REVENUE MEMORANDUM ORDER NO. 16-2010 issued on February 5, 2010 prescribes the policies and guidelines in determining the output Value-Added Tax (VAT) liabilities of motels and other similar establishments, except hotels, resorts and other establishments which do not regularly allow short time (less than 24 hours) stay in their establishments.

Motels and other similar establishments shall submit to the Revenue District Office (RDO) where they are registered a Sworn Declaration within 10 days from issuance of the Order, and for each year thereafter on or before January 31 of each year.

The RDO concerned shall evaluate the information provided in the Sworn Declaration and compute the prescribed revenues per month of an establishment. An Occupancy Turnover Analysis Report (OTAR), containing a summary of the information gathered from the Sworn Declarations of all establishments in the District, and their prescribed revenues per month, shall be prepared by the RDO using the format prescribed in the Order. This shall be completed not later than the last day of February each year.

In accomplishing the OTAR, the following must be considered:

a. For peak periods covering the months of January to February, April to June, and December, the minimum turnover/day of a particular establishment shall be set at a constant factor of “2”.

b. For lean periods covering the other remaining months of the year, the minimum turnover/day shall be “1.5”.

Based on the OTAR for a motel, the concerned RDO shall then notify the motel operator of the proposed additional output tax to be paid for each month. Upon receipt of the notification from the RDO, the motel shall have the option of amending its VAT Returns for the months in question, and pay the corresponding additional output tax within ten (10) days from receipt of the notice. The amended VAT Return(s) shall take into account not only the additional gross sales from its room occupancy operations but shall also cover the gross sales/receipts from the other operations mandated under the National Internal Revenue Code, as amended.

The RDO having jurisdiction over a motel that opts not to amend its VAT returns shall recommend to the Regional Director the issuance of a Mission Order for the conduct of surveillance activities or other appropriate enforcement measures on the concerned motel in order to determine its true and correct tax liabilities. “Surveillance activities or other appropriate enforcement measures” may include the posting of BIR personnel on the premises of the concerned motel for a period of not less than 10 days to determine the volume of business transactions entered into by the establishment over a given period of time. Should the surveillance activity/enforcement measure disclose the understatement of taxable gross sales by 30% or more of the motel’s correct taxable sales for the taxable quarter, the motel shall be considered subject to the “Oplan Kandado” procedures prescribed in Revenue Memorandum Order No. 3-2009.

The imposition of sanctions against a motel under the “Oplan Kandado” Program, shall not preclude the BIR from filing the appropriate tax evasion charges under the Run After Tax Evaders (RATE) Program, if evidence so requires, against the concerned motel or the responsible officers of the establishment.