

**REQUIRING THE BUREAU OF INTERNAL REVENUE TO ESTABLISH A PROGRAM TO PROMOTE OPTIMUM TAX COMPLIANCE**

**WHEREAS**, it is important for the efficiency of tax administration to significantly increase and for revenues to grow in step with the medium term development program of government;

**WHEREAS**, tax collection performance is to a large extent a function of the level of voluntary compliance of taxpayers;

**WHEREAS**, voluntary tax compliance is enhanced when compliant taxpayers are protected against undue audits and investigations even as tax evaders are punished;

**WHEREAS**, there is a need to establish a program to increase tax collections by providing taxpayers with incentives to voluntarily declare and pay higher taxes and by reducing administrative costs that are entailed from audits and investigations conducted by the Bureau of Internal Revenue;

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**SECTION 1.** The Commissioner of Internal Revenue is hereby instructed to establish a program, to be known as the "No Audit Program" (NAP), wherein taxpayers who qualify under the terms and conditions to be prescribed by said program, shall be exempted from audit and/or investigation for the period for which they qualify.

**SECTION 2.** Under the NAP, the Commissioner of Internal Revenue shall provide for the conditions, in accordance with law, under which taxpayers liable for business income shall be exempted from audit and/or investigation. Provided, however, to be exempted from audit and/or investigation, the threshold required shall not be lower than the following:

- a. growth rate of income tax payment for the current tax year compared with the previous tax year must be at least 20%;
- b. growth rate of income tax payment for the last quarter of the current tax year compared with the last quarter of the previous tax year must be at least 25%;



- c. growth rate of income tax payment for the first quarter of the succeeding tax year compared with the first quarter of the current tax year must be at least 25%;
- d. ratio of income tax payment to gross sales/receipts for the current taxable year must be at least equal to that of the previous taxable year;
- e. ratio of income tax payment to gross sales/receipts for the first quarter of the succeeding taxable year must be at least equal to that of the first quarter of the current taxable year; and
- f. ratio of net value added tax or business tax actually paid to gross sales/receipts for the current taxable year must be at least equal to that of the previous taxable year, or the benchmark of the industry, as set by the Commissioner of Internal Revenue, whichever is higher.

**SECTION 3.** No taxpayer shall be allowed to participate in the program after taxable year 2004, unless said taxpayer is actually registered and commences its operations after taxable year 2004.

**SECTION 4.** Any participant who will discontinue participating in, or will not qualify under the program in any given taxable year shall be disqualified from further participation.

**SECTION 5.** The program shall be effective for a period of five (5) years commencing on taxable year 2004.

**SECTION 6.** Upon the recommendation of the Commissioner of Internal Revenue, the Secretary of Finance shall issue the implementing regulations required to implement and achieve the objectives of this Order.


**SECTION 7.** This Executive Order shall take effect immediately.

DONE in the City of Manila, this 17<sup>th</sup> day of January, in the year of Our Lord, Two Thousand Five.

By the President



**EDUARDO R. ERMITA**  
Executive Secretary



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