REVENUE MEMORANDUM ORDER NO. 32-2004 issued on July 6, 2004 provides the guidelines and enforcement measures to determine the correct tax liability of motels. Motels should comply with the following conditions:

a. Submit a Declaration under Oath of the number of motel rooms and room rates per class within 30 days from the issuance hereof, or on or before January 31 in the succeeding years thereafter.

b. Occupancy rate reported for tax purposes for each month is equal to or greater than 1.5 or the average turnover for the whole year 2003, whichever is higher. Where:
   i. “occupancy rate” is computed by dividing the gross sales declared by motels in their VAT/Income Tax Return for a given period divided by gross room rate for the month, and
   ii. “gross room rate for the month” is determined by aggregating the product of the number of rooms per class and the room rate and multiplying the same with the total number of days for the said month.

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\text{Gross room rate for the month} = \left[ \frac{(\text{number of rooms} \times \text{rate per room}) + (\text{number of rooms} \times \text{rate per room}) \ldots}{\text{number of days in the month}} \right]
\]

The number of motel rooms and room rates to be used in the above computation shall be based on the submitted Declaration under Oath verified to be correct by the Bureau.

Motels who fail to comply with the aforesaid conditions shall be the subject of surveillance and/or such appropriate enforcement measures to be conducted by the Revenue District Office/Large Taxpayers Service/Large Taxpayers District Office having jurisdiction over said motels upon the approval of the Commissioner.

“Surveillance or appropriate enforcement measures” may include the posting of BIR personnel in the premises of a designated business establishment for purpose of determining the volume of business transactions entered into by the business establishment for a given period of time.

Motels shall be allowed to amend its Value Added Tax (VAT) and Income Tax Return for the months of January to June 2004 without any penalties and interests under the following conditions:

a. The amendment and payment of taxes arising from said amendment shall be made on or before July 15, 2004, and
b. The amendments shall only pertain to its gross sales.