



TAX LAW FOR BUSINESS
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CAATTS mandatory in conglomerate audit

Revenue Memorandum Order (RMO) 36-2010 was issued on March 30, 2010. It defined the guidelines and procedures in the conduct of investigation of interrelated companies under the conglomerate audit program (CAP) for the taxable year 2009.

The RMO specifically requires the use of a computer-assisted audit tools and techniques system (CAATTS) for taxpayers with computerized accounting system (CAS), particularly in the data gathering, summarizing and obtaining discrepancy reports of voluminous business transactions of taxpayers under audit.

The audit teams assigned in the conglomerate audit are from the Large Taxpayers Service (LTS) and Enforcement Service, with each audit team headed by an assistant commissioner. Taking into consideration that not all members of a conglomerate are registered with the LTS and possibly within the jurisdiction of several revenue district offices (RDO), the assigned audit team may have difficulties in applying CAATTS in its audit, since it needs to gather all the information electronically submitted by the conglomerate members from all the concerned RDO.

Thus, the BIR, through RMO 14-2011, established a CAATTS laboratory to assist in the conglomerate audit. One of the objectives of this RMO is to enable the efficient and expedient process of completing an audit in an environment where taxpayers are mandated to submit records and documents in electronic form by providing independent data analysis or interrogation on taxpayers' electronic data or information.

The CAATTS laboratory is a highly secured area where only authorized personnel can have access. It shall be equipped with a data mart, which shall contain information electronically submitted by the taxpayers such as:

1. Summary list of sales.
2. Summary list of purchases.
3. Monthly alphalist of payees.
4. Summary alphalist of withholding agents of income payments subject to tax.

5. Alphalist of payees subjected to final withholding tax.
6. BIR form 1604CF, including all its schedules.
7. Summary list of importations.
8. BIR form 1604E, including all its schedules.

Only the lead revenue officer or group supervisor designated and assigned to work on the letter of authority (LA) issued in relation to the conglomerate audit program could obtain the above enumerated information upon request to the CAATTS data mart administrator using the CAATTS data request/action form. In addition to the information contained within the CAATTS data mart, the audit team may request to upload all other electronic files (e.g., e-books of accounts) maintained by the taxpayer upon the adoption of a computerized accounting system.

All LAs covering any conglomerate audit should undergo data analysis/data interrogation procedures to be performed by the CAATTS experts. The data analysis/data interrogation results shall be submitted/transmitted by the CAATTS experts within 10 working days from commencement of data analysis/data interrogation for consolidation with the audit findings derived by the LA-designated revenue officers from other audit techniques and methods.

The support unit of CAATTS is not authorized and allowed to conduct field audit on cases it is tasked to do data analysis/data interrogation, except on its own audit cases where it is named as revenue officer of the case.

With the presence of the CAATTS laboratory, the assigned audit team of a conglomerate may easily uncover differences in the reports made by taxpayers on their transactions between and among the related companies included in the conglomerate audit. The companies under audit should be ready to reconcile these differences to avoid the issuance of an assessment.

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