**REVENUE MEMORANDUM ORDER NO. 19-2010** issued on March 9, 2010 prescribes the policies and guidelines in the conduct of investigations relative to the Taxpayers’ Lifestyle Check System (TLCS) to properly determine tax compliance of individuals.

An individual’s taxable income may be established by using direct evidence, whenever available. Indirect methods can be used, however, when one or more of the following conditions, among others, prevail:

a. The taxpayer maintains no books and records.
b. The taxpayer’s books and records are not available.
c. The taxpayer’s books and records are inadequate.
d. The taxpayer withholds books and records from investigation/verification by authorized Revenue Officers.

The fact that the taxpayer’s books and records reflect the figures on the income and business tax returns, however, does not prevent the use of the indirect method of proof. The Revenue Officer can still look beyond the “self-serving declaration” in the taxpayer’s books and records and use any evidence available to contravene their accuracy. In this connection, the provisions of Revenue Administrative Memorandum Order No. 1-2000 shall be followed. The BIR shall rely on Revenue Memorandum Circular No. 23-2000 in making deficiency tax assessments based on the “Best Evidence Obtainable”. Furthermore, Section 6 (c) of the National Internal Revenue Code allows the BIR to prescribe the minimum taxable base for which internal revenue taxes shall be determined.

The National Investigation Division (NID) shall verify the existence of a taxpayer’s high value assets and/or conspicuous spending by accessing the records of appropriate government and private entities, such as but not limited to the following:

a. Land Transportation Office
b. Bureau of Immigration
c. Airline and shipping companies
d. Maritime Industry Authority
e. Civil and Aeronautics Board
f. Manila Electric Company
g. Land Registration Authority
h. Registries of Deeds
i. Resorts, membership clubs, or similar establishments
j. Homeowners’ associations
k. Real estate development companies
l. Credit card companies
m. Statement of Assets, Liabilities, and Networth and/or Amnesty Returns filed under Republic Act 9480

The Assistant Commissioner, Enforcement Service (ACIR, ES) shall establish linkages with various agencies for authority to secure information/documents on individual. He shall also access the BIR’s Integrated Tax System (ITS) for information on the taxpayer such as:

a. Taxpayer’s Identification Number
b. Registered address
c. Registered business/es
d. Returns filed;
e. Amount of taxes paid
The information gathered from the said entities shall then be evaluated vis-à-vis the data extracted from the ITS. The economic use/beneficial ownership of properties shall be considered in the evaluation process. Thus, all properties registered under the name of his/her child or, whether emancipated or a minor, or any other relative shall be considered as those of the taxpayer when the property is not proven to have been acquired under any of the means enumerated under the New Civil Code of the Philippines and the tax thereon has been properly paid, and/or the child or relative has no independent means sufficient for the acquisition of the properties.

If the taxpayer’s networth has increased in a given year or he has acquired substantial assets and incurred substantial spending disproportionate to his declared income, and was verified from the ITS that he has not filed an Income Tax Return for that period, then such fact constitutes a *prima facie evidence* of fraud and/or substantial under-declaration of taxes warranting the issuance of a Letter of Authority to investigate the taxpayer.

The ACIR, ES shall coordinate with the Information Systems Group for the development of an Electronic Data Warehouse wherein all information gathered in the TLCS shall be stored for reference and use. The Special Investigation Division of the Regional Offices and other BIR audit offices shall also be authorized to implement the TLCS upon the approval of the Commissioner of Internal Revenue.