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PRESCRIBING PROCEDURES TO WRITE-OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE

BIR MEMORANDUM ORDER NO. 35-95, October 20, 1995

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I
Objectives

1. To prescribe procedures and guidelines in the proper disposition of accounts receivables;

2. To accurately monitor the movement of accounts receivables as explicitly provided for under the Bureau of Internal Revenue Manual (BIRM) particularly Section 200;

3. To clearly define the delineation of functions in the cancellation and disposition of accounts receivables.

II
Guidelines

This Order shall cover the following accounts receivables which could no longer be collected for various reasons to wit:

1. The taxpayer is deceased, leaving no distrainable and leviable assets;

2. The taxpayer is already residing abroad without distrainable and leviable assets in the Philippines;

3. The taxpayer is declared insolvent by the court or is found to be incapable of earning a living upon verification;

4. The taxpayer is a foreign national who came to the Philippines as a consultant or a foreign corporation who has done business in the Philippines and left after the completion of the project leaving no distrainable and leviable assets;

5. The taxpayer's whereabouts (whether individual or corporation) is unknown without distrainable and leviable assets;

6. The taxpayer is a corporation, which has been dissolved and its subscribed shares of stock have been paid and its responsible officers could no longer be located;

7. The accounts receivables remain uncollected for a period of two (2) years after the lapse of the three (3) year mandatory period to collect;

8. The accounts receivables have been overtaken by prescription as provided for under the Tax Code and court decisions; and

9. The taxpayer availed of previous tax amnesties as duly certified to by the Tax Amnesty Implementation Office but which were not closed by ATCA.

III
Procedures

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For every case declared to be uncollectible and recommended to be written-off, the following steps should be undertaken:

Revenue Officer:

1. Secure the documents enumerated below, if the taxpayer is an individual:

- Certification from at least three (3) different Registers of Deeds or the Provincial, City or Municipal Assessors where he is believed to own real properties in those cases where the taxpayer is deceased, abroad and/or his whereabouts is unknown;

- Certification of at least three (3) banks within the vicinity of the taxpayer's residence where he is known to have bank deposits;

- Secure a copy of his death certificate, if the taxpayer is deceased; and

- Secure a certification for his last known address from the Professional Regulations Commission or the Supreme Court and other pertinent government and non-government agencies which have supervision of the taxpayer's profession, if the taxpayer is unknown and is a Professional;

2. Secure a copy of the Articles of Incorporation and latest financial statement from the Securities and Exchange Commission, if the taxpayer is a corporation and has been dissolved or has ceased operations;

3. Perform appropriate tasks related to the questions in the Fieldman's Affidavit of Uncollected Taxes for individuals or corporations;

4. Prepare a recommendation and an ATCA, together with the duly accomplished Fieldman's Affidavit of Uncollected Taxes which shall form part of the accounts receivables docket;

5. Forward the case to the Revenue District officer for signature through the Head, Collection Unit and the Assistant Revenue District Officer;

Revenue District Officer:

6. Forward the docket to the Assessment Division for approval pursuant to RMO 37-94 after signing the recommendation and the ATCA;

Assessment Division:

7. Forward the docket with approved recommendation and ATCA to the Administrative Division for file and future reference; and

8. Prepare a Monthly List of Accounts Cancelled by ATCA (see attached BIR Form No. 1247) under this order duly signed by the Chief of the Assessment Division which shall be distributed as follows:

Original and Duplicate -

Deputy Commissioner for Operations thru ACIR Collection, Attention: The Chief, Collection Programs Division.

Triplicate - Revenue District Officers concerned to update their inventory.

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Quadruplicate - File

IV
Repealing Clause

This Order amends RMO 40-87 and all other existing issuances or portions thereof inconsistent with this Order.

V
Effectivity

This Order shall take effect immediately after its approval.

Adopted: 20 Oct. 1995

(SGD.) LIWAYWAY VINZONS-CHATO
Commissioner

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