

[EXECUTIVE ORDER NO. 399, January 17, 2005]

**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 Philippines, by virtue of the powers vested in me 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 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