

**BDB Law**

DU-BALADAD AND ASSOCIATES

# ADVISORY

SERIES OF 2026

Revised Policies, Controls, and  
Procedures for Tax Audit and  
Assessment

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

**REVISED POLICIES, CONTROLS, AND PROCEDURES FOR TAX**  
**AUDIT AND ASSESSMENT**

**I. Resumption of Audit and Field Operations**

The resumption of tax audit and related field operations shall cover, but shall not be limited to, the following activities:

- Issuance of Electronic Letters of Authority (eLA), Mission Orders (MO), and Tax Verification Notices (TVN);
- Continuation and completion of audit cases previously suspended pursuant to RMC No. 107-2025;
- Enforcement, verification, assessment, and collection activities requiring audit or field operations; and
- Other audit or enforcement activities necessary to protect revenue or enforce compliance.

**II. Mandatory Labels for Taxpayer Verification**

<b>Audit/Verification Instrument</b>	<b>Mandatory Label</b>
eLA	"FULL EXAMINATION OF BOOKS AND OTHER ACCOUNTING RECORDS"
MO	"VERIFICATION, SURVEILLANCE, MONITORING, AND INSPECTION ACTIVITIES ONLY – LIMITED AUTHORITY"
TVN	"VERIFICATION AUTHORITY – LIMITED SCOPE"

**III. System Controls and Responsibilities**

<b>Audit/Verification Instrument</b>	<b>System Templates, Mandatory Fields, and Validation Controls</b>
eLA	<ol style="list-style-type: none"><li>a. The taxpayer's name and Taxpayer Identification Number (TIN);</li><li>b. The tax types covered and the corresponding taxable period/s;</li><li>c. The assigned Revenue Officer/s (RO) and Group Supervisor/s (GS);</li><li>d. The applicable legal basis under the Tax Code, as amended; and</li><li>e. The prescribed mandatory label.</li></ol>

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

<b>Audit/Verification Instrument</b>	<b>System Templates, Mandatory Fields, and Validation Controls</b>
MO and TVN	a. The correct instrument type shall be clearly indicated; b. Every TVN shall specifically identify the exact transaction, declaration, or claim being verified; c. No language implying full audit or assessment authority shall appear in any TVN or MO; and d. The applicable mandatory labels and identifiers corresponding to each instrument shall be properly reflected in the issued document.

**IV. Single – Instance Audit Framework**

Application

**General Rule** – Only one eLA for a given taxable year, covering all applicable internal revenue tax types, including Value-Added Tax (VAT). The issuance of multiple or overlapping eLAs covering the same taxpayer and taxable year is prohibited.

**Exception** – In fraud cases, one eLA may cover several years.

In case of findings arising from verifications under an MO or a TVN indicate the need for a broader examination, such examination shall be subject to the issuance of a separate eLA.

Coverage and Exceptions

**Covered Activities –**

- New audits from the effectivity of RMO No. 1-2026
- Audits resumed from the suspension which were automatically consolidated into a single eLA
- Re-issued eLA for audit continuation

**Exceptions** – Separate audit/verification authority may be issued for:

- One-Time Transactions
- Requests/applications for tax clearance
- Applications for cancellation of business registration
- Cases with fraud or irregularity

Findings of Fraud

If findings of fraud are established or reasonably indicated, all records, documents, and working papers relating to the affected eLAs shall be referred to the appropriate investigating office for further action:

- Regional Investigation Division (RID)** – For cases falling within regional jurisdiction.
- National Investigation Division (NID)** – For cases falling within national jurisdiction or those otherwise requiring national-level investigation

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

Upon referral, the handling office shall cease further audit action without prejudice to the issuance of a new eLA by the RID or NID.

**V. Consolidation of Pending eLAs**

Automatic Consolidation of Pending eLAs

**General Rule** – Beginning March 4, 2026, all pending eLAs with ongoing investigation covering the same taxpayer and taxable year shall be automatically consolidated into one (1) eLA, without any action required from the taxpayer.

**Exception** – When a written Request for Non-Consolidation is filed by a taxpayer.

**Effects of Consolidation** –

- A consolidated replacement eLA shall be issued to cover all applicable internal revenue tax types for the taxable year concerned.
- All subsumed eLAs shall be deemed cancelled.
- The replacement eLA shall be the sole and continuing audit authority for the taxable year concerned.
- The replacement eLA should bear a statement that it is issued *in lieu* of the cancelled eLAs.

**Reassignment of ROs** – Any reassignment in connection with consolidation shall:

- be deemed an administrative adjustment to maintain audit continuity; and
- shall not be construed as the issuance of a new audit authority.

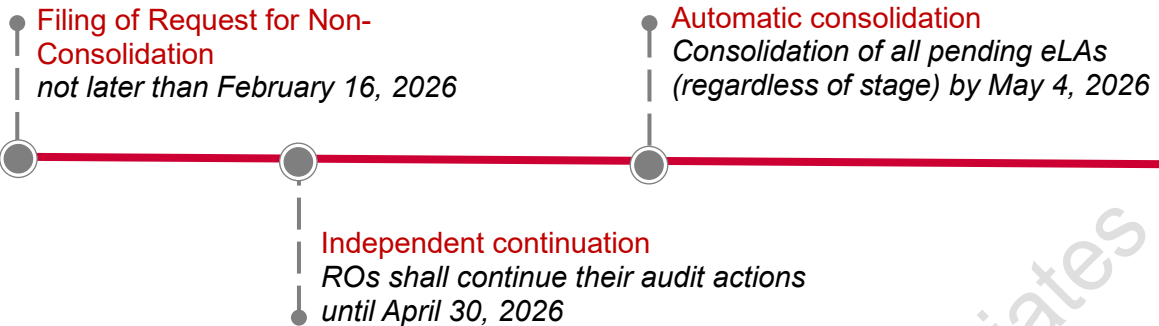
Request for Non-Consolidation

**Availing Non-Consolidation** – The taxpayer shall:

- File a written request no later than February 16, 2026 with the RDO/Office Audit Section (OAS)/LTAD (“Receiving Office”) handling the eLA that covers all internal revenue taxes, except VAT, for the taxable year concerned. Requests filed after this date shall not be acted upon.
- Indicate the following in the written request:
  - Name of the Investigating Office
  - eLA Serial Number/Audit Case Number
  - Date of issuance
  - Tax type
  - Taxable period
- Endorse the request to all other BIR offices handling other eLAs for the same taxable year for their information.
- Copy furnish the Regional Director (for regional cases) or the ACIR-LTS (for LTS cases).

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

**Timeline for Non-Consolidation Cases**



Findings of Fraud

If findings of fraud are established or reasonably indicated, all records, documents, and working papers relating to the affected eLAs shall be referred to the appropriate investigating office for further action:

- RID** – For cases falling within regional jurisdiction.
- NID** – For cases falling within national jurisdiction or those otherwise requiring national-level investigation

Upon referral, the handling office shall cease further audit action without prejudice to the issuance of a new eLA by the RID or NID.

**VI. Issuance of New eLAs**

System-Assisted Audit Selection

As a matter of policy:

- All taxpayers are generally considered potential taxpayers for audit and assessment.
- Initiation of audits shall be limited to taxpayers selected through the system-assisted process.

Criteria for Audit Selection

**Mandatory Case** – For taxpayers with:

A. To be covered by an eLA:

- Prima facie evidence of fraud (at least 30% underdeclaration of sales/income or overstatement of expenses/deduction)
- Intelligence information (such as specific business knowledge, third party data, and publicly available information)
- MO with preliminary indicator of understatement of sales by 30% or more
- One-Time Transactions
  - Cases with review findings resulting to a deficiency tax; or
  - Real property transactions with findings in the eCAR system.

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

- Enjoying tax exemptions/incentives
- Non-compliance with tax obligations arising from Spontaneous Exchange of Information
- Tax clearance requests for taxpayers with more than P1,000,000.00 gross sales or more than P3,000,000.00 gross assets due to:
  - Death of the taxpayer
  - Retiring from business
  - Merger/consolidation/split-up/spin-off and other types of corporate reorganizations

**B. To be covered by an TVN:**

- Claims for income tax refund or issuance of tax credit certificate
- Claims for VAT refund/credit
- Claims for excise tax refund/credit, regardless of amount
- Claims for refund/credit on erroneous/double payment of taxes, regardless of amount

**Priority Case – For taxpayers with:**

- Drastic decrease in reported sales/VAT payments
- Significant increase in exempt/zero-rated sales/revenues
- Discrepancy Notices
- Excess input tax carried forward in the VAT return of the succeeding quarter is different from the input tax reflected in the previous quarter VAT return
- VAT returns reflect substantial input taxes (e.g. total input taxes claimed exceed 75% of the total output tax)
- Income tax due of less than 2% of gross sales/revenues
- Percentage tax returns whose gross sales/receipts exceed VAT threshold
- Substantial sales but reporting net loss
- Operations of more than 5 years from inception but have not yet been audited
- Increase in assets of more than 50% from previous year but with net loss
- Claims for losses/damages due to natural calamities or inventory obsolescence
- Revenue/income exclusively or substantially from its parent company/subsidiaries/affiliates
- Write-off of input tax as allowable deduction in its annual income tax returns
- Shared expenses and other interrelated charges

A more comprehensive procedure for taxpayer selection, case assignment and eLA issuance shall be implemented on or before April 16, 2026.

**System-Assisted Generation of Audit Lists**

- Automatically generated through BIR information systems based on the approved audit selection criteria.
- Shall be submitted to the CIR for approval. Only taxpayers included in the approved audit list may be issued new eLAs.
- Written recommendations/justification may be made by an RDO, OAS, RID, NID, LTS offices, or other authorized offices which shall be endorsed by the Regional Director, ACIR-LTS, ACIR for Enforcement and Advocacy Service, or the DepCom for the Legal Group, as applicable. All endorsed recommendations shall be subject to validation against the approved audit selection criteria and subject to CIR approval.

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

Anonymized Selection and Assignment Process

<b>Process</b>	<b>Particulars</b>
Central generation, approval, and dissemination of taxpayer lists	<input checked="" type="checkbox"/> Taxpayers shall be represented solely by a system-generated identifier <input checked="" type="checkbox"/> No disclosure of taxpayer's name, TIN, or registration details <input checked="" type="checkbox"/> The list of taxpayers shall be disseminated to the respective Regional Director/ACIR-LTS
Assignment of ROs	Assignment shall be based strictly on the following: <input checked="" type="checkbox"/> Workload balancing <input checked="" type="checkbox"/> Applicable rotation rules
Return and De-anonymization	The Information Systems Group shall de-anonymize the list which shall be forwarded to the appropriate Office
Documentation and Monitoring	Monthly compliance reports shall be submitted to the ACIR of the Assessment Service

The anonymized selection and assignment process shall be implemented pending full automation.

Compliance Instructions

- No RO and GS shall be informed of taxpayer identity prior to confirmation of assignment.
- Deviations from the anonymization procedures shall require endorsement by the concerned Regional Director or ACIR-LTS and prior approval by the CIR.

eLA Issuance

All eLAs shall:

- Comply with the Single – Instance Audit Framework
- Be properly encoded and reflected in the appropriate BIR systems
- Clearly reflect the approved taxpayer name, TIN, taxable year/s, tax types, and assigned ROs and GS

**VII. Transfer of Task Force Audits and Assessment**

- The existing task forces are now deemed concluded and their audit and assessment functions shall be absorbed by the appropriate regular BIR offices.
- An accomplishment report shall be submitted to the CIR, detailing the status of all cases, actions taken, and the offices to which such cases have been transferred.

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

<b>Task Force</b>	<b>Particulars</b>
Run After Fake Transactions (RAFT)	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To be immediately turned over to the NID</li> <li><input checked="" type="checkbox"/> No further action shall be done by RAFT Task Force members on transferred cases</li> <li><input checked="" type="checkbox"/> All existing LOAs issued under RAFT Task Force are cancelled to allow issuance of new eLAs for further audit or investigation by NID ROs and GS</li> <li><input checked="" type="checkbox"/> If further audit or investigation is not warranted, the NID may recommend closure or termination</li> </ul>
Other Task Forces	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Shall be transmitted to the relevant Revenue Region, RDO, or LT Audit Office</li> <li><input checked="" type="checkbox"/> For fraud cases, the case shall be endorsed to the RID or NID</li> <li><input checked="" type="checkbox"/> For non-fraud cases, audit cases shall be consolidated consistent with the Single – Instance Audit Framework</li> <li><input checked="" type="checkbox"/> If further audit or investigation is not warranted, the Revenue Region, RDO, or LT Audit Office may recommend closure or termination</li> </ul>

**VIII. Transition of VAT Audit Sections (VATAS) and Large Taxpayers VAT Audit Units (LTVAU)**

The VATAS and LTVAU shall wind up operations **until May 15, 2026**. Thus, they shall:

- Transmit all documents, records, working papers, and audit dockets relating to cases subject to consolidation or transfer to the designated handling office; and
- Review, organize, and prepare all ongoing audits and assessments for transfer to the appropriate regular offices of the BIR on or before April 30, 2026.

**IX. Audit and Assessment Proper**

**Mandatory Use of Standardized Audit Checklist**

- All ROs shall be required to use a standardized checklist of documents. The checklist shall be applied consistently across all offices and audit cases.
- Additional documents may be requested only when directly relevant to the specific issues. Such requests shall be clearly explained and properly documented.
- Industry-specific or sector-specific checklists shall be issued. However, pending such checklist, the general standardized checklist shall be used.

**Proper Documentation of Audit Events and Taxpayer Interactions**

<b>Meetings/Discussions</b>	<b>Documentation</b>
Discussion on Discrepancy (after issuance of Notice of Discrepancy)	Minutes of meetings/discussions shall be prepared and duly signed by the taxpayer/authorized representative and RO, with any refusal to sign clearly noted

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

Meetings/Discussions	Documentation
All other meetings/discussions	Coursed through official channels of the ROs or GS

Guidelines on the Preparation of Assessments

- Revenue Officers shall not issue unreasonable assessments.
- Assessment notices shall be anchored only on issues that remain unresolved after the Discussion on Discrepancy and shall clearly state the factual and legal bases, including the applicable law and jurisprudence.

Examination of Voluminous Records

At the option of the taxpayer, examination and inspection may be through:

Venue of Examination	Particulars
Physical submission to the BIR office	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Photocopies may be submitted provided these are certified as true and faithful reproductions of the original by the taxpayer or authorized representative</li> <li><input checked="" type="checkbox"/> If there is no certification, the BIR may require presentation of original documents for verification</li> </ul>
Examination at the principal place of business of the taxpayer	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> With prior coordination with the handling RO</li> <li><input checked="" type="checkbox"/> Taxpayer shall provide suitable area</li> </ul>

Observance of Due Process and Audit Safeguards

Due process and audit safeguards shall be observed:

- Proper and timely service of audit notices and communications
- Clear identification and communication of the scope of audit and documents
- Reasonable opportunity to submit documents and explanations
- Proper conduct and documentation of all meetings, conferences, submissions, and audit actions

Prohibited actions:

- Request documents not relevant to the authorized scope or audit
- Conduct verification or examination beyond the taxable year or tax types covered
- Use audit or verification activities to exert undue pressure

**X. Sanctions**

A BIR official or employee who violates, circumvents, or fails to comply with the provisions of this RMO shall be subject to the appropriate administrative, civil, and criminal liabilities, without prejudice to the filing of other actions warranted under existing laws.

Report of alleged violations may be submitted to [contact us-LOA@bir.gov.ph](mailto:us-LOA@bir.gov.ph).

**BUREAU OF INTERNAL REVENUE**  
**Revenue Memorandum Order No. 1-2026**  
**January 27, 2026**

**XI. Effectivity**

This RMO shall take effect immediately.

*Source:*  
*BIR RMO No. 1-2026*  
*January 27, 2026*

Copyright © Du-Baladad and Associates

**Learn more:**

email us at [info@bdblaw.com.ph](mailto:info@bdblaw.com.ph)  
or call +632 8403-2001  
visit us at: [www.bdblaw.com.ph](http://www.bdblaw.com.ph)

\*DISCLAIMER: This is for general information only and is not intended, nor should be construed as a substitute for tax, legal or financial advice on any specific matter.

Du-Baladad and Associates (BDB Law) is a multi-awarded, global tax law firm in the Philippines that offers services around 3 major areas of practice – **tax**, **legal** and **consulting**.

**BDB Law**

DU - BALADAD AND ASSOCIATES

© 2025 Du-Baladad and Associates. All Rights Reserved.