

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

July 10, 2002

REVENUE MEMORANDUM ORDER NO. 18-2002

TO : All Internal Revenue Officers and Others Concerned

SUBJECT : Prescribing the Policies, Guidelines and Procedures in Identifying and Handling Valid or Actual Stop-filer Cases

I. OBJECTIVES

1. To identify and monitor actual stop-filers;
2. To prescribe the procedures in handling the identified valid or actual stop-filers; and
3. To prescribe the mechanism in reporting the identified stop-filers and the action taken thereon.

II. DEFINITION OF TERM

Real or actual stop-filers are taxpayers who were identified to have failed to file their returns after the List of Stop-filers generated by Revenue Data Center (RDC) from returns Compliance System (RCS) for computerized Revenue District Offices (RDOs), and the manually prepared List of Stop-filers for non-computerized RDOs were cleaned-up of all the root causes of tagging taxpayers as stop filers when in fact they are not real or actual stop filers.

III. POLICIES

1. Real or actual stop-filers shall be identified by the Computerized RDOs based on the List of Stop-filers generated by the RDC from the RCS, after such List is properly analyzed;

2. Real or actual stop-filers shall be identified by the Non-Computerized RDOs using the List of Stop-filers presently being manually prepared by these RDOs, after the same is properly analyzed;
3. Problems and issues arising from suspension in the Collection and Bank Reconciliation System (CBR), suspension in the Returns Processing System (RPS), non-encoding of returns, unclear registration database, and generated stop-filer cases shall be resolved by the RDOs or the appropriate division of the Large Taxpayers Service;
4. Computerized RDOs should check whether the tagging of taxpayers as stop-filers is due to erroneous registration of taxpayers' tax types or form types; or if the taxpayer's particular tax type for a specific return period appears both in "CBR Suspense List" and "RPS Suspense List" due to invalid TIN, invalid tax type, invalid form type, and invalid return period; or non-encoding of no-payment returns; or non-encoding of payment-return coupled with failure to upload into the Integrated Tax System (ITS) the collection data/Limited Bank Data Entry (LBDE) data transmitted by the accredited agent banks. In such cases, the taxpayers tagged as stop-filers are not real stop-filers, thus; the RDOs should address or take action on the root causes of the tagging of the taxpayers as stop-filers and at the same time remove these cases in the List of Stop-filers so that what remains therein are just the valid stop-filer cases. It is worth mentioning, however, that with regards to the top 1000 taxpayers of each district that are being monitored under the Taxpayer Account Management Program (TAMP) of the BIR, the List of Stop-filers generated therefor is presumed to be always a clean list, unless proven otherwise, and therefore the cases listed therein are valid stop-filer cases;
5. Notices/letters shall be sent to identified real stop-filers only and the RDO shall act with high priority on top taxpayers and on known persons with material taxable undertakings;
6. The policies and procedures in the assignment of stop-filer cases laid down in Revenue Memorandum Order No. 22-2000 dated July 18, 2000 shall be continued;
7. Only one reminder letter setting forth the cumulative list of all the unfiled returns as of the end of a given month shall be released monthly to a taxpayer.

8. If the taxpayer identified to be real stop-filer failed to respond to the notice/letter within five (5) days from receipt of the Preliminary Notice, a Final Notice shall be issued. Likewise, the taxpayer is given ten (10) days within which to respond. In case taxpayer, again, failed to respond, an ocular inspection/surveillance shall be conducted by the RDO, and if said taxpayer is found to be an existing one, and the reminder letter for the offense is a first time one, require taxpayer to file the unfiled returns but with the warning that succeeding violations would be the subject of judicial action. Accordingly, succeeding reminder letter for the taxpayer's violations would be referred to the Legal Group for the institution of the necessary judicial action (action for non-filing of return/non-payment of the tax). Issuance of TVN for the audit of small taxpayers or LA for the audit of top taxpayers or known persons with material taxable undertakings as well as closure of business establishment may be resorted to, if warranted and legally feasible. On the other hand, if upon ocular inspection, taxpayer cannot be located, the records of utility companies (e.g., telephone co. or electric company) or the Securities and Exchange Commission or the Local Government Unit may be consulted to determine the current address of the taxpayer. Nonetheless, if taxpayer is found to have ceased operation permanently, or dissolved because of merger/consolidation, conduct an audit since the business has retired or is considered to have retired already. If there is just temporary stoppage of operation, require taxpayer to still file return with notation of "no operation". If taxpayer has already transferred to another district with the confirmation of the said district, transfer all the records of said taxpayer to that district. If taxpayer is tagged as stop-filer because of inaccurate registration data, cleanse the database of inaccurate data; and
9. If in response to the BIR reminder letter/notice, the taxpayer alleges that he is not a stop-filer by presenting his own copy of the return filed, verification or confirmation of the same in the BIR records/files should be done. The case officer/examiner should certify that taxpayer's copy is an exact replica of BIR's copy of the return. Any false certification shall be a ground for administrative or criminal sanction to the erring BIR employee, if warranted.

IV. PROCEDURES

A. The RDCs shall –

1. Generate "Monthly List of CBR Suspension" for computerized RDOs as well as non-computerized RDOs under their respective jurisdictions and furnish each RDO with the said list within 5 days after the end of each month;

2. Generate “Monthly List of RPS Suspension” for computerized RDOs under their respective jurisdictions and furnish each RDO with the said list within 5 days after the end of each month.

The “List of CBR/RPS Suspension” should mention the following: TIN, TP Name, TP Address, Case Number, Tax Type, Form Type, Return Period, Amount, Reason Code/Description;

3. Generate the “Monthly List of Stop-filers” and the reminder letters for the top 1000 taxpayers of all the computerized RDOs under their respective jurisdictions, which taxpayers are being closely monitored under the TAMP of the BIR, and transmit the lists and reminder letters to the concerned RDOs within 5 days after the end of each month;
4. Generate the “Monthly List of Stop-filers” for the other taxpayers of the computerized RDOs under their jurisdictions and furnish each RDO with the said List within 5 days after the end of each month.

The “List of Stop-filers” should mention the following: TIN, TP Name, TP Address, Case Number, Tax Type, Form Type, Return Period;

5. Tag as “invalid” stop-filer cases included in the “List of Stop-filers” determined to be such (invalid) by the RDOs after receipt of the “List of Stop-filers” already cleansed of the invalid stop-filer cases;
6. Generate reminder letters for the valid stop-filer cases included in the “List of Stop-filers” for the taxpayers outside of the top 1000 taxpayers after receipt from the RDO of the “List of Stop-filers” already cleansed of the invalid ones;
7. Generate “Monthly List of RCS Cases Closed” for each RDO with mention of the following: TIN, TP Name, TP Address, Case Number, Tax Type, Form Type, Return Period, Name of Case Officer, Reason for Closing the Case, Amount Collected, Total Amount Collected by case officer per RDO, Total Number of Cases Closed by Tax Type per RDO, Total Number of Cases Closed by Case Officer per RDO. A separate list should be generated for the top 1000 taxpayers and another list for those outside of the top 1000 taxpayers. Priority in monitoring should be given to the top 1000 taxpayers;
8. Generate List of Stop Filers Cases Inventory by tax type and form type as of the end of each month for the top taxpayers;

9. Generate List of Stop Filers Cases Inventory by tax type and form type as of the end of each month for taxpayers outside of the top 1000 taxpayers. Nonetheless, the generation of this list shall only be done upon request.

The reports or lists generated by the RDC should be in excel format and should be forwarded to the RDO thru e-mail or diskette medium, copy furnished the Office of the Regional Director and the Collection Service thru the Collection Programs Division (CPD).

Reports to be received by RDOs shall likewise be received by the Large Taxpayers District Office (LTDO) and Large Taxpayers Audit and Investigation Division (LTAID), copy furnished Office of Assistant Commissioner, Large Taxpayer Service, and Collection Service thru the Collection Programs Division (CPD); and

- 10 Submit to the Deputy Commissioner-Operations Group (DCIR-OG) a copy of the "Monthly List of RCS Cases Closed" mentioned in NO. 7 and "Monthly List of Stop-filer Cases Inventory" mentioned in No. 8 above, for the top taxpayers of each district and for all the taxpayers under the jurisdiction of the Large Taxpayer Service, including the Large Taxpayers District Office (LTDO).

B-1. The Computerized RDO and LTDO shall-

1. Investigate/resolve causes of tagging as stop-filers taxpayers who are not real stop-filers, such as but not limited to:
 - a. erroneous taxpayers' registration of tax type and form type;
 - b. suspension of both CBR and RPS data of a taxpayer's particular tax type for a specific/identical return period due to invalid TIN or invalid tax type, or invalid form type, or invalid return period;
 - c. non-encoding in RPS of no-payment returns; and
 - d. non-encoding in RPS of payment-returns which appear in the "CBR Suspense List" with suspense reason of invalid TIN or invalid tax type or invalid form type or invalid return period.
2. Update taxpayers' registration information for taxpayers with incorrect registration data;
3. Resolve CBR suspense accounts;

4. Resolve RPS suspense accounts;
5. Update encoding in RPS of payment-returns;
6. Update encoding in RPS of no-payment returns;
7. Remove from the system-generated “List of Stop-filers” those cases tagged as stop-filers but are not real stop-filers, as enumerated in paragraph IV (B)(1);
8. Return to RDC the cleansed “List of Stop-filers”;
9. Print and send notices/letters to real stop-filers as generated by the RDC based on the analyzed and cleansed list. Act with high priority on top taxpayers as well as on known persons with material taxable undertakings;
10. Conduct ocular inspection/surveillance on the taxpayer’s premises in case of failure by the taxpayer to respond within ten (10) days from receipt of the final notice/letter seeking explanation and justification for failure to file the return tagged as a valid and real stop-filer case;
11. Prepare report on the result of the ocular inspection/surveillance activities conducted, i.e., closure of business, temporary suspension of operation, transfer to new location, discovery of fraud and tax evasion, etc.;
12. Assist the taxpayer in filing the return and/or computing the tax and penalties, if taxpayer is willing to pay the unpaid tax in the unfiled return. Direct the taxpayer to pay to the appropriate BIR accredited agent bank/collecting officer. Thereafter, inform taxpayer of the imposition of stiffer penalty for succeeding violations;
13. Recommend action against the taxpayer such as issuance of LA to top taxpayers or taxpayers with material taxable undertakings or TVN to LGUs and small taxpayers, institution of judicial action, and/or closure of business establishment, whichever is legally feasible, once taxpayer is determined to have failed in filing return and payment of tax legally due from him/it;
14. Consult the records of other entities such as public utility companies or the Securities and Exchange Commission or the Local Government Unit if upon ocular inspection, taxpayer cannot be located;

15. Assist the taxpayer in updating his registration data or transferring his registration data and tax records to the appropriate RDO/BIR office;
16. Cancel registrations of taxpayers that have close-shopped permanently or were absorbed in a merger or consolidation. Nonetheless, if suspension of business operation is temporary, advise taxpayer to still file return with notation of "No Operation";
17. Validate with BIR records or files taxpayer's copy of his tax return once he alleges that he is not a stop-filer. Require Case Officer to certify that taxpayer's copy is an exact replica of BIR copy of the questioned tax return;
18. Close the stop-filer case using ITS facilities for computerized RDOs, and, manually, for non-computerized RDOs once there is a valid reason to close the case; and
19. Require all case officers to submit on or before the tenth day of the following month a monthly report on handling of stop filers with mention of amount collected, number of cases acted upon and reasons for closure/non-closure or other actions, and inventory as of the end of the month.

B-2. Non-computerized RDOs shall-

1. Update taxpayers' registration information in the Taxpayer Ledger/Index Card;
2. Record filed returns in the Taxpayer Ledger/Index Card;
3. Generate "List of Stop-filers";
4. Submit RDO reports to the Office of the Regional Director, copy-furnished the CS thru the CPD;
5. Send notices/letters to actual stop-filers. Act with high priority on top taxpayers as well as on known persons with material taxable undertakings;
6. Perform activities No. 10 to 19 of the computerized RDOs; and
7. Submit to the DCIR-OG, thru the office of the Regional Director, copy-furnished the CS thru the CPD, the Monthly List of Stop-filer Cases Closed and the Monthly List of Stop-filer Cases Inventory, for the top 100 taxpayers of each district.

C. The Regional Director (RD) shall -

1. Analyze the Reports submitted per RDO;
2. Recommend action on the RDO and ROs, if warranted;
3. Issue LA to top taxpayers that are identified as stop-filers or to known persons with material taxable undertakings;
4. Order ocular inspection/surveillance on the taxpayer premises in case of failure by the taxpayer to file the required tax return;
5. Recommend the closure or temporary suspension of operation of the business establishment or the filing of cases against the taxpayer, if warranted; and
6. Submit to the DCIR-OG, copy-furnished the CS thru the CPD, the “Monthly List of Stop-filer Cases Closed” and the “Monthly List of Stop-filer Cases Inventory” per RDO, for non-computerized regions and districts.

D. The Collection Service thru the CPD shall–

1. Monitor submission by the RDC, RD, and RDO (for non-computerized districts) of reports on real or actual stop-filer cases;
2. Request from RDC consolidated reports, if needed and necessary;
3. Request from RD results of analysis of reports on Stop-filer cases, if necessary; and
4. Submit to the DCIR-OG consolidated results of analysis on stop-filer cases data transmitted by various offices.

E. The DCIR-OG may –

1. Issue reminder or warning letters to ACIR-Large Taxpayers Service, ACIR-Collection Service thru CPD, RDs, RDCs, RDOs, ROs, if necessary or warranted; and
2. Direct the issuance of LA/AN to taxpayers, and/or order such other actions that are necessary under the circumstances.

V. REPEALING CLAUSE

All issuances or pertinent provisions thereof inconsistent with the provisions of this Order are hereby amended/revoked/modified accordingly.

VI. EFFECTIVITY

This Order shall take effect immediately.

(Original Signed)
RENÉ G. BAÑEZ
Commissioner of Internal Revenue