REVENUE REGULATIONS NO. 15-2007 issued on December 28, 2007 allows taxpayers to settle their preliminary or final assessments, disputed/protested administratively or judicially, by way of application for payment of basic tax and abatement or cancellation of all penalties, including surcharge and interest.

The following cases, with duly issued Assessment Notice as of November 29, 2007, involving taxable year ending December 31, 2005 and prior years, shall be covered by the said Abatement Program:

a. Cases under administrative protest pending in the Regional Office, Revenue District Office, Legal Service, Large Taxpayers Service, Collection Service, Enforcement Service and other Offices in the National Office; and
b. Civil tax cases being disputed before the Department of Justice (DOJ) and the courts (e.g. Municipal Trial Court, Regional Trial Court, Court of Tax Appeals, Court of Appeals and Supreme Court), including cases with decision which are not yet final and executory.

The following cases, however, shall be excluded from the coverage of the Abatement Program:

a. Cases involving issues decided by the Supreme Court (SC) with finality unless the issues involved difficult question of law or issues without established precedent ruling or SC Decision at the time of the transaction;
b. Cases where the Presidential Commission on Good Government (PCGG) has an interest and/or there is a need to coordinate with the PCGG; and

c. Withholding tax cases.

All applications, consisting of a letter request by the taxpayer for abatement of penalties and interest, duly accomplished Application for Abatement Form, as well as copy of the Preliminary Assessment Notice (PAN) or Final Assessment Notice (FAN) being the subject of application for abatement, shall be filed with the following offices:

a. Revenue District Office (RDO) - For Regional Office Cases under the jurisdiction of the concerned district; and
b. Concerned Group of the Large Taxpayers Service (LTS) - For Large Taxpayers Cases under the jurisdiction of the concerned group of the LTS.

The abatement docket or record consisting of the “Application for Abatement of Penalties and Interest”, together with the copy of Assessment Notice and duly validated payment form/proof of payment (BIR Form No. 0618) of basic tax shall be forwarded to the appropriate Technical Working Committee (TWC) for its review and evaluation. However, if the case is under judicial protest, a photocopy of the Application for Abatement as well as of the payment form shall be given to the concerned Legal Office for its information/coordination with appropriate collecting office/TWC.

The filing of the application and payment of an amount equal to 100% of the Basic Tax assessed shall be made not later than February 29, 2008, unless extended by the Commissioner of Internal Revenue (CIR) on meritorious grounds, with the Accredited Agent Bank (AAB) of the RDO/LTS/Large Taxpayers District Office (LTDO) that has jurisdiction over the taxpayer. In the absence of an AAB, payment may be made with the Revenue Collection Officer/Deputized Treasurer of the concerned BIR office that has jurisdiction over the taxpayer.

The CIR has the sole authority to abate or cancel internal revenue taxes, penalties and/or interest pursuant to Section 204(B), in relation to Section 7(c), both of the National Internal Revenue Code of 1997. Nonetheless, this program covers just the abatement of penalties and interest, and the processing of the cases shall be coursed through the following officials:

a. The Deputy Commissioner - Operations Group, who shall constitute a TWC for the evaluation and review of any application for abatement or cancellation of penalties and/or interest on disputed assessments/protested cases of taxpayers under the jurisdiction of the Region; and
b. The Assistant Commissioner/concerned Head Revenue Executive Assistant of the LTS, who shall constitute a TWC for the evaluation of application for abatement of penalties and interest on protested/disputed/litigated assessments of taxpayers under the jurisdiction of the LTS.

The recommendation of the aforementioned officials, through their respective TWCs, shall be the basis of the approval or disapproval by the CIR of the application. Provided, however, that with respect to abatement of penalties and interest on protested/disputed assessments of taxpayers under the LTS, the concerned officials, through the concerned TWC shall first have their recommendation approved or disapproved by Management Committee (MANCOM), through a majority vote of all the members, before the same is elevated to the CIR for appropriate action.

Upon approval by the CIR, the tax case is accordingly terminated through the issuance of a Termination Letter and Authority to Cancel Assessment (ATCA) pertinent to that portion of the assessment (i.e. the penalties/interest) abated. The Termination Letter and the ATCA shall be signed by the BIR official who signs the same on audit cases that have been protested administratively or judicially.

The application for abatement or cancellation of penalties and/or interest, together with complete supporting documents (Assessment Notice, Payment Form), should be transmitted by the concerned offices to the respective TWCs within five (5) days from receipt by said office. The concerned TWC has 15 days within which to act on the case.