REVENUE MEMORANDUM CIRCULAR NO. 67-2006 issued on November 3, 2006 prescribes the guidelines and procedures in the pre-audit by the Regional Offices of 2005 tax returns not selected for issuance of Letter of Authority (LA)/Audit Notice (AN)/Tax Verification Notice (TVN) under Revenue Memorandum Order (RMO) No. 11-2006, as amended by RMO No. 18-2006, which prescribes the 2006 Audit Program for Revenue District Offices (RDOs).

The following 2005 tax returns shall be pre-audited by the concerned office assigned by the Regional Director (RD):

a. Percentage Tax returns;
b. Tax returns of taxpayers claiming the following deductions from gross income:
   i. Interest expense;
   ii. Contributions; and
   iii. Representation expense;
c. Corporate Income Tax returns on the applicability of the Minimum Corporate Income Tax (MCIT) pursuant to Sec. 27(E) and Section 28(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as implemented by Revenue Regulations (RR) No. 9-98 and clarified through Revenue Memorandum Circular No. 4-2003; and
d. Tax returns with claimed creditable withholding taxes against tax due to determine correct substantiation of claims through the certificates attached to the returns.

The following are the guidelines and procedures to be observed in the pre-audit of the said tax returns:

a. The RD shall issue a TVN only if, upon pre-audit of the concerned office, it is determined that there is a discrepancy in the tax payment. No TVNs shall be issued by the RD without the attached duplicate copy of the tax returns.
b. The pre-audit shall not be construed as a regular audit/investigation since the Revenue Officer (RO) shall limit his verification on the mathematical computation of Income and/or Percentage Tax due, creditable withholding tax claimed per Income Tax return, as well as Percentage Tax return, and compliance with RR Nos. 9-98, 13-98, 13-2000 and 10-2002 as to the limitation for deductibility of expense items as reflected/ claimed on the tax returns filed. No fieldwork in relation to the pre-audit of tax returns prescribed in the Circular shall be allowed.
c. The assigned RO shall perform the following:
   i. Prepare the memorandum report;
   ii. Inform the taxpayer in writing of the discrepancy in his/its tax payment;
   iii. Require the taxpayer to settle the said deficiency tax within 15 days from receipt of notice;
   iv. In case the taxpayer agrees to pay the deficiency tax, BIR Form No. 0605 (Payment Form) shall be utilized for this purpose and a copy of the proof of payment shall be attached to the report;
   v. If the taxpayer fails to respond to the notice or does not pay the deficiency tax, prepare a report recommending for the issuance of a Final Assessment Notice (FAN); and
   vi. Transmit the report of verification with the corresponding attachments to the Office of the Regional Director for review and issuance of FAN.
The reporting requirements (for submission on or before the 10th day of the month) are specified in the Circular. The conduct of pre-audit of tax returns must be accomplished and reported on or before December 15, 2006.

The prescribed pre-audit of selected tax returns may be adopted by the offices under the Large Taxpayers Service in appropriate cases.