REVENUE MEMORANDUM ORDER NO. 24-2000 issued August 4, 2000 prescribes the Year 2000 Audit Program for Revenue District Offices. The Program covers the investigation of 1998 and 1999 internal revenue tax returns by Revenue District Offices (RDOs), including income tax returns of fiscal-period taxpayers whose taxable years ended any day from July 1, 1998 to June 30, 2000. Except for cases involving claims for tax credit/refund, sales/transfers of properties and requests for tax clearance of taxpayers due to retirement of business which have to be acted upon immediately, tax returns for 1997 may be audited/verified subject to prior approval of the Assistant Commissioner, Assessment Service (ACIR, AS).

The issuance of Letters of Authority (LAs) will be based on the selection criteria specified in the Order. Specifically, mandatory audit will cover the following cases: 1) estate/donor's tax returns; 2) taxpayers retiring from business; 3) claims for income tax credit/refund; 4) transfer of property in exchange for shares of stocks and other sale, transfer or exchange of shares of stocks not listed in the stock market; 5) government withholding agents; and 6) taxpayers selected for tax audit based on third party information referred by the Assessment Service.

If the foregoing mandatory audits do not provide sufficient workload for the RDO, the Revenue District Officer may select the following top priority taxpayers for audit: 1) taxpayers in the district who filed break-even returns or with returns showing net loss for at least two (2) consecutive years; 2) top 100 taxpayers in the district in terms of gross sales/receipts where there is no VAT or percentage tax payment for the current year and the immediately preceding year; 3) taxpayers with substantial reduction in gross sales/receipts/tax payments and/or substantial increase in costs of sales and expenses; 4) taxpayers with substantial tax deficiency resulting from short-audit of their tax liabilities; and 5) taxpayers belonging to the top two industries within the respective area of jurisdiction of the RDO with the lowest percentage of tax compliance.

The Assessment Service shall match the lists of taxpayers submitted by the RDOs with the lists of taxpayers to be investigated by the audit divisions in the National Office prior to approval to preclude multiple issuance of LAs to the same taxpayer for the same taxable year. Cases to be covered by LAs shall be classified according to gross assets or gross sales/receipts, whichever is higher, as of December 31, 1997, December 31, 1998 and December 31, 1999 using the categories specified in the Order. All LAs shall be issued and approved by the Regional Director. However, no LAs for the investigation of taxpayers falling under the priority target taxpayers shall be issued by the Regional Director without prior written approval of the ACIR, AS. The policy on the simultaneous investigation of all liabilities of the taxpayer shall be followed. The practice of issuing mission orders, correspondence letters, or any other similar orders for the purpose of audit examination and assessment of internal revenue taxes under this Order is strictly prohibited.

Only Revenue Officers-Assessment Group shall be authorized to conduct audit and investigation of tax cases, whether in a principal or assisting capacity. The initial workload for every Revenue Officer will be a minimum of twenty (20) cases and maximum of thirty (30) cases. No new tax case shall be assigned to a Revenue Officer until he has completed the audit and has reported the following cases pending with him within one (1) month from the effectivity of this Order: a) prescribing cases/dockets; b) cases for re-investigation; c) cases involving claims for tax refund/credit assigned before April 30, 2000; d) third party information cases; e) cases of retiring taxpayers assigned before April 30, 2000; and f) cases held for more than twelve (12) months.