AUDIT OF BANKS, INSURANCE COMPANIES AND OTHER FINANCIAL INTERMEDIARIES

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I.

Objective

In view of the decrease in tax collections on banks, insurance companies and other financial intermediaries, there is a need to verify its cause/reason to be able to prescribe the needed remedial measures to prevent the same occurrence. For this purpose, a Committee shall be created, composed of eight (8) groups under the direct supervision of the Deputy Commissioner for Operations to conduct tax audit/verification on banks, insurance companies and other financial intermediaries.

II.

Guidelines

1. This order covers audit of the aforesaid taxpayers for the taxable years 1994 and 1995.

2. All Revenue District Officers shall refrain from issuing Letters of Authority to taxpayers already covered by investigation under this RMO.

3. The committee shall be composed of eight (8) groups, a Coordinator and two Assistant Coordinators who shall report directly to the Deputy Commissioner for Operations.

4. Audit concentration will be on —

A. Banks and other financial intermediaries

a. Gross Receipt Tax

b. Documentary Stamps

c. Withholding Tax

d. Income Tax
1. Interest Arbitrage

2. Others

B. Insurance Companies

a. Premium Tax

b. Documentary Stamps

c. Income Tax

5. Audit shall be covered by a Letter of Authority to be signed by the Commissioner of Internal Revenue.

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6. All audit reports shall be submitted for review by the Coordinator/Assistant Coordinator, which shall be recommended for approval by the Deputy Commissioner for Operations to the Commissioner of Internal Revenue.

III.

Procedures

1. Revenue District Officers (RDO) shall submit to the Office of the Commissioner and the Office of the Deputy Commissioner for Operations not later than June 7, 1996 a complete listing of banks, insurance companies and other financial intermediaries under their jurisdiction together with the taxpayers' annual income tax returns, information returns and audited financial statements.

2. The Commissioner shall thereafter issue the corresponding Letters of Authority authorizing the Revenue Officers named therein to investigate the taxpayers indicated in the LAs.

3. Each member of the audit group shall submit a progress report on the status of the verification every fifteen (15) days to the Deputy Commissioner for Operations until the audit is completed.

4. Upon completion of the audit, a preliminary report shall be submitted to the Commissioner and the Deputy Commissioner for Operations, which shall be the basis for the issuance of a Conference Letter to inform the taxpayer of the nature of the findings as part of the administrative due process.

5. Audit reports (e.g. final memorandum report, income, withholding, GRT, DST, etc.) shall be submitted by the Revenue Officers for final review as mentioned above.

6. After review, the docket shall be forwarded to the Commissioner of Internal Revenue for approval and thereafter for issuance of an Assessment Notice if a deficiency tax had been found due, or the filing of a tax fraud case, if the evidence warrants.

7. The Committee, after completion of the project shall submit a report stating therein their recommendations of necessary administrative and legislative measures relative to tax treatment and audit.

IV.

EFFECTIVITY

This Order shall take effect immediately.

Adopted: 30 May 1996

(SGD.) LIWAYWAY VINZONS-CHATO
Commissioner

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