTFOD /LTDs	18^{th} of the following month

b.1 RDO b.2 LTRAD, LTEAD, ELTFOD, LTD – Cebu/Davao	BIR Form Nos. 1771A and 1771B	RCD LTPMPD	23rd of the following month
c.1 RCD c.2 LTPMPD	Narrative Report and BIR Form No. 1771C together with copies of BIR Form Nos. 1771A and 1771B	• CPMD • Research and Statistics Division (RSD) thru the Regional Director (only for the narrative report and 1771C) • CPMD • RSD thru the ACIR, LTS (only for the narrative report and 1771C)	28th of the following month
d. CPMD	Narrative Report and Consolidated Report on Analysis of Drastic Changes in Collection Performance	ACIR, PMS thru ACIR, CS cc: Deputy Commissioner (DCIR), Operations Group (OG) and RSD	35 days after the close of each month

B. PROCEDURES

1. Generation and Submission of Comparative Collection Data of Top 100 and Bottom 100 Taxpayers

The NODC/RDC shall:

a. Generate the List of Top 100 and Bottom 100 Taxpayers providing the necessary information as reflected in Annex “D” of this Order using the script developed by Systems Development Division.

b. Submit the Comparative Data for Drastic Changes in Internal Revenue Tax Collection Performance to RDO/RLTAD/ELTAD/ELTFOD/LTDs not later than the **18th** day of the following month.

2. Preparation and Submission of BIR Form Nos. 1771A and 1771B

The RDO/LTRAD)/LTEAD/ELTFOD/LTDs - Cebu/Davao shall:

a. Receive the Listing on Comparative Data for Drastic Changes in Internal Revenue Tax Collection Performance generated by the NODC/RDC as aid on the analysis of its respective collection performance;

b. Prepare and properly accomplish BIR Form Nos. 1771A and 1771B by providing the necessary and required data/information in accordance with the applicable provisions of RMO No. 25-2014 and the amendatory provisions under Part III of this Order.

c. Identify in detail per tax type and major industry/sector, the taxpayers under Part III(A)(4) of this Order that contributed to the drastic changes in collection performance and impact on collection goal using BIR Form No. 1771B by:

   (i) Citing specific reason/s attributable to the computed variance in collection against the previous year and the collection target properly supported by relevant data/information/document;

   (ii) Citing the major industry/sector where the taxpayer contributing to the drastic changes in collection performance is classified

   (iii) Citing the affected tax type;

   (iv) Indicating the applicable code for the cited reason/s referring to the Table of Reason Codes provided under Part III(A)(8) of this Order; and

   (v) Indicating the revenue impact of the cited reason/s in peso value to the collection performance, i.e., current collection versus previous year's collection.

d. Submit the duly accomplished and validated BIR Form Nos. 1771A and 1771B to the RCD/LTPMPD in hard and soft copies, for consolidation of collection data not later than the **23rd** day of the following month.

e. Re-submit amended reports in case the same are returned either due to lack of bases for reasons cited, absence of required supporting data/information/document, or when found to be prepared not in accordance with this Order within two (2) days from receipt thereof.

3. Consolidation of BIR Form Nos. 1771A and 1771B, and Preparation of Narrative Report and BIR Form No. 1771C

The RCD and LTPMPD shall:

a. Receive the Regular Reports on Drastic Changes in Collection Performance (BIR Form Nos. 1771A and 1771B) from RDO/LTRAD)/LTEAD/ELTFOD/LTDs - Cebu/Davao.

b. Review and validate the accuracy and substance of the reasons cited for the drastic changes in collection performance.

c. Return to the concerned implementing office the submitted reports that contain reasons that have insufficient bases, fails to attach the necessary supporting data/information/documents, or if the reports were prepared not in accordance with the provisions RMO No. 25-2014 and the amendatory provisions of this Order.

d. Consolidate and analyze the information cited in BIR Form Nos. 1771A and 1771B and prepare the Summary of Major Reasons for Drastic Changes in Collection and Impact on Collection Goal by Industry and by Tax Type (BIR Form No. 1771C).

e. Prepare a Narrative Report in accordance with the provisions mentioned under Part III(A)(6) of this Order.

f. Submit the Narrative Report, BIR Form 1771C and copies of the BIR Form Nos. 1771A and 1771B to the Chief, CPMD thru the Regional Director/ACIR, LTS not later than the **28th** day of the following month.

g. Re-submit amended reports in case the same are returned either due to lack of bases for reasons cited, absence of required supporting data/information/document, or when found to be prepared not in accordance with this Order within two (2) days from receipt thereof.

The RSD shall:

a. Receive the Narrative Report and Form 1771C from RCD/LTPMPD thru the Regional Director/Assistant Commissioner, LTS.

b. Validate the propriety of the reasons cited in the reports, more specifically with respect to the national and regional economic environment, to determine whether or not the same are reflective of the actual economic conditions. For this purpose, the annual Report on Gross Regional Domestic Product (GRDP) and the quarterly National Accounts of the Philippines (NAP) from the Philippine Statistics Authority (PSA) can be used as reference materials in the said validation process.

c. Provide CPMD with assistance and/or additional data if available upon its request in validating the reasons cited by the implementing offices as the need arises.

d. Prepare the monthly report on the macroeconomic factors that affected the Bureau’s collection performance.

e. Submit the monthly report on the macroeconomic factors to CPMD within 10 days after the close of each month to be used as input in the validation of the reasons/explanations on drastic changes in collection performance submitted by the implementing offices, copy furnished the ACIRs, CS and PMS.

f. Submit the Collection Reports per Government Financial Statement (GFS) classification to CPMD not later than the 15th day of the following month.

The CPMD shall:

a. Receive from RSD the Reports on Macro-economic factors, on Collection per GFS Classification or any requested assistance/data as the need arises in validating the reasons cited by implementing offices in its respective reports with respect to national and/or regional economic environment.

b. Receive the approved Narrative Report and Consolidated Reports on Drastic Changes in Collection Performance (BIR Form Nos. 1771A to 1771C) from the RCD/LTPMPD thru the Regional Director/Assistant Commissioner, LTS.

c. Review and validate the accuracy and substance of the reasons for drastic changes in collection performance and impact on collection goal cited in the abovementioned reports.

d. Return the report to the concerned implementing office if this is found not acceptable or still prepared not in accordance with the provisions of RMO No. 25-2014 and the amendatory provisions under this Order within two (2) days from receipt thereof.

e. Consolidate, prepare and submit the Narrative Report and Report of Analysis on the Drastic Changes of Internal Revenue Tax Collection Performance to the ACIR, CS on the **35th** day after the close of each month, copy furnished the ACIR, PMS.

f. Prepare recommendations to top management on the courses of action that need to be taken, if necessary, to avoid recurrence of drastic changes in revenue collections that are within the control of the Bureau, copy furnished the ACIR, PMS.

C. REPEALING CLAUSE

The provisions of RMO No. 25-2014 and all other revenue issuances that are inconsistent with this Order are hereby modified or repealed accordingly.

D. EFFECTIVITY

This Order shall take effect immediately and shall continue to be in force until amended or revoked.

(Original Signed)
CAESAR R. DULAY
Commissioner of Internal Revenue

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