



ANNEX A

## List of Audit Selection Criteria

### 1. Mandatory Case

#### a. To be covered by Electronic Letter of Authority (eLA)

Selection Criteria	Selection Code
1. Taxpayer with under declaration of sales/income or overstatement of expenses/deductions by at least 30% (prima facie evidence of fraud)	FRD
2. Taxpayers with intelligence information such as specific business knowledge, third party data and publicly available information (e.g., from media press releases vs. actual revenue/tax declaration per return, etc.)	TPI
3. Taxpayers with Mission Order with preliminary indicator that taxpayer has understatement of sales by 30% or more	MOS
4. One-Time Transaction a. Cases with review findings resulted to a deficiency tax; or b. Real property transactions with findings in the eCAR System	OTT
5. Taxpayers enjoying tax exemptions/incentives	INC
6. Occurrences of non-compliance with tax obligations arising from Spontaneous Exchange of Information	SEOI
7. Taxpayers requesting for tax clearance whose gross sales is more than P 1,000,000.00 or gross assets is more than P 3,000,000.00, due to a. Death of the taxpayer; or b. Taxpayers retiring from business c. Taxpayers undergoing merger/consolidation/split-up/spin-off and other types of corporate reorganizations	TRC

#### b. To be covered by Tax Verification Notice (TVN)

Selection Criteria	Selection Code
1. Taxpayers with claims for income tax refund or issuance of tax credit certificate	ITR for income tax; ITC for tax credit certificate
2. Taxpayers with claims for Value-Added Tax (VAT) refund/credit	VTR for VAT refund; VTC for VAT credit certificate
3. Claims for tax refund/credit of excise tax under Title VI of the Tax Code, as amended, regardless of amount	ETRS for excise tax refund; ETCS for excise tax credit certificate
4. Claims for tax refund/credit on erroneous/double payment of taxes, regardless of amount	ERTR for tax refund; ERTC for tax credit certificate

### 2. Priority Case

Selection Criteria	Selection Code
1. Taxpayers with drastic decrease in reported sales/VAT payments	DIT
2. Taxpayers with significant increase in exempt/zero-rated sales/revenues	EZE
3. Discrepancy Notices	DNA
4. Taxpayers whose excess input tax carried forward in the VAT return of the succeeding quarter is different from the input tax reflected in the VAT return of the previous quarter	EIT
5. Taxpayers whose VAT returns reflect substantial input taxes such as when the total input taxes claimed exceed 75% of the total output tax	EIL
6. Taxpayers with income tax due of less than 2% of gross sales/revenues	LOW

7. Taxpayers filing percentage tax returns whose gross sales/receipts exceed the VAT threshold	PERI
8. Taxpayers with substantial sales but reporting net loss	SNL
9. Taxpayers who have been in operation for more than five (5) years from inception, and who have not yet been audited	LST
10. Taxpayers with increase in assets of more than fifty percent (50%) from the previous year but with reported net loss	ASS
11. Taxpayers with claims for losses/damages due to natural calamities or those claiming inventory obsolescence	CLD
12. Taxpayers deriving its revenue/income exclusively or substantially from its parent company/ subsidiaries/ affiliates	PSA
13. Taxpayers claiming write-off of input tax as allowable deduction in its annual income tax returns	CWO
14. Taxpayers with shared expenses and other interrelated charges being imputed by a parent company to its affiliates and likewise an affiliate to another affiliate in a conglomerate	EPA

