



**TAX LAW FOR BUSINESS**  
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## **Issuance of electronic letter of authority**

With the increasing demand for the computerization of almost all government processes and in line with the objective of the Bureau of Internal Revenue (BIR) to improve its operational efficiency and to provide up-to-date information of its audit activities, the BIR recently issued Revenue Memorandum Order (RMO) No. 44-2010 for the electronic issuance of letters of authority.

The RMO prescribes the documentary requirements and enhanced automation procedures for the issuance of Letter of Authority, which serves as the embodiment of the mandate of the tax authorities to initiate its tax investigations. A valid electronic Letter of Authority (LA) shall contain the following features:

1. The electronic LA shall bear the name, designation and the electronic signature of the approving BIR official.

The authorized signatories are the following:

- (a) Assistant Commissioner for Large Taxpayers Service (LTS) for investigation of large taxpayers by revenue officers assigned at LTS and its Divisions;
- (b) Deputy Commissioner for Legal and Inspection Group for LAs issued by Enforcement Services and its Divisions;
- (c) The Regional Director for those taxpayers within his regional jurisdiction (Revenue District Offices); and
- (d) The Commissioner himself, or his duly authorized representative, for investigations to be conducted by duly created task forces and special teams

2. The serial number of the LA shall be system-generated, and the date thereof shall be the date when the same was printed. The original copy of the said LA should be transmitted to the taxpayer under investigation.
3. The names of the Revenue Officers assigned to the case shall be printed on the corresponding LA. The first name on the space provided shall be the lead Revenue Officer.

As such, taxpayers should note that the authority to conduct the examination of the company's books shall be limited only those revenue officers named in the LA and accordingly, those officers whose name do not appear in the LA shall not be allowed to participate or assist in the audit.

4. The tax types and the taxable period to be covered by the audit shall be reflected on the LA.

The LA should indicate the scope of the tax audit, referring to the kinds of tax and the taxable period to be covered. Generally, a letter of authority shall cover only one taxable year, except in tax fraud and excise cases, where the issuance of LA covering more than one taxable year may be allowed. Moreover, a letter of authority issued for "a certain taxable year and all unverified prior years" is likewise prohibited.

As to the tax types under investigation, the LA generally covers all internal revenue taxes.

5. The electronic LA shall also include the basis for the audit (i.e., regular audit, special, etc.).
6. Electronic LA with manually-written character (alphabetical or numeric), notation or erasure shall be rendered invalid.
7. The LA shall also include a notation stating that the taxpayer is requested to verify the validity of the LA with the authorized BIR official, at the address and the contact information provided therein.

Another salient provision of this RMO is the withdrawal, effective June 1, 2010, of the requirement of the revalidation of LAs for failure by the revenue officers to complete their audit. Under the old regulations, a letter of authority which is over 120 days from the date of its issuance shall lose its validity and must therefore be revalidated to be effective. Under the present rules, however, there is no longer any need to revalidate the LA even if the prescribed audit period has been exceeded. However, the revenue officers who failed to complete the audit within the prescribed period shall be subject to administrative sanctions.

With these issuances by the tax authorities particularly those geared towards aggressive monitoring and conduct of its tax audit, it is incumbent upon the taxpayers to know their tax obligations and ensure compliance with tax regulations, and be prepared and vigilant of their rights in case of tax audit or investigation.

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