REVENUE MEMORANDUM CIRCULAR NO. 72-2018 issued on August 30, 2018 reiterates/supplements the existing policies, guidelines and procedures relative to the validation and monitoring of sales declaration of taxpayers generated from Point of Sale (POS)/Cash Register Machines (CRM)/Special Purpose Machines (SPM)/other sales receipting system software, receipting/invoicing of Computerized Accounting System (CAS), including online sales transactions; and from manual invoices/receipts-supplemental commercial documents.

Post evaluation of POS/CRM/SPM/other sales receipting system software, including receipting/invoicing of CAS, may be conducted simultaneously with other enforcement activities, such as Tax Compliance Verification Drive, surveillance, inventory stocktaking and audit/investigation.

The inventory of all POS/CRM/SPM and other receipting machines/software, whether used for issuance of invoices or for internal control purposes shall be taken, matched and reconciled with the list from the BIR database. For this purpose, a Post Evaluation Guide (PEG) Form shall be accomplished for every machine. The Post Evaluation Kit shall contain a pre-filled up PEG Form for every registered machine, with information based on the Business Intelligence Division data, such as Tax Identification Number, Branch Code, Machine Identification Number, Permit to Use, and Serial Number, as well as blank PEG Forms for unregistered machines.

Based on the duly accomplished PEG Forms, the list of matched and unmatched POS/CRM/SPM and other receipting machines/software shall be prepared on the first day of the post evaluation to be duly signed and acknowledged by the responsible officer of the company. The taxpayer shall reconcile and explain in writing the discrepancy and account for the unmatched machines/software within five (5) days from receipt of Letter Notice accompanied by the list of unmatched POS/CRM/SPM and duly accomplished PEG Forms.

The Service Provider/Supplier/Contractor/Developer of machines/software/systems subjected to Post Evaluation shall assist in the extraction of sales data and/or Z-reading as required by the BIR/taxpayer. Generation of Z-Reading and Electronic Sales Journal (e-Journal) per machine shall be performed simultaneously with the conduct of physical inventory of machines.

The taxpayer shall submit the extracted Z-Reading and e-Journal not later than the second day of the Post-Evaluation, which shall cover the beginning and ending Z-Readings/e-Journal for the period indicated in the Mission Order.

Sales data shall be validated and extracted from all sources such as, but not limited to the following:

a. CRM/POS/other sales receipting software and CAS consisting of Z-Reading, e-Journal, Back-end Reports from the stand-alone system, server, middleware or consolidator depending on the system/software set-up. This shall also include sales from online transactions, unmanned bill, coin or token operated machines, unregistered machines used to record sales transactions and defective/damaged machines which were not reported or with pending application for cancellation with the concerned Large Taxpayer Service (LTS)-Office/Division/Large Taxpayer District Office (LTD)/Revenue District Office (RDO).

In case of unregistered machines, the Revenue Officer shall issue an apprehension slip and immediately seal the machines after the extraction of sales data. However, upon registration thereof and payment of related deficiency taxes including penalties, these machines can be unsealed upon the approval of the concerned LT Audit Division/RDO.
For machines that are subject of application for withdrawal from its use due to retirement or sale, repair, upgrade, modification and transfer, immediate verification and conduct of Z-Reading thereof shall be done. This shall cover the beginning and ending Z-Readings to get the monthly/quarterly/annual sales for the current and prior years for which the BIR’s right to assess has not yet prescribed. Upon approval of the inspection and evaluation report by the ACIR-LTS/LTDO/RDO, the machine shall be reset to zero. For machines that are in different locations/branches, the inspection may be undertaken at a designated place duly agreed upon by the taxpayer and the BIR.

In case the BIR representative/s is/are not available to inspect the machine/s applied for withdrawal from use due to repair, upgrade or modification on the date requested by the taxpayer, the ACIR-LTS/LTDO/RDO shall issue a Notice to the taxpayer that in lieu of inspection of machines, a Joint Sworn Statement shall be executed by the taxpayer-user and the supplier/provider/person who made the repair/upgrade/modification which shall include information specified in the Circular.

In order to authorize the simultaneous registration of the new accredited software or upgrade of software to be installed in the same machine with application for cancellation of the old software, the taxpayer shall secure approval from the concerned LTS-Office/Division/LTDO/RDO to add a distinct prefix/suffix to the serial number of the sales machine to allow registration of the new software consisting of serial number of machine followed by prefix/suffix e.g., 123456A. Once the application for cancellation of the old software is approved, it is mandatory that the required sales data extraction shall be accomplished before setting the machine reading to “zero” and cancellation of PTU in the eAccReg by the concerned office.

b. Sales book/accounting records and manual invoices/receipts, including unregistered/expired receipts/invoices/records, if any. This shall cover other commercial documents/accounting records that may affect or adjust the sales, e.g. credit/debit memos/cancelled sales invoices/receipts/delivery receipts, order slips and other supplemental documents.

c. All SPMs used for supplementary invoicing/receipting, such as collection/acknowledgement receipt or bills payment without corresponding principal invoice/receipt.

Subpoena Duces Tecum (SDT) shall be issued to compel submission/presentation of documents/machines not yet available after the required compliance date. Failure to comply with the SDT issued shall warrant the use of “Best Evidence Obtainable Rule” for unregistered/unaccounted/missing/lost sales machines or manual receipts/ invoices and simultaneously refer the SDT to the Prosecution/Legal Division for filing of a criminal case on failure to obey subpoena.

In such a case, the total sales generated from all the existing machines of a particular head office or branch shall be divided over the number of existing machines for a particular period to get the average monthly sales per machine of the head office or a particular branch where the machines are registered or any other basis deemed appropriate may be used under the Best Evidence Obtainable Rule.

Sales derived from Z-Reading per machine shall be summarized by the team and compared with eSales and e-Journal. eSales is a real time reporting online of actual sales transactions recorded by CRM/POS/SPM, or other sales machines and/or software. If the amount extracted from the e-journal is higher than the reported eSales, it shall render the taxpayer liable for under declaration of sales. On the other hand, if the e-journal amount is
less than the reported eSales, the violation is equivalent to non-issuance of sales invoice or receipt; or issuance of an unregistered receipt, which shall be dealt with in accordance with Sec. 264 of the National Internal Revenue Code (NIRC) of 1997, as amended.

A back-end report shall be extracted and jointly signed by the taxpayer user/provider and the Revenue Officer to cover the following items for sales reconciliation purposes: a) Void/Cancelled/Return/Refund items/Receipts/Invoices; b) Sales to Senior Citizens and Persons with Disability; and c) Regular/Other discounts.

The sales data from all sources including but not limited to manually-issued invoices/receipts, and other records that affect sales/receipts shall be on a monthly/quarterly basis for comparison with the taxpayer’s sales declaration in the VAT Returns/Income Tax Returns/eSales Reports/Summary List of Sales and data analysis using Computer Assisted Audit Tools and Techniques (CAATTs).

Any taxpayer required to transmit sales data to the Bureau’s electronic sales reporting system but fails to do so shall pay for each day of violation penalty amounting to one-tenth of one percent (1/10 of 1%) of the annual net income as reflected in the taxpayer’s audited financial statement for the second year preceding the current taxable year for each day of violation or Ten Thousand Pesos (₱10,000), whichever is higher: Provided, That should the aggregate number of days of violation exceed one hundred eighty (180) days within a taxable year, an additional penalty of permanent closure of the taxpayer shall be imposed: Provided further, That if the failure to transmit is due to force majeure or any cause beyond the control of the taxpayer the penalty shall not apply.

Any person who shall purchase, use, possess, sell or offer to sell, install, transfer, update, upgrade, keep, or maintain any software or device designed for, or is capable of: (a) suppressing the creation of electronic records of sale of transactions that a taxpayer is required to keep under existing tax laws and/or regulations; or (b) modifying, hiding, or deleting electronic records of sales transactions and providing a ready means of access to them, shall be punished by a fine of not less than Five Hundred Thousand Pesos (₱500,000.00) but not more than Ten Million Pesos (₱10,000,000.00), and suffer imprisonment of not less than two (2) years but not more than four (4) years: Provided, That a cumulative suppression of electronic sales record in excess of the amount of Fifty Million Pesos (₱50,000,000.00) shall be considered as economic sabotage and shall be punished in the maximum penalty provided under the provision.

In the case of each failure to file an information return, statement or list, or keep any record, or supply any information required by the NIRC of 1997 or by the Commissioner on the date prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall, upon notice and demand by the Commissioner, be paid by the person failing to file, keep or supply the same, One Thousand Pesos (₱1,000.00) for each failure: Provided, however, That the aggregate amount to be imposed for all such failures during a calendar year shall not exceed Twenty-Five Thousand Pesos (₱25,000.00).