

TWENTIETH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



25 DEC 10 P2:20

SENATE

P. S. RES. NO. 201

RECEIVED BY: 

Introduced by **Senator Win Gatchalian**

RESOLUTION

DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE ALLEGED EXTORTION SCHEMES PERPETRATED BY OFFICIALS AND PERSONNEL OF THE BUREAU OF INTERNAL REVENUE THROUGH THE ISSUANCE OF LETTERS OF AUTHORITY, WITH THE END IN VIEW OF PROTECTING TAXPAYERS, RESTORING PUBLIC TRUST IN THE TAX SYSTEM, AND RECOMMENDING SYSTEMIC REFORMS TO PREVENT ABUSE OF TAX AUDITS THEREOF

1 **WHEREAS**, Article XI, Section 1 of the 1987 Constitution declares that public
2 office is a public trust and that public officers and employees must at all times be
3 accountable to the people, serve them with utmost responsibility, integrity, loyalty
4 and efficiency, act with patriotism and justice, and lead modest lives;

5 **WHEREAS**, Section 6 of the National Internal Revenue Code, as amended,
6 authorizes the Commissioner of Internal Revenue or his duly authorized
7 representative to examine any taxpayer and assess the correct amount of tax;

8 **WHEREAS**, Section 13 of the National Internal Revenue Code, as amended,
9 provides that "upon recommendation of the Commissioner, a Revenue Officer
10 assigned to perform assessment functions in any district may, pursuant to a Letter of
11 Authority ("LOA") issued by the Revenue Regional Director, examine taxpayers
12 within the jurisdiction of the district in order to collect the correct amount of tax, or
13 to recommend the assessment of any deficiency tax due";

14 **WHEREAS**, news reports have revealed mounting complaints alleging that
15 some BIR personnel use LOAs to extort money, offering "packages" or "discounted"
16 settlements on supposed tax deficiencies on the condition that a significant portion
17 of the amount be pocketed by the involved officials, thereby depriving the

1 government of much-needed revenues, targeting not only corporations but also sole
2 proprietorships;¹

3 **WHEREAS**, media accounts further allege instances where large preliminary
4 tax assessments are reportedly negotiated down to much lower figures after under-
5 the-table "settlements," accompanied by instructions to falsify or "fix" receipts,
6 underscoring the gravity of the alleged schemes and the deliberate attempt to
7 conceal irregular transactions;²

8 **WHEREAS**, Malacañang has publicly expressed concern over these
9 allegations and signified its intention to have the reported misuse of LOAs
10 investigated, while the BIR itself has announced that it will look into the supposed
11 extortion activities of its officials and personnel in relation to the issuance and use of
12 LOAs and related mission orders;⁴

13 **WHEREAS**, as a response to the "numerous complaints from taxpayers,
14 stakeholders, and internal units regarding irregularities and inconsistencies,"
15 Revenue Memorandum Circular No. 107-2025⁵ was issued which suspended all
16 ongoing field audits and related field operations, such as issuing LOA, mission
17 orders, examination, and verification of taxpayers' books of accounts, records, and
18 other related transactions. The BIR will also conduct a comprehensive review of its
19 existing policies and procedures;

20 **WHEREAS**, the complaints, if left unheeded, will erode investor confidence,
21 damage the business climate, and create the perception that tax enforcement is
22 arbitrary and negotiable, which might eventually result to potential revenue losses,
23 distortions in national revenue forecasting, and systemic vulnerabilities;

24 **WHEREAS**, it should be emphasized that while taxes are the lifeblood of the
25 government, it should nevertheless be collected in accordance with existing laws as

¹ Mangaluz, J., "BIR officials extort firms using audit letters, says Tulfo", accessed from: <https://www.philstar.com/headlines/2025/11/24/2489576/bir-officials-extort-firms-using-audit-letters-says-tulfo> (date last accessed: December 9, 2025)

² Santos, T., "BIR warned vs abusing letters of authority", accessed from: <https://newsinfo.inquirer.net/2143246/bir-warned-vs-abusing-letters-of-authority> (date last accessed: December 9, 2025)

⁴ Bajo, A., "Palace eyes probe of alleged BIR money-making scheme", accessed from: <https://www.gmanetwork.com/news/topstories/naation/967504/palace-eyes-probe-of-alleged-bir-money-making-scheme/story/> (date last accessed: December 9, 2025)

⁵ Entitled "Suspension of all Audit and Other Field Operations of the Bureau of Internal Revenue Until Lifted by the Commissioner of Internal Revenue" issued on November 24, 2025

1 any arbitrariness will negate the very reason for government itself and will
2 undermine the real purpose of taxation which is the promotion of common good⁶;

3 **NOW, THEREFORE BE IT RESOLVED BY THE SENATE OF THE**
4 **PHILIPPINES,** to direct the appropriate Senate committee to conduct an inquiry, in
5 aid of legislation, into the alleged extortion schemes perpetrated by officials and
6 personnel of the Bureau of Internal Revenue through the issuance of Letters of
7 Authority, with the end in view of protecting taxpayers, restoring public trust in the
8 tax system, and recommending systemic reforms to prevent abuse of tax audits
9 thereof.

Adopted,



WIN GATCHALIAN

⁶ Commissioner of Internal Revenue vs. Algue, Inc., G.R. No. L-28896 (February 17, 1988).