



Technical Report

Streamlining the BIR Tax Rulings Process Phase 4 – Systems Requirements Report

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Prepared for

**Asst. Commissioner James Roldan, Legal Service
Bureau of Internal Revenue (BIR), and
former Undersecretary Emmanuel P. Bonoan
Department of Finance
Republic of the Philippines**

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Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract with the CARANA Corporation, Nathan Associates Inc. and The Peoples Group (TRG) to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-00-03-00020 Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

EMERGE assistance for this task was initially requested by letter dated 21 March 2005 from then Department of Finance (DOF) Undersecretary Emmanuel P. Bonoan to USAID Mission Director Michael J. Yates. The activity was put on hold due to subsequent DOF personnel changes. The request for assistance was later revived by Assistant Commissioner James Roldan of the Bureau of Internal Revenue (BIR) Legal Service to provide technical assistance to improve the framework and procedures in the issuance of tax rulings. The activity was to consist of 1) an update of a USAID-funded tax rulings study conducted for BIR in 2002, from which corrective measures based on the findings were to be developed, and 2) an enhancement of the management and processes of tax rulings with a new systems design and procedural automation. However, the BIR Management Committee decided they could handle the first task themselves and that the EMERGE consultants should concentrate on helping the Legal Service with the second one. EMERGE contracted Januario C. Aliwalas and Edmund Guamen for the task, which was divided into four components, each of which, after completion, is the subject of a separate report:

Part 1 - Systems Investigation

Part 2 - Systems Analysis

Part 3 - Systems Design – Overall System (with Manual Components)

Part 4 - Systems Specifications for the Computerized Component

The views expressed and opinions contained in these reports are those of the authors and are not necessarily those of USAID, the GRP, EMERGE or its parent organizations.

Systems Requirements Report
For the
BIR TAX RULING SYSTEM (TRS)

LEGAL SERVICE
BUREAU OF INTERNAL REVENUE
Republic of the Philippines

JANUARY 2007

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INTRODUCTION

Tax rulings are official positions of BIR on queries of taxpayers, who request clarification on certain provisions of the National Internal Revenue Code or its implementing regulations, usually for the purpose of seeking tax exemptions. These issuances are part of the guidance that the BIR provides taxpayers to help them comply with the country's internal tax laws. Section 4 of the Code provides that the "provisions of this Code and other tax laws shall be under the exclusive and original jurisdiction of the Commissioner, subject to review by the Secretary of Finance." In cases where there are already precedent tax rulings issued by the Commissioner, the issuance of tax rulings on similar queries may be delegated to the Deputy Commissioners, Assistant Commissioners and Revenue Regional Directors.

In 2005, the Bureau of Internal Revenue requested USAID-EMERGE to assist the office in completing the reform process on tax rulings. The objective was to improve the framework and procedures in the issuance of the tax rulings. The framework and procedures would be designed to enhance the quality of the guidance BIR provides taxpayers, raise the level of transparency and accountability, and streamline the operations in processing and monitoring the issuance of tax rulings. There is also a need to strengthen the coordination between the legal service of the BIR National Office and the revenue regions in the issuance of tax rulings, and to streamline and possibly automate the process of application, processing, and monitoring of tax rulings.

Early in 2006, separate meetings were held with BIR officials to discuss the technical assistance on tax rulings. Part of the technical assistance is a systems study which is aimed to improve revenue collection by (1) helping the BIR plug revenue leakages arising from the issuance of legally inconsistent tax rulings; (2) improving the level of transparency and accountability in the issuance of tax rulings; and (3) enhancing the quality of the guidance provided to taxpayers.

The systems study involves four phases and the results are presented in four (4) parts. Part 1 Report describes the current system and details the tax ruling processes in the BIR National Office and in the Regional Offices. Part 2 Report summarizes the needs of the various stakeholders and the problems/weaknesses of the current system. Part 3 Report defines the functional requirements for the tax rulings process based on needs assessment of the different users and stakeholders and proposes immediate improvements to the system on a semi-automated, semi-manual mode. This is referred to as the Interim Tax Ruling System.

This report (Report 4) shall specify the requirements of the fully automated tax ruling system. The purpose of the report is to serve as the terms of reference for the development of the system which the BIR Legal Service plans to bid out to qualified developers later on.

1. THE CURRENT TAX RULING SYSTEM

1.1. The Current Tax Ruling Process at the National Office

1.1.1. Step 1 - A request for tax ruling is filed

- i. The request can be filed by a taxpayer (individual/corporation), law/accounting firms, BIR interoffice, the Office of the President, the Senate, the House of Representatives, or any Government Agency.
- ii. The usual format is a letter coming from a taxpayer or any of the filers above. Some requests take the form of a memorandum from a government agency addressed to the BIR.
- iii. Most of the requests are hand carried personally by the taxpayer or his representative. Some (about 10 to 15%) are received by registered mail.
- iv. If the request is related to case which is the subject of an ongoing investigation by any agency, the letter is usually accompanied by attachments contained on a docket folder.
- v. The letters are mostly in English although sometimes they are written in Tagalog.

1.1.2. Step 2 – Receipt of Request at the BIR

- i. The unit at BIR that receives the request is the Law Division. Some requests are filed directly with the Office of the BIR Commissioner or the Office of the Legal Service. When this happens, the letter requests are later on forwarded to the Law Division.
- ii. The Receiving Clerk of the Law Division receives the letters and logs the details in the Law Division logbook. For easy tracking later on, the receiving clerk assigns a LOCATOR Number (e.g. K1- 001 –2006 or the First request of Ruling Type K1 for the year 2006). K1 is an example of an office code number assigned for a particular type of ruling.
- iii. The receiving clerk then forwards the letter and all attachments to the Law Division Chief.

1.1.3. Step 3 – Assignment to an Action Attorney

- i. The Division Chief reviews the request then assigns the case to one of the eleven (11) Action Attorneys in the Law Division. The Assistant Division Chief can also assign the case on behalf of the Division Chief.
- ii. The Division Chief considers load balancing as a factor in assignment of cases to an Action Attorney. Action Attorneys must carry more or less the same load (as they work on more than one case at any given time). In some cases the Division Chief asks for a report on current cases assigned to the Action Attorneys.
- iii. The requests can be classified into three (3) categories according to level of difficulty:
 - a. Easy
 - b. Medium
 - c. Difficult

- iv. The level of difficulty of cases already assigned to an Action Attorney is also considered during assignment. Hence, an Action Attorney might be working on a few difficult cases while another is working on numerous but easy assignments.
- v. The skills set is also used by the Division Chief as a factor in determining case assignments. Some Action Attorneys have developed expertise in certain areas. The types of cases are as follows:
 - a. Income Tax
 - b. VAT
 - c. Excise Tax
 - d. DST
 - e. Withholding tax
 - f. Special Laws (e.g. PEZA)
 - g. Incentives
 - h. Corporate Organizations/Re-organizations
 - i. Donations
 - j. Retirement
 - k. Others
- vi. The assignment (as to who will work on the case) is indicated (handwritten) on the letter request by the Division Chief.
- vii. The Division Chief sends the request back to the Receiving Clerk for recording.

1.1.4. Step 4 – Receiving Clerk Records the Assignment

- i. The receiving clerk records the assignment into a logbook.
- ii. The receiving Clerk maintains a separate logbook for each Action Attorney.
- iii. The Receiving Clerk forwards the case to the Action Attorney

1.1.5. Step 5 - Action Attorney Works on the Case

- i. The Action Attorney receives the case from the receiving clerk. The Action Attorney makes sure that the request does not cover a no-ruling area.
- ii. No-Ruling areas refer to cases where rulings need not be issued as in instances where the case is fictitious, hypothetical or there is a pending investigation/assessment. Reference is revenue bulletin RB # 1-2003
- iii. The Action Attorney checks if previous rulings about the same subject exist.
- iv. The Action Attorney accesses the Lex Libris/ Access Law (C.A.T.S.) in CD ROM Format or printed copies of previous rulings.
- v. The Action Attorney captures the reference number of the precedent(s) in a boxed portion of the reply/ruling.
- vi. The Action Attorney reviews all materials that could serve as legal basis for his recommendation. The following are typically used as reference materials by the Action Attorney:
 - a. Tax Code (Internal Revenue Code)
 - b. Revenue Issuances
 - c. Revenue Regulations (RR)
 - d. Revenue memorandum Circulars (RMC)
 - e. Revenue Memorandum Orders (RMO)
 - f. Revenue Delegated Authority Orders (RDAO)
 - g. Revenue Bulletins (RB)

- h. Special Laws, e.g. Republic Act, Executive Orders, Presidential Decrees
 - i. Civil Code of the Philippines
 - j. Law of Federal Income Taxation
 - k. Supreme Court Decisions
 - l. Court decisions (Supreme Court, Court of Appeals, etc)
 - m. US Jurisprudence (e.g. MERTENS)
- vii. After reviewing all the related and relevant legal bases, the Action Attorney drafts the ruling. The standard parts of the ruling are as follows:
- a. 1st paragraph – Referencing the Request
 - b. 2nd Paragraph – Narration of Facts and Discussion
 - c. 3Rd Paragraph – Reply/Dispositive Portion
- viii. A standard format and wording for some rulings may be used but not for all types of cases. The Law Division currently uses pro-forma rulings for Retirement and Socialized Housing. Other types of rulings require non-standard formats or wordings.
- ix. After the draft ruling is complete, the Action Attorney submits his work to his Section Chief for review

1.1.6. Step 6 – Review by the Law Division Section Chief

- i. There are currently two (2) Section Chiefs in the Law Division. Any one of the two may perform the review.
- ii. The Section Chief reviews the work of the Action Attorney.
- iii. If with corrections, the draft is sent back to the Action Attorney for rework.
- iv. If OK, the Section Chief puts his initials on the draft ruling.
- v. The draft ruling goes to the Assistant Division Chief.

1.1.7. Step 7 – Review by the Assistant Division Chief

- i. The Assistant Division Chief reviews the draft which came from the Section Chief.
- ii. If with corrections, the draft is sent back to the Action Attorney for rework (re-study/redraft). The Assistant Division Chief may also call the Action Attorney to explain the draft. An example of a redraft is when the Action Attorney failed to find a previous ruling that the Assistant Division Chief remembers.
- iii. If OK, the Assistant Division Chief initials the draft.
- iv. The draft ruling goes to the Law Division Chief.
- v. If with corrections, the draft is sent back to the Action Attorney for rework.
- vi. If OK, the Division Chief initials the draft.
- vii. The draft Ruling goes to the Releasing Clerk.

1.1.8. Step 8 – Recording and Release by the Law Division Releasing Clerk

- i. Releasing Clerk records the outgoing ruling.
- ii. Releasing Clerk forwards the ruling to the Office of the Assistant Commissioner for Legal Service
- iii. Figure 1 below shows the process flow within the Law Division (Steps 1 to 8).

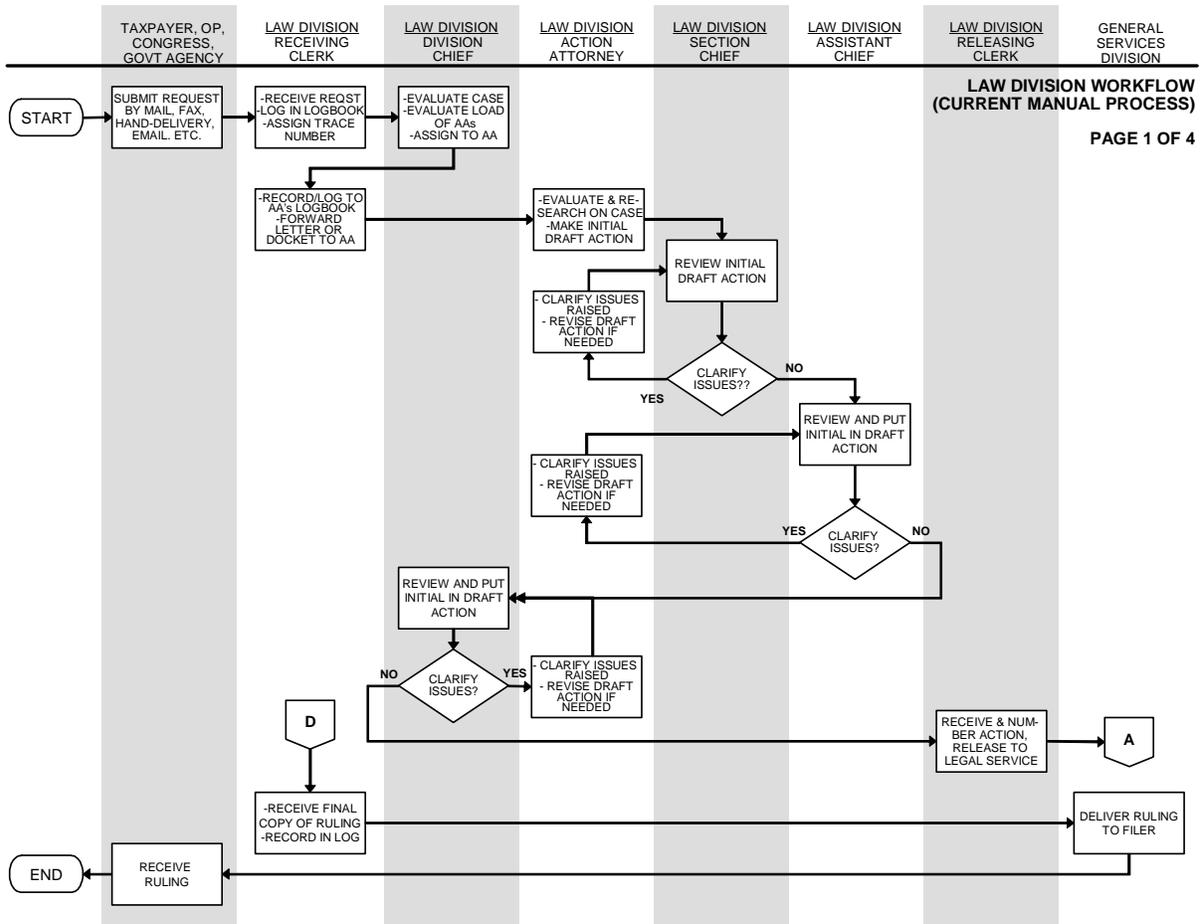


Figure 1: Process Map – Tax Ruling Process at the BIR Law Division

1.1.9. Step 9 – Review at the Office of the Assistant Commissioner for Legal Service

- i. Receiving Clerk at Legal Service logs receipt of the ruling and assigns it a reference number.
- ii. Receiving Clerk forwards the ruling to the Head, Revenue Executive Assistant for review.
- iii. The Head, Revenue Executive Assistant reviews the case. If with corrections, the ruling goes back to the assigned Action Attorney at the Law Division. If OK, the HREA initials the ruling and then the ruling goes to the Technical Assistant, Legal Service for review.
- iv. The Technical Assistant reviews the ruling. If with corrections, the ruling goes back to the assigned Action Attorney of the Law Division. If OK, the Technical Assistant initials the ruling and sends the ruling to the Assistant Commissioner for signing.
- v. The Assistant Commissioner determines if the case is about a matter that he is authorized to sign at his level.
- vi. If the Assistant Commissioner is authorized to sign, he signs the ruling and sends the ruling back to the Law Division Receiving Clerk for numbering and release.
- vii. If the Assistant Commissioner is not authorized to sign, the Assistant Commissioner counter-initials the ruling and forwards it to the Deputy Commissioner for Legal and Inspections for review.
- viii. Figure 2 (next page) shows the process at the Legal Service Office

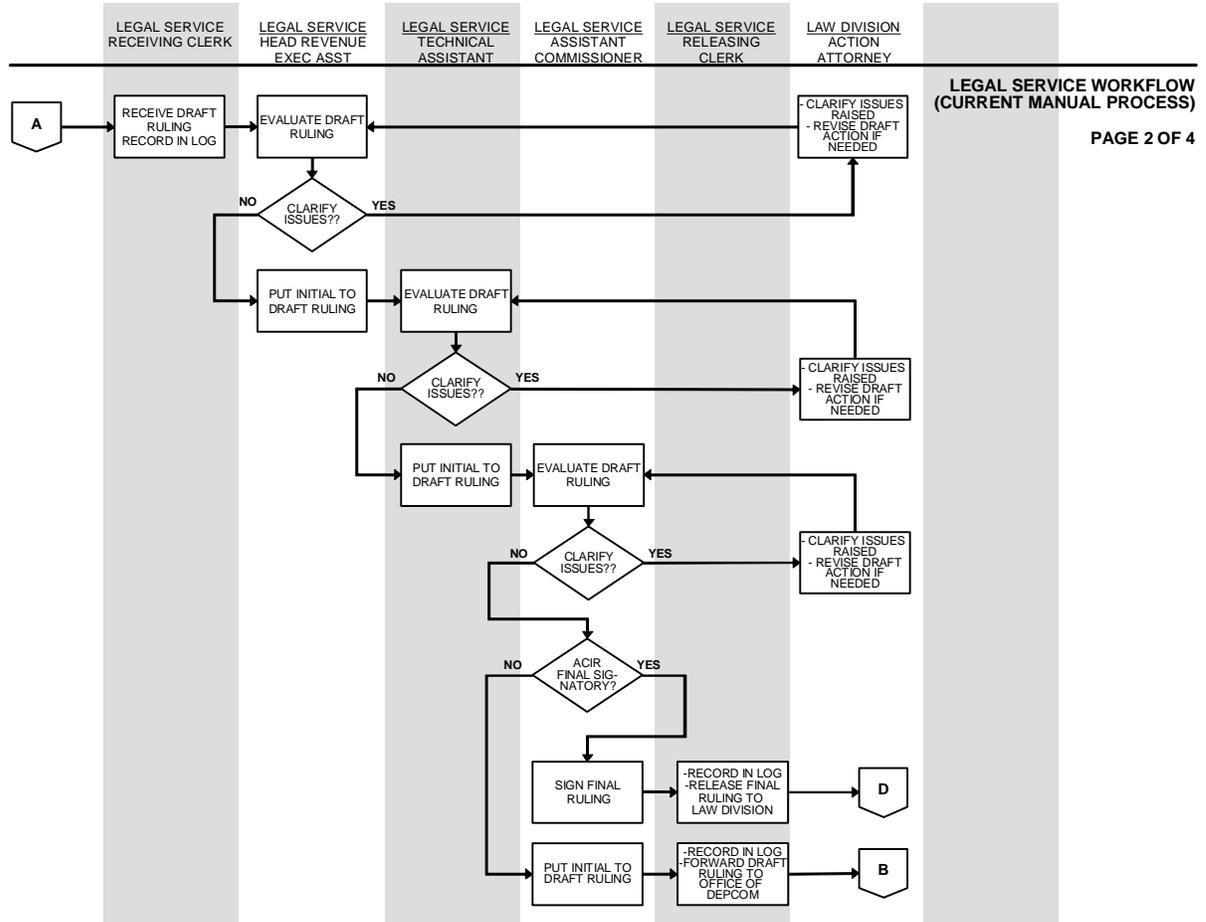


Figure 2 – BIR Tax Ruling Process - Legal Service Office Portion

- 1.1.10. Step 10 - Review at the Office of the Deputy Commissioner, Legal and Inspections.
- i. Receiving Clerk at the Office of the Deputy Commissioner records the receipt of the ruling and assigns the ruling a reference number.
 - ii. Receiving Clerk forwards the ruling to the Chief of Staff for assignment to the Technical Assistant.
 - iii. Receiving Clerk forwards the ruling to the Technical Assistant for review.
 - iv. The Technical Assistant reviews the ruling. If with corrections, the ruling goes back to the assigned Action Attorney of the Law Division. If OK, the Technical Assistant initials the ruling and sends the ruling to the Chief of Staff for review.
 - v. The Chief of Staff reviews the ruling. If with corrections, the ruling goes back to the assigned Action Attorney of the Law Division. If OK, the Chief of Staff initials the ruling and sends the ruling to the Deputy Commissioner for signing.
 - vi. The Deputy Commissioner determines if the case is about a matter that he is authorized to sign at his level.
 - vii. If the Deputy Commissioner can sign, he signs the ruling and sends the ruling back to the Law Division Receiving Clerk for numbering and release.
 - viii. If he is not authorized to sign, the Deputy Commissioner counter initials the ruling and forwards it to the Office of the Commissioner for a final set of reviews and signing.
 - ix. Figure 3 (next page) shows the process flow at the Deputy Commissioner's Office:

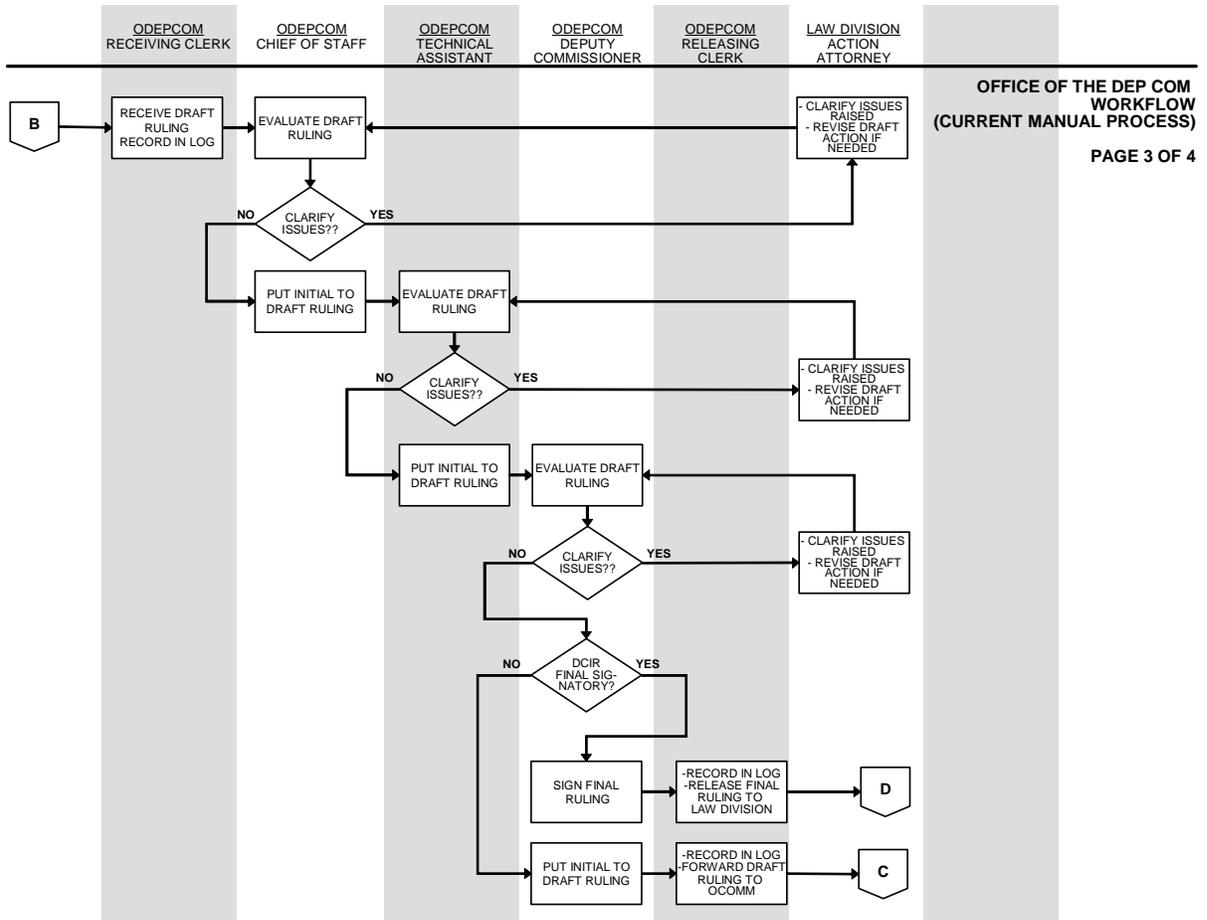


Figure 3 – BIR Tax Ruling Process – Deputy Commissioner’s Office Portion

1.1.11. Step 11 – Review at the Commissioner's Office

- i. Receiving Clerk at the Office of the Commissioner records the receipt of the ruling and assigns a number.
- ii. Receiving Clerk forwards the ruling to the Chief of Staff for assignment to the Technical Assistant.
- iii. Receiving Clerk forwards the ruling to the Technical Assistant for review.
- iv. The Technical Assistant reviews the ruling. If with corrections, the ruling goes back to the assigned Action Attorney of the Law Division. If OK, the Technical Assistant initials the ruling and sends the ruling to the Chief of Staff for review.
- v. The Chief of Staff reviews the ruling. If with corrections, the ruling goes back to the assigned Action Attorney of the Law Division. If OK, the Chief of Staff initials the ruling and sends the ruling to the Commissioner for signing.
- vi. The Commissioner signs the ruling and sends it back to the Law Division for numbering and release.

Notes: A DA ruling typically contains seven signatures; one final signatory and six initials if to be signed by the Assistant Commissioner, Legal Service. It will contain 10 signatures (one final and nine initials) if it is to be signed by the Deputy Commissioner, Legal and Inspections Group. A numbered ruling can contain as many as 10 signatures including the final signature of the BIR Commissioner: A sample ruling contains the initials of the following employees / units:

- a. Chief of Staff
- b. CIR Reviewer
- c. DCIR
- d. DCIR Reviewer
- e. JHR
- f. CSB
- g. PMB
- h. HAP
- i. MMC

- vii. Figure 4 (next page) shows the process flow at the Commissioner's Office:

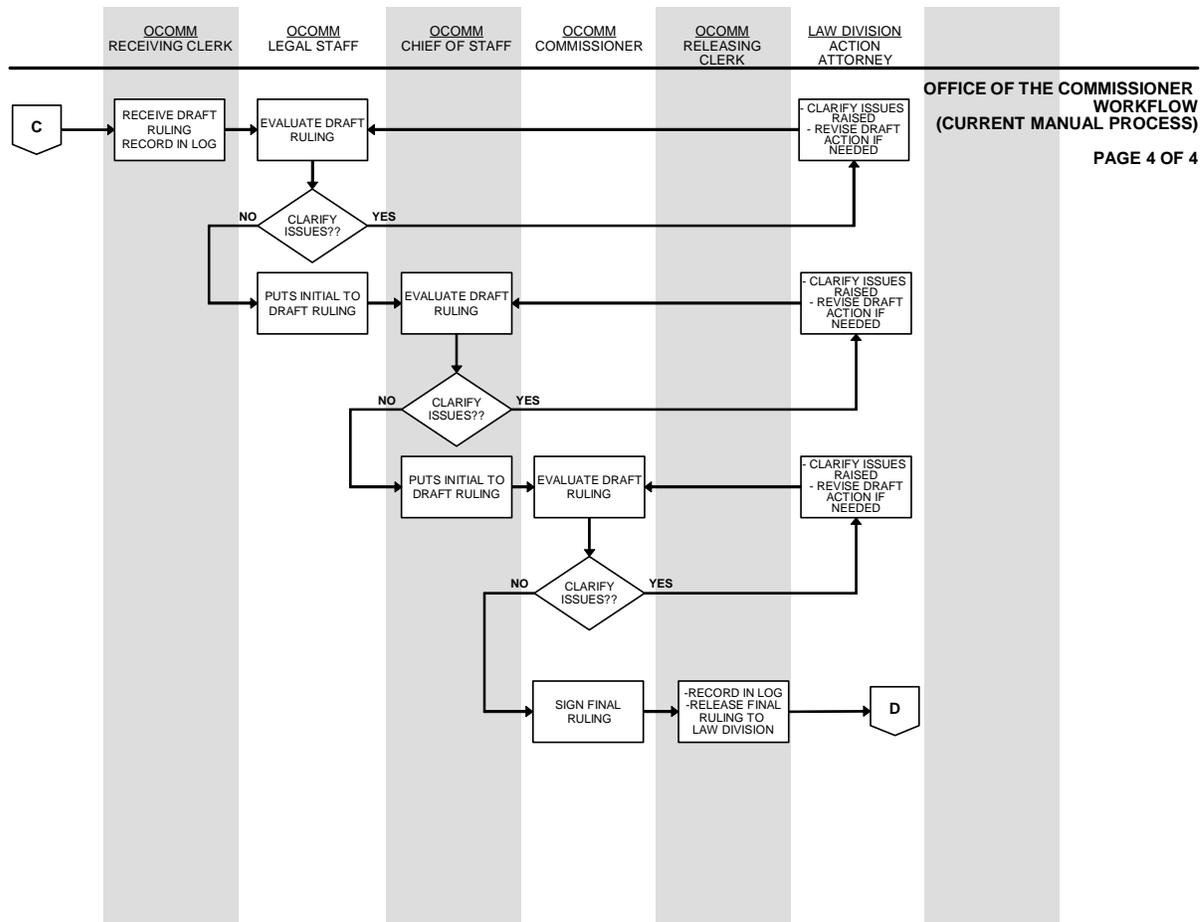


Figure 4 – BIR Tax Ruling Process –Commissioner’s Office Portion

1.1.12. Step 12 – Back to the Law Division Receiving Section for Numbering

- i. The receiving clerk of the Law Division receives the signed ruling.
- ii. The receiving clerk assigns a number to the ruling following the format below:
- iii. Format of Numbering System for Numbered Rulings:
- iv. Referenced Law – Sections of the Revenue Code or any other law that is contained/ referenced in the ruling. [e.g. Sec 100 (B0) (7)]
- v. Reference Number – contains a 3-digit sequence number followed by the year (e.g. 003-2006 means this is the third ruling issued in the year 2006)
- vi. Date issued using the format MM-DD-YYYY
- vii. Format of Numbering System used for Unnumbered Rulings

Example:

57B
DA-060-2002;DA-300-2003
DA-090-2004
03-01-2004

The unnumbered ruling in the above example refers to Section 57-B of the Revenue Code. The precedents are DA-060-2002 and DA-300-2003. It was given the reference number DA-090-2004 (which means that it is the 90th unnumbered ruling issued in year 2004. It was issued on March 01, 2004.

1.1.13. Step 13 - Releasing

- i. The Law Division Releasing Clerk receives the numbered ruling.
- ii. The Releasing Clerk informs the Taxpayer/Requestor that the ruling is ready for pick-up.
- iii. If the ruling is for mailing, the releasing clerk forwards the ruling to the General Services Division for mailing.
- iv. The Taxpayer receives the ruling.

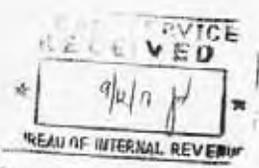
1.1.14. Step 14 – Monthly Reporting

- i. At the end of each month, the Law Division prepares a Monthly Accomplishment Report.
- ii. The report contains statistics on the number of Rulings Planned vs. Actual Number Released.
- iii. Below is a sample report for August 2006. In August 2006, the plan was to draft 110 rulings. The actual number released was 182 Rulings.

ACCOMPLISHMENT REPORT
Of The
LAW DIVISION
For the month of AUGUST, 2006

FUNCTIONS/ACTIVITIES	PLANNED	ACTUAL	REMARKS
I. Drafting of Rulings			
(a) Rulings of first impression	10	2	<i>Depends on the request filed</i>
(b) Rulings with precedents	100	180	
II. Drafting of recommendation of the following:			
(a) Cases referred by various divisions	5	18	
(b) For approval of Private Retirement Plans	15	23	
(c) Regulations	1	--	
(d) Subscription of TPI and processing Informer's Reward	10	31	
III. Issuance of Certificate of Registrations of qualified Donee Institution	10	15	
IV. Other Matters:			
(1) Interagency meetings (i.e., DOF, BOI, DTI), meetings with NGO's, GOCC's and/or taxpayers re: taxpayer's assistance (i.e., PCNC, TAPL NDC, HIGC, etc.)	2	17	
(2) Committee membership meetings (i.e., Bidding Committee, VATCOM, etc.)	4	8	
(3) Phone queries/day	25	20	
(4) Walk-in queries/day	15	15	

Respectfully Submitted:



K-1-CBB
Report on accomplishment report

M. Cantillep
MAPEMAROMA M. CANTILLEP
Asst. Chief, Law Division
CSP

Figure 5 – Sample Monthly Report

The monthly report also tracks number of phone queries and walk-in queries per day.

1.2. The Current Tax Ruling Process at the Regional Offices

1.2.1. Step 1 - A request for tax ruling is filed

- i. The request for ruling may be filed by a taxpayer (individual/corporation) or his representative, and law/accounting firms within the jurisdiction of the revenue region. Other divisions or units within the BIR revenue region also submit requests for rulings or opinions, usually in support of or to clarify revenue operations and assessment issues. These will be henceforth referred to as 'Requestor'.
- ii. The Filer, if a taxpayer, submits a formal letter of request either to an Examiner in the District Office, or directly to the Regional Office's legal Division. These letters are usually hand-carried by the Requestor, but some are mailed. In case the Requestor is within the BIR organization, a formal letter of request or a memorandum is submitted to the Legal Division.
- iii. Examiners are tasked to perform some investigative work pertaining to the request, mainly to validate the documents and/or information submitted by the Requestor.
- iv. Once this investigation is completed, the Examiner then forwards the request to the Legal Division. The frequency of forwarding the requests depends on the proximity of the District Office to the Regional Office – nearby District Offices may forward each request as soon as investigation is completed (e.g., the Davao City DO). District Offices far from the Regional Office usually batch the requests and send these to the Regional Office either weekly or monthly via courier.

1.2.2. Step 2 – Receipt of Request at the BIR

- i. The Receiving Clerk receives the forwarded requests. The Receiving Clerk logs or records the request. In all three Regional Offices interviewed, the Receiving Clerk is also the Releasing Clerk.
- ii. The Legal Officer, who may be the Legal Division Chief or Assistant Chief, evaluates each request. If supporting documents or information are lacking, or require further clarification, the request is returned to the RDO Examiner to gather further information or clarification about the request, as in the case of Baguio and Davao Regional Offices.
- iii. The Legal Officer also evaluates if the request is with precedent or one that can be processed within the Regional Offices. Requests that fall under first impression category will be forwarded to National Office's Law Division. For the three Regional Offices interviewed, the number of requests may be as low as five (5) per month (for Baguio), to as high as 25-30 per month (for Cebu).

1.2.3. Step 3 – Assignment to an Action Attorney

- i. The Legal Officer then assigns the request to an Action Attorney. The three Regional Offices interviewed uniformly have five people handling requests, and this headcount already includes the Legal Division Chief and Assistant Chief.
- ii. There are normally three (3) Action Attorneys in a Regional Office. An exception is Baguio where Legal Assistants/Paralegals are asked to assist in drafting the Rulings due to lack of lawyers.

- iii. The Legal Officer typically divides assignment of request to the Acting Attorneys based on their current load. In many cases, the Legal Division Chief and Assistant Chief also act as Action Attorneys themselves, mainly due to the fact that all three Legal Divisions interviewed are under-staffed. It must be noted that Action Attorneys also handle prosecution and other functions over and above the rulings.

1.2.4. Step 4 - Action Attorney Works on the Case

- i. The Action Attorney receives the request and supporting documents from the receiving clerk and evaluates it. The Action Attorney makes sure that the request does not cover a no-ruling area, or that the request is not a first impression.
- ii. The Action Attorney conducts research if previous rulings about the same subject exist.
- iii. The Action Attorney accesses either or both the CD-based Lex Libris/ Access Law (C.A.T.S.), or printed copies of previous rulings. In all cases, the version of the Lex Libris is outdated, with the latest version (in Davao) being v2003.
- iv. The Action Attorney captures the reference number of the precedent(s) in a boxed portion of the reply/ruling.
- v. The Action Attorney reviews other materials that could serve as legal basis for his recommendation. Further research will include reference to published laws and standards, as well as BIR issuances. The following are materials Action Attorneys may use as reference, although in many regional offices, not all of these are available.
 - a. Tax Code (Internal Revenue Code)
 - b. Revenue Issuances
 - c. Revenue Regulations (RR)
 - d. Revenue memorandum Circulars (RMC)
 - e. Revenue Memorandum Orders (RMO)
 - f. Revenue Delegated Authority Orders (RDAO)
 - g. Revenue Bulletins (RB)
 - h. Special Laws, e.g. Republic Act, Executive Orders, Presidential Decrees
 - i. Civil Code of the Philippines
 - j. Law of Federal Income Taxation
 - k. Supreme Court Decisions
 - l. Court decisions (Supreme Court, Court of Appeals, etc)
 - m. US Jurisprudence (e.g. MERTENS)
- vi. After reviewing all the related and relevant legal bases, the Action Attorney drafts the ruling. The standard parts of the ruling are as follows:
 - a. 1st paragraph – Referencing the Request
 - b. 2nd Paragraph – Narration of Facts and Discussion
 - c. 3rd Paragraph – Reply/Dispositive Portion
- vii. After the draft ruling is complete, the Action Attorney submits his work to his Section Chief for review.
- viii. Figure 6 (next page) shows the process flow within the Legal Division (Steps 1 to 4):

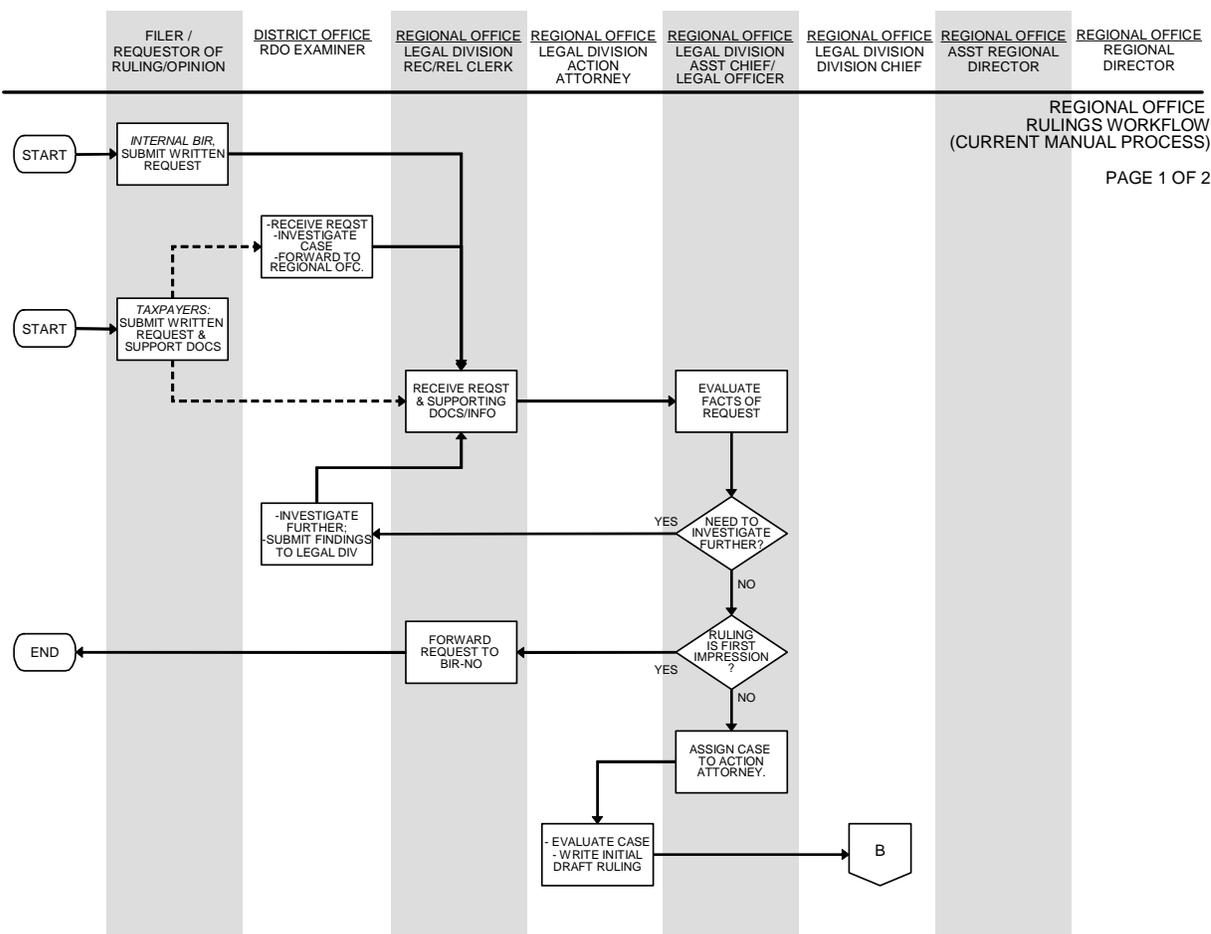


Figure 6 – Regional Office Rulings Process Flow (Part 1)

1.2.5. Step 5 – Review by within the Legal Division

- i. The draft coming from the Action Attorney is first reviewed by the Assistant Division Chief.
- ii. In case where there are corrections, clarifications, or if a total re-write is needed, the draft ruling is sent back to the Action Attorney for revision or re-work.
- iii. If the Assistant Division Chief concurs with the draft, he puts his initials as approval.
- iv. The draft ruling is forwarded to the Legal Division Chief.
- v. The draft ruling is reviewed by the Legal Division Chief for a second time.
- vi. In case where there are corrections, clarifications, or if a total re-write is needed, the draft ruling is sent back to the Action Attorney for revision or re-work.
- vii. If the Legal Division Chief concurs with the draft, he puts his initials as approval.
- viii. The draft ruling is forwarded to the Assistant Regional Director.

1.2.6. Step 6 – Review by the Assistance Regional Director

- i. A third review is performed by the Assistant Regional Director. As in the case of the previous reviews, the following procedure is followed:
- ii. If with corrections, the draft is sent back to the Action Attorney for rework. The Assistant Regional Director may also call the Action Attorney to explain the draft. An example of a redraft is when the Action Attorney failed to find a previous ruling that the Assistant Regional Director may be aware of.
- iii. If the Assistant Regional Director concurs with the draft, he puts his initials as approval. The draft ruling goes to the Regional Director for final approval.

1.2.7. Step 7 – Review by the Regional Director

- i. A final review is performed by the Regional Director.
- ii. The Regional Director may at this point still confer with the Action Attorney and the other approving officers, although normally the draft ruling at this point has already been well-studied.
- iii. The Regional Director signs the ruling to make it official.
- iv. The draft Ruling is forwarded to the Releasing Clerk.

1.2.8. Step 8 – Recording and Release by the Legal Division Releasing Clerk

- i. The Releasing Clerk records the official ruling in the division logbook.
- ii. The Releasing Clerk forwards the official ruling to the Requestor (either by mailing it, or by calling the Requestor by phone to pick up the official ruling). Another copy is kept within the Legal Division for filing.
- iii. Figure 7 below shows the process flow within the Legal Division (Steps 5 to 8):

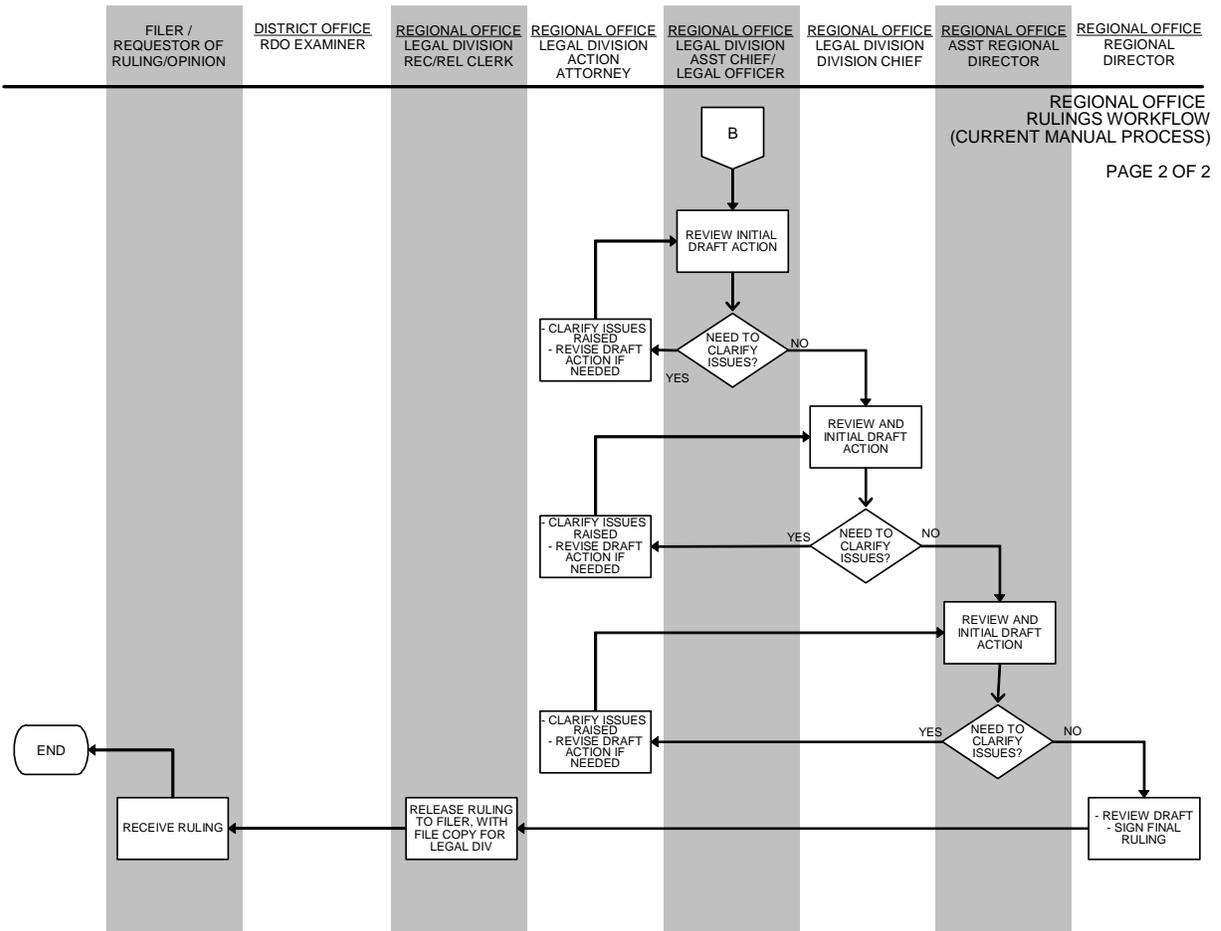
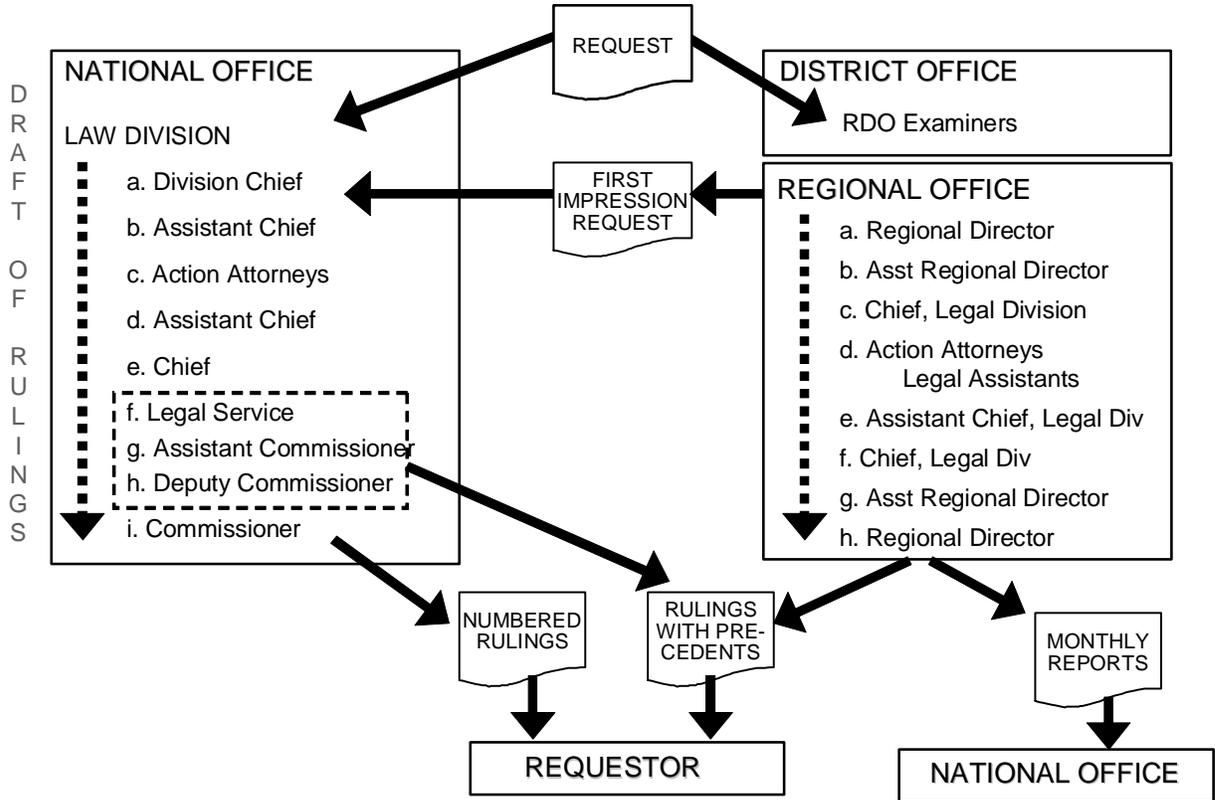


Figure 7 – Regional Office Rulings Process Flow (Part 2)

Below is a general view of the tax ruling issuance process either at the BIR National Office or at the Regional offices:

HOW RULINGS ARE DRAFTED



1.3. Tax Ruling Access Procedures

After a copy of the signed ruling is given to the requesting party, another copy is filed by the Law Division at the National Office. If the Ruling was prepared by the Regional Office, the Regional Office keeps the file copy.

At end of each year, copies of all the rulings issued during the year are compiled and placed in the Library, Law Division. Regional Offices also keep a compilation (hard copies) of all rulings released by the Office.

From time to time, interested third parties request for copies of the rulings from the Law Division.

Some individuals/organizations do a similar compilation of rulings by encoding and indexing the rulings acquired from the BIR. These compilations are either in soft copy format (in CD ROMs e.g. Lex Libris, AccessLaw-CATS or in hard copy soft-bound publications. These are normally sold to the public.

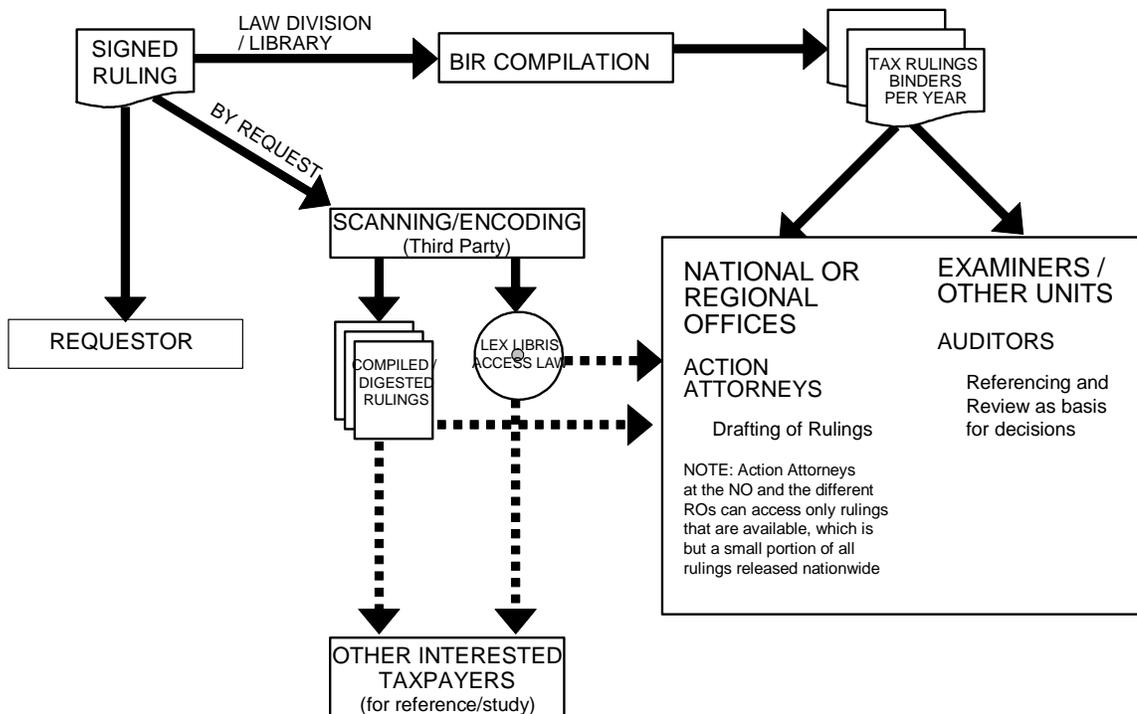
The Action Attorneys, either at the National Office or the Regional Offices, access these compilations (soft or hard copies) in the course of drafting new rulings.

A few Regional Offices include, as attachments to their monthly report, copies of the rulings they issued during the month. This allows the National Office (Law Division) to monitor previous rulings issued at the Regional Offices.

BIR Examiners/Assessment Officers/Audit Personnel also need to access or reference previous rulings from time to time. They use basically the same files/sources available to the Action Attorneys.

A general view of how rulings are accessed by various parties is shown below:

HOW RULINGS ARE ACCESSED



1.4. Problems and Weaknesses

Below are the weaknesses of the current Tax Ruling System in the BIR:

- 1.4.1. Inconsistent rulings and Inability to track inconsistent rulings – This is the most critical problem of the current system. BIR wants to minimize if not totally avoid the issuance of inconsistent rulings that come about due to lack of information sharing and coordination between and among the various offices issuing tax rulings.
- 1.4.2. Non-implementation or partial implementation of issued tax rulings, Inability to monitor proper implementation of rulings. There is currently no feedback on how the tax rulings are implemented at the BIR Operations Group. If the Examiners at the Revenue Districts do not follow the tax rulings, the results are a) tax leakages and b) potential problem with the taxpayers who shall complain later on about inconsistent tax rulings which BIR's Legal Service will have to justify/defend.
- 1.4.3. Delayed issuance of tax rulings both in the National Office and the Regional Office. Some requests for rulings take months before they are processed. There is a need to facilitate the process and track bottlenecks.
- 1.4.4. No escalation/reminders for rulings requests that are not acted upon after some time. Under the current manual system, there is no provision to track delays.
- 1.4.5. No access to reference materials due to lack of materials; Outdated reference materials available at the Regional Offices. Action Attorneys have to resort to referencing hard copies or outdated electronic copies of past rulings.
- 1.4.6. No access to complete set of tax rulings at both National Office and Regional Offices. There is no unit that files all rulings in a central location.
- 1.4.7. Lack of qualified Action Attorneys. This leads to further delays in the preparation of tax rulings.
- 1.4.8. Lack of training/instructions on new tax rulings to cover background information and explanation of basis for new rulings with no precedents. There is also no sharing of background materials and basis for rulings.
- 1.4.9. Lack of computers (outdated computers) for the use of Legal Division and Law Division personnel. A good number of computers being used by the Action Attorneys are old and need to be replaced.
- 1.4.10. Taxpayers' Representatives (tax managers) get copies of new tax rulings ahead of BIR personnel who are issuing the tax rulings.
- 1.4.11. No way to track if rulings are still being issued on matters or cases covered by the No-Ruling Areas (NRAs)
- 1.4.12. There is no way for the Law Division at the National office to check if the regional offices are violating the policy on numbered rulings by issuing them.

1.5. Stakeholders and Their Needs vis-à-vis Tax Rulings

The following are the needs of the various stakeholders of the Tax Ruling System of the BIR.

- 1.5.1. Timely/Quick Issuance of Rulings –There is a wide variance in the time required for rulings to be issued. While some rulings take only a few weeks, some take many months before issuance.
- 1.5.2. Consistent, Clear, Correct Rulings – There is a need to issue consistent rulings that are clear and correct.

- 1.5.3. Convenience to Requestors - Although the current system is not very inconvenient to filers, there are still a lot of improvements possible to make the process simpler and easier for the taxpayer.
- 1.5.4. Access to Previous Rulings - Both the National Office and the Regional Offices do not have access to the complete set of rulings issued (up to the last ruling issued).
- 1.5.5. Access to Other Reference Materials - While there is available access to the reference materials (e.g., printed compilations, CD's) most of the materials are outdated and incomplete especially in the Regional Offices.
- 1.5.6. Quick Search on Rulings –Searching for the past ruling, even if a copy of the ruling is available, is time consuming as there is no ready index to search quickly for a particular ruling (if the reference number is not known to the Action Attorney or to the Reviewer). A facility to get to the particular ruling by typing any word or set of words will definitely be helpful.
- 1.5.7. Cut and Paste Capability –There is no capability now for the Action Attorneys to 'cut and paste' from an electronic document. They have to re-encode the paragraph or portions they wish to quote on.
- 1.5.8. Monitor Status of Rulings in Workflow –There is no report on the aging of requests for ruling. There is no way (unless they go through each pending request) to determine how long the rulings have remained outstanding.
- 1.5.9. Monthly Reports on Time. The National Office is getting the reports from the Regional Offices and mostly on time. The problem is that the reports are not detailed enough to determine if the rulings issued are correct and consistent.
- 1.5.10. Plug Tax Leakages –The Legal Service is doing its best to plug the tax leakages arising from inconsistent rulings or unimplemented rulings but the information they are getting is not enough since there is no systematic
- 1.5.11. No First Impression Rulings at RO –For various reasons (such as to allow the taxpayer to be tax-exempt), some Regional Offices violate the rule that only the National Office can issue rulings of first impression. There is no way the National Office can prevent this violation since the Regional Offices do not report these rulings to the National Office and they even issue these unauthorized rulings as unnumbered rulings.
- 1.5.12. Information on how the Rulings were implemented. Law Division has no access to the assessment files and reports of the Examiners.

1.6. Inventory of Current Information Technology- Related Resources at BIR's Legal Service/Law Division

1.6.1. Hardware

At the National Office, the Legal Division's Chief and Assistant Chief have their own workstations which are connected to the BIR LAN. The 11 Action Attorneys, however, share in some workstations which are not connected to the LAN.

The workstations vary in specifications: while all are Pentium-based, only a few have the ideal specification of having at least 1.0 mhz processors and 256MB memory.

1.6.2. Software –

The Legal Service computers can run stand alone applications, email, and some BIR applications such as TIN access and BIR's main system called ITS.

The National Office offers limited e-mail subscription, generally only to Assistant Division Chiefs and higher positions. BIR also offers their on-line application, like access to the TIN database, via the BIR website and BIR Portal.

At the workstation level, Law Division and Legal Services has the usual Microsoft Office suite (MS Word, MS Excel) which is used by the Chief and Staff for office work.

1.6.3. Network

As stated previously, BIR offers a very limited access to the BIR LAN, typically only for assistant division chiefs and higher positions. The Law Division has two nodes connected, and the Legal Service has another two nodes.

1.6.4. Manpower

Law Division has at least 12 staff directly involved in the tax ruling process: the Division Chief, the Assistant Division Chief, 11 Action Attorneys, and one Receiving/Releasing Clerk.

In the Legal Service, at least four personnel are involved in the process: the Assistant Commissioner, the Technical Assistant, the Head-Revenue Executive Assistant, and the Receiving/Releasing clerk.

1.7. Tax Rulings Classification

1.7.1. Classification of Tax Rulings: As to TYPE

- i. VAT Rulings – Rulings issued by the VAT Committee and approved by the BIR Commissioner, Deputy Commissioner or Assistant Commissioner.
- ii. ITAD Rulings – Rulings issued by the International Tax Affairs Division and which interpret tax treaties and approved by the BIR Commissioner, Deputy Commissioner or Assistant Commissioner.
- iii. S-40 – Tax Free Exchange/Mergers
- iv. S-30 – Foundations/Non-stock, Non-profit organizations
- v. ENPS – Non-stock, non-profit schools
- vi. ECCP – Cooperatives
- vii. S-20 – Socialized Housing/Community Mortgage Programs
- viii. PCNC – Donee institutions
- ix. Retirement Rulings – this is easily the most numerous type of rulings in terms of number issued.

1.7.2. Classification of Tax Rulings: As to Precedence

- i. Rulings of First Impression – no precedents, new issues, fresh, can only be signed/ issued by the Commissioner. Also known as Numbered/Commissioner Rulings – Rulings signed by the BIR Commissioner and contain an official reference number.
- ii. Rulings with Precedents – these are rulings the subject matter of which have been covered by rulings of first impression issued earlier. These are rulings that can be issued by the Regional Offices. Also known as DA (Delegated authority)

Rulings – ruling issued by BIR officials below the rank of Commissioner but higher than Regional Director. Also known as unnumbered rulings.

1.7.3. Transaction Volumes and Relevant Statistics

Statistics for the period 1998 to 2002 for some types of rulings:

CATEGORY OF RULING	YEAR 1998	YEAR 1999	YEAR 2000	YEAR 2001	YEAR 2002	YEAR Total	YEARLY AVE
1.Numbered	179	213	75	59	41	567	113
2. VAT Rulings	65	121	60	86	88	420	84
3. ITAD Rulings	0	54	201	112	215	582	116
4. DA Rulings	564	728	454	268	256	2,270	454
Total	808	1,116	790	525	600	3,839	764

1.7.4. For other types of rulings, here are the numbers released for one typical year (Year 2005):

- ENPS Rulings - 12
- S-30 Rulings - 48
- S-40 (mergers) Rulings - 26
- S-20 Rulings - 27

Here are the latest statistics about the number of rulings issued at the National office:

Unnumbered Rulings

- Year 2003 – 524 Rulings
- Year 2004 – 449 Rulings

Numbered Rulings

- Year 2000 – 75 Rulings
- Year 2001 – 59 Rulings
- Year 2002 – 41 Rulings
- Year 2003 – 19 Rulings
- Year 2004 – 21 Rulings
- Year 2005 – 24 Rulings

Statistics at the Regional Offices

Number of Regional offices – 19

Average Number of Rulings per Month/ Regional Office = 10 to 15

2. THE PROPOSED AUTOMATED TAX RULING SYSTEM

2.1. Vision for the New System

The Bureau of Internal Revenue's Legal Service and the Law Division envision having an upgraded IT capability that will assist the Action Attorneys in their tax ruling preparation and monitoring. The idea is that with an upgraded ICT capability, the BIR officials and employees involved with the issuance of Tax rulings can accurately be informed, through the use of computers, of the following:

- The rulings requests that need to be acted upon and/or that are overdue;
- The documents attached by the rulings requestor
- Access to previous rulings and other documents vital for rulings preparation
- Court orders, resolutions, decisions
- Special instructions from superiors

2.2. System Objectives

A fully automated nationwide system running on a wide area network that will have the following features:

- Sharing of a common database of rulings
- Access to electronic copies of all reference materials
- Email notification of newly issued rulings
- Workflow tracking of in-process rulings
- Automatic generation of monthly reports
- Access to or exchange of data with Examiners
- Document management with full text/OCR capability for quick search and 'cut and paste' functionality
- Electronic submission of requests and required attachments

2.3. Current Manual vs. Proposed Computerized System

Component	Current Manual	Computerized System
Database	National Office and Regional Offices maintain separate files	A centralized file of all Rulings
Tracking of Requests	Almost inexistent; Will have to check manual records	Computerized tracking and monitoring
Type of Files Accessed	Some are still using hard copies of Rulings	Electronic Copies of Rulings on the desktop
Access to Files	One at a time by asking for the copies from the folders or accessing the CDs	Simultaneous access possible via electronic copies
Reminders	Manual basis	Automatic System-generated reminders transmitted via an email system
Routing System	May be inconsistent as manually determined	Workflow system ensures consistent flow from point to point
Reports Generation	Manual	Automated; Pre-defined reports are automatically produced by system; Ad-hoc reports can also be produced

2.4. Proposed System – New System Strategy and Systems Requirements

With an automated system, it is envisioned that situations where a previous ruling has been issued on the same subject, the Action Attorney can access such rulings easily and be guided accordingly. Thus, inconsistent rulings can be avoided and man-hours can be saved. The Action Attorney can also effectively manage his time since he is informed beforehand of the pending rulings assigned to him and the internal due dates of the rulings assigned of him. Furthermore, the Law Division or Legal Division Head can readily assess whether it has accomplished its performance targets and properly assess the performance of his Action Attorneys.

2.4.1. Future Linkages with existing Computerization or future projects

Link to the BIR Operations Systems – The Tax Ruling System must be able to interface later on with the BIR ITS System. The tax ruling system shall pass on information on issued rulings to Operations and the System at Operations should provide automatic feedback to the Tax Ruling System.

2.4.2. System Strategy

- i. Hardware - Outsource to an internet data center. The recommendation is for BIR to lease the hardware from an internet data center. The details of these hardware items are described under Systems Components. Service level agreements shall be developed to make sure that the required accessibility, reliability and security are attained.

- ii. Software – BIR is also advised to avail the services of a Systems Integrator to provide and configure the software required for the email, workflow, and document management components. Maintenance and management of the software applications shall also be outsourced.
- iii. Network – A wide area network shall be built to connect all Action Attorneys to each other and to the Central Servers.
- iv. Manpower – To manage the system, BIR needs to outsource the following:
 - a. Network Administrator/Computer Operations Specialist – Monitors quality of network performance and initiates corrective action to resolve problems as they occur. Installs and tests all hardware.
 - b. Database Administrator – Controls data capture and establishes and enforces controls and standards to ensure integrity and security of the database. Administers access security levels for the different files. Handles back-up of files.

2.4.3. Systems Features for Phase 1 Implementation

- i. Centralized Scanning of Paper Documents - all incoming and outgoing documents that accompany the tax rulings requests are scanned upon receipt and all electronic images will reside in common servers.
- ii. Multiple Criteria Document Search - Easily selected and executed multiple-criteria searches help user to locate any previous ruling.
- iii. Workflow Feature – Rulings Requests can be tracked as to their progress and whereabouts. All approvals and transmissions shall be done through the computer system.
- iv. Time-Stamping – The length of time that a ruling-in-process stays in one area is tracked and a time-based performance report can be produced
- v. E-mail as a Notification Tool – All notifications shall be delivered via a system-wide email System.
- vi. Automated Calendar and Task – Tax Rulings calendar shall be inputted into the system and will be used by system as basis for notifications/reminders.
- vii. Advance Notice of Upcoming Deadlines - Action Attorneys shall be notified in advance of all deadlines related to rulings handled
- viii. User Roles and Security Classes - System will limit access to rulings. The following levels should be provided by the system: No access, Read Only, Post Only, Read and Post, Read, Edit and Post, Print, Forward, Delete, Archive, All Permissions, etc.
- ix. User ID and Password Access - System shall be protected by a system of IDs and Passwords. Passwords shall be changed periodically.
- x. Regular Reports – as a minimum the following reports shall be regularly produced by the system:
 - a. Monthly Reports by type of rulings
 - b. Monthly Reports by regional office
 - c. Monthly Reports on Outstanding Rulings
 - d. Monthly Reports by Action Attorney
 - e. Monthly Report on Rulings Implementation

- xi. Customized Ad-hoc Reports – on an as needed basis, the Bureau can use the system to produce free-formatted reports indicating columns that they will include (coming from the rulings database). An example would be a listing of all rulings involving amounts greater than 10 Million.
- xii. Coded Reports – The user-ID or a user-code shall be printed at the lower right hand portion of all printed reports. The code shall be used to identify who authorized/requested the printing of the report. This is a control feature requested by the Legal Service.

2.4.4. Systems Features for Phase 2 Implementation

- i. Advance Notice of Rulings Assignment via SMS or text messaging – aside from receiving an email notice, it is envisioned that the Action Attorney shall automatically receive an email message from the System about a rulings related job
- ii. Web Enabled – browser-based and access anywhere – the Action Attorneys will be able to access the system and work in a remote location.

2.5. Application System Modules

There are three major applications that will form part of the Tax Ruling System of the BIR:

- 2.5.1. Document Management Component – There are 2 types of records that will go into the document management component of the BIR Tax Ruling System.
 - i. Scanned Images – This shall cover all back files (previous rulings in both the National Office and the Regional Offices that are currently in hard copy format) and all attachments to the rulings request that are also in hard copy format. There is a need to convert all paper-based materials into electronic or digital images which shall be indexed and stored centrally for access by authorized users. Optical Character Recognition (OCR) technology shall be used to extract key document/case information and convert these into a database.
 - ii. Word Documents Converted to Read-Only PDF Files – These are the rulings that will be produced by the system once implemented. The final version/ approved rulings shall be uploaded after conversion to PDF format. These shall also be indexed by the individual who shall upload the final version.
- 2.5.2. Rulings Database – The case database shall contain all rulings (previous and all rulings as they are issued) and all attachments. These documents shall be indexed using the following fields which shall either be extracted from the scanned documents or (if not available from the document to be scanned or unreadable by OCR) encoded at the time of uploading.
 - i. Rulings Reference Number
 - ii. Issuing Office
 - iii. Name of Requestor
 - iv. Type of Ruling
 - v. Date Requested
 - vi. Assigned Action Attorney
 - vii. Amount Involved
 - viii. Rulings Synopsis
 - ix. Date Issued

- 2.5.3. Workflow Component – This application will track the process (following the current procedures) for the preparation of tax rulings and will issue reminders to concerned employees and officials at various stages of the work.
- 2.5.4. Email Component – This application shall run side by side with the workflow component as a notification vehicle and must be able to attach relevant documents in electronic form for easy access by the mail recipient. A requirement of the system is an email license/access given to each authorized/individual user.

2.6. System Users

Below is a list of the system users and the number of employees involved:

- Action Attorneys
 - National Office - 11
 - Regional Offices - average of 2-3 per office; There are 19 Regional Offices
- Reviewers/Signatories
 - National Office - 11
 - Regional Offices – average of 3
- Users of Data
 - Other BIR Units
 - Tax Managers/Subscribers
 - General Public

2.7. The Proposed Automated Processing Steps

2.7.1. Workflow Step 1 - A request for tax ruling is filed

- i. A taxpayer (individual/corporation), law/accounting firms, BIR interoffice, the Office of the President, the Senate, the House of Representatives, or any Government Agency accesses the BIR Website and clicks on the 'File a Tax Ruling Request' icon.
- ii. The Requestor shall indicate the type of request. The possible types are:
- iii. Request for a Numbered Ruling (from the Commissioner) – This goes to the Law Division
- iv. Request for an ITAD Ruling – This goes to the ITAD
- v. Request for a VAT Ruling – This goes to the chair of the VAT Committee
- vi. Request for a DA Ruling – The specific regional office will be selected by the requestor, if none indicated, the request goes to the Law Division.
- vii. The formal letter request will be scanned and attached to the request.
- viii. Attachments shall also be scanned by the requestor and attached to the request. Note: In cases where the attachments were not scanned but sent physically to BIR, the Receiving Clerk shall access the system, scan the documents and initiate the process.

2.7.2. Workflow Step 2 – Receipt of Request at the BIR, Logging and Routing of Request

- i. The system automatically logs the details of the request in the requests file (this serves as the system logbook). The system assigns a Reference Number (e.g. ECCP-2007-0001 or the First request of Ruling Type ECCP for the year 2007). **The system shall also send via email a letter to the requestor acknowledging the receipt of the request.**
- ii. The system then routes the request and all the attachments to the head of the appropriate unit at BIR (Head, Legal Division of the Regional Office or Head of the Law Division, National Office) based on the type of request.
- iii. The Law Division shall have the capability to re-route a request or forward a request routed to it to another unit.
- iv. Any Regional Office shall also have the capability to re-route a request to the appropriate unit in case the selected route is incorrect.

2.7.3. Workflow Step 3 – Assignment to an Action Attorney

- i. The Division Chief reviews the request, rates the request as to level of difficulty (easy, medium, or difficult) then assigns the case to one of the Action Attorneys in the Unit. A designated assistant can also assign the case on behalf of the Division Chief (in his absence).
- ii. The Division Chief considers load balancing as a factor in assignment of cases to an Action Attorney. Action Attorneys must carry more or less the same load (as they work on more than one case at any given time).

- iii. To assist him in the assignment of the case, the Division Chief can ask the system to produce a report on current cases assigned to the Action Attorneys under his unit.

2.7.4. Workflow Step 4 – System Records the Assignment and Routes the Case to the Action Attorney

- i. The system next updates the request record for the level of difficulty and the case assignment
- ii. The System then forwards the case to the Action Attorney assigned to handle the case.

2.7.5. Workflow Step 5 - Action Attorney Works on the Case

- i. The Action Attorney receives an email notification about the case from the system.
- ii. The Action Attorney reviews the case and makes sure that the request does not cover a no-ruling area.
- iii. No–Ruling areas refer to cases where rulings need not be issued as in instances where the case is fictitious, hypothetical or there is a pending investigation/assessment. Reference is revenue bulletin RB # 1-2003
- iv. The Action Attorney checks if previous rulings about the same subject exist. The Action Attorney accesses previous rulings by keying in a word or any particular information about the case. The system searches the previous rulings file (an index to all rulings in the database) and returns all previous rulings that match the search keys submitted by the action attorney.
- v. The Action Attorney clicks on any of the rulings that might be relevant and reviews each one for any possible reference.
- vi. The Action Attorney reviews all materials that could serve as legal basis for his recommendation. The following shall be made available (in electronic form) in the system and can be used as reference materials by the Action Attorney:
 - a. Tax Code (Internal Revenue Code)
 - b. Revenue Issuances
 - c. Revenue Regulations (RR)
 - d. Revenue memorandum Circulars (RMC)
 - e. Revenue Memorandum Orders (RMO)
 - f. Revenue Delegated Authority Orders (RDAO)
 - g. Revenue Bulletins (RB)
 - h. Special Laws, e.g. Republic Act, Executive Orders, Presidential Decrees
 - i. Civil Code of the Philippines
 - j. Law of Federal Income Taxation
 - k. Supreme Court Decisions
 - l. Court decisions (Supreme Court, Court of Appeals, etc)
 - m. US Jurisprudence (e.g. MERTENS)
- vii. After reviewing all the related and relevant legal bases, the Action Attorney drafts the ruling. The standard parts of the ruling are as follows:
 - a. 1st paragraph – Referencing the Request
 - b. 2nd Paragraph – Narration of Facts and Discussion
 - c. 3Rd Paragraph – Reply/Dispositive Portion

- viii. A standard format and wording for some rulings may be used. In case a standard format is available, the system will prompt the action attorney that such a format exists (e.g. format for Retirement and Socialized Housing).
- ix. After the draft ruling is complete, the Action Attorney submits an electronic copy of his work (word file) to his supervisor for review

2.7.6. Workflow Step 6 – Review by the Supervisor

- i. The Supervisor reviews the work of the Action Attorney.
- ii. If major revisions are necessary, the draft is sent back to the Action Attorney for rework.
- iii. If minor revisions (grammar/spelling/sentence deletions) are necessary, the reviewing officer makes the corrections and forwards the draft to the next reviewing officer. The Action Attorney gets a notification that minor changes were made. At this point, the Action Attorney can access the draft as forwarded to the next reviewer for his information/reference.
- iv. If no revisions are needed, the supervisor electronically approves the draft ruling and sends it to the next higher ranking officer.
- v. For the National office, this supervisor referred to here is the Law Division Section Chief. For the Regional Office, the immediate supervisor is the Assistant Division Chief.

2.7.7. Workflow Step 7 – Review by the Next Ranking Officer

- i. The next higher ranking officer reviews the draft approved by the Action Attorney's immediate supervisor.
- ii. If major revisions are necessary, the draft is sent back to the Action Attorney for rework. The Immediate Supervisor gets an email notification that the draft was sent back to the action attorney.
- iii. If minor revisions (grammar/spelling/sentence deletions) are necessary, the reviewing officer makes the corrections and forwards the draft to the next reviewing officer. The Action Attorney and his immediate superior get a notification that minor changes were made. At this point, the Action Attorney can access the draft as forwarded to the next reviewer for his information/reference.
- iv. If no revisions are needed, the supervisor electronically approves the draft ruling and sends it to the next higher ranking officer.
- v. For the National office, this supervisor referred to here is the Law Division Section Chief. For the Regional Office, the immediate supervisor is the Assistant Division Chief.

2.7.8. Workflow Step 8 – Review by the Next Higher Ranking Officer

- i. The draft is received by the next higher ranking officer for review. The same procedure as in step 7 will be followed. The end result is an approval by the next higher ranking officer or the process of sending back the case to the original action attorney with instructions on what need to be revised. As usual, email notification will be given to the original action attorney and all the reviewing officers after him (all users that reviewed the document prior to this reviewing officer). Step # 8 is repeated to cover all reviews immediately before the final

signatory. **NOTES:** 1) Any of the reviewers may re-route the request to another officer of the BIR who may not be part of the regular flow. An example would be in case the ACIR of Legal Service wants the ITAD Officer to review a draft ruling. In this case the workflow gets re-routed to another station and after this extra station/reviewer has worked on the request, the flow goes back to the point where the regular workflow was interrupted. 2) The ACIR for Legal Service may take control of the workflow at any point. Hence, if the ACIR deems it necessary to take over a case, he may do so using a system feature that will transfer control and all documents related to the ruling-in-process to him. The Action Attorney and his supervisor shall be notified by the System through email about the transfer/change in assignment.

- ii. In the National Office, the following sequence of reviewers shall be used in setting up the workflow:
 - a. Law Division Section Chief
 - b. Assistant Division Chief
 - c. The Office of the Assistant Commissioner for Legal Service
 - d. Head, Revenue Executive Assistant
 - e. Technical Assistant, Legal Service
 - f. Assistant Commissioner, Legal Service
 - g. Office of the Deputy Commissioner for Legal and Inspections
 - h. Chief of Staff for assignment to the Technical Assistant.
 - i. Technical Assistant
 - j. Chief of Staff for review.
 - k. Deputy Commissioner for Legal and Inspections
 - l. Commissioner's Office
 - m. Chief of Staff for assignment to the Technical Assistant.
 - n. Technical Assistant for review.
 - o. Chief of Staff for review.
 - p. Commissioner for signing.

2.7.9. Workflow Step 9 - Back to the Law Division or Legal Division for Numbering

The approved ruling goes to the Chief of the Law Division (National office) or Legal Division (Regional Office) who uses the system to assign a number to the tax ruling. A sequence number file shall be maintained at each of the Regional Offices and the current format of numbering system used for the rulings shall, be maintained. In addition, the system assigns a system-generated (unique) reference number to each of the rulings approved for release.

2.7.10. Workflow Step 10 – Releasing and Uploading to the Database

- i. The Chief of the Law Division (National office) or Legal Division (Regional Office) prepares a short ruling synopsis (or instructs the Law Division Releasing Clerk to prepare a synopsis) and forwards the case to the Law Division Releasing Clerk. The ruling requestor shall be notified automatically by email.
- ii. If the ruling is for mailing, the releasing clerk forwards the ruling to the General Services Division for mailing.
- iii. The Law Division/Legal Division Releasing Clerk shall be responsible for uploading the rulings and the corresponding synopsis into the database. The Law Division/Legal Division Releasing Clerk uploads the record after encoding the appropriate index. The following shall form part of the index file for the rulings:
 - a. Rulings Reference Number

- b. Issuing Office
- c. Name of Requestor
- d. Type of Ruling
- e. Date Requested
- f. Assigned Action Attorney
- g. Amount Involved
- h. Rulings Synopsis
- i. Date Issued

2.8. Back File Conversion Requirements

Previous rulings (for the years 2002 to 2006) shall be uploaded to the system after scanning and indexing. About 1,000 rulings per year or a total of 5,000 rulings need to be scanned and indexed before they form part of the System's Initial Files. Also to be scanned will be the requests for rulings and the attachments submitted by the requestors. A total of 250,000 pages is estimated to be scanned and indexed as part of the initial file build-up.

2.8.1. The following is the recommended Organizational Structure of the Tax Rulings Database. This applies also to rulings that shall be issued in the future.

- i. Folder 0 – Private Folder (Strictly for BIR personnel only) - To contain Rulings requested by Internal Customers (BIR Units)
- ii. Folder 1 - Synopsis of Issued Rulings - For Public Consumption and will also be posted in the BIR Website
- iii. Folder 2 - All Numbered Rulings Issued By National Office (Mother Rulings) - Strictly for Registered Users only
- iv. BIR Personnel
- v. Subscribers

2.8.2. Arranged by Type of Ruling

- i. Capital Gains Tax
- ii. Documentary Stamp tax
- iii. Donor's Tax
- iv. Estate Tax
- v. Excise Tax
- vi. Income Tax
- vii. Value Added Tax
- viii. Withholding Tax
- ix. Others

2.8.3. Then by Date of Issue: Year/Month/Date within each type

- i. Folder 3 – All Delegated Rulings
- ii. Arranged by Issuing Office (National then Regional)
- iii. Then by YEAR Issued
- iv. Then by Type of Ruling
- v. Capital Gains Tax
- vi. Documentary Stamp tax
- vii. Donor's Tax
- viii. Estate Tax
- ix. Excise Tax

- x. Income Tax
- xi. Value Added Tax
- xii. Withholding Tax
- xiii. Others

2.9. System Components

As a general strategy, all technologies to be used and implemented should be proven and established technologies. Proven and established technologies generally have a wide implementation base. Being such, these technologies consequently have a large technical support community that is readily available locally and usually at affordable rates.

Proven and established technologies (as opposed to experimental technologies) have already a defined set of performance standards and adequate knowledge base of solutions to technical issues usually encountered. These technologies should have had a number of successful implementations – preferably locally – with experiences that the BIR Tax Ruling project can learn from.

Technologies that are leading edge or experimental in character are advised to be avoided for this project. This means the project must not consider doing beta-test implementations or ‘first live’ implementations. An ‘as-built’ proprietary solution may not also be ideal because solutions like these usually take more time to complete compared to ‘shrink-wrapped’ or ‘over-the-counter’ solutions.

Also in general terms, proven and established technologies may require substantial licensing investments up front. However, as discussed above, proven and established technologies tend to have extensive technical support available, which makes the system’s maintenance less problematic.

2.9.5. Workstation

The ideal situation is to have a “one networked computer is to one user” ratio. As of January 2007, new computer workstations have been deployed across the BIR, including the Law Division, Legal Service, Office of the Deputy Commissioner, and the Office of the Commissioner.

Each computer ideally should have the following minimum specifications:

- Intel Pentium IV or AMD Athlon class processor, 2.50+ Ghz processor; 512 MB memory, 40GB harddisk, 3.5 floppy disk drive, CD drive, USB 1.1/2.0 ports, built-in Ethernet NIC, mouse, keyboard, 15-inch color display.

Certain users may also be advised to use laptops (instead of desktops) to answer their mobile computing requirements, i.e., during off-site meetings and then need to work from home). Computer laptops should also have the following minimum specifications described above.

This report assumes that the BIR personnel involved in the Tax Ruling process will have their upgraded computer workstations before the tax ruling system is installed. No provision therefore will be made for additional desktop computers.

2.9.5. Servers

To ensure an effective and efficient implementation of the BIR Tax Ruling project, there will be a need to set-up a small server farm that will host the network services and the applications, separate from the current BIR LAN. The objective of setting up a separate network is to avoid burdening the existing BIR LAN with the heavy traffic requirements of the document management and work flow systems. The server farm shall have at least four computer servers of varying specifications: two entry-level

servers to handle network domain and other network-related services; and two middle- to high-end servers to host the document management system and the workflow/email systems.

The server hosting the document management system will also have a high-storage device to hold the multiple documents being processed

Server storage devices (hard disk) are preferred to be hot-swappable devices. It should accommodate at least a RAID-1 level (mirroring) redundancy – although it is still preferred to have a RAID-5 level (striping) if possible.

Annex C-1, item A.1 details the estimated cost for the servers in for the National Office, while Annex C-2 item A.1 estimate those for each Regional Office.

2.9.3. Storage Solution.

The storage solution strategy depends on the application. For the Tax Rulings Database, the strategy is to contract an Internet Data Center who will manage the database, provide the internet link, and provide technical support to subscribers. The actual storage system shall be depended on the system maintained by the IDC. Annex C-3 details the IDC and hosting related costs.

For the NO and RO, where the document management and workflow systems are locally hosted, at least one server (the one housing the document management system) will attach a high-storage device to store the scanned and work-in-progress documents being used during processing of draft rulings.

2.9.4. System Software.

- i. Server Operating System. The preferred server operating system shall be Windows 2000 or Windows 2003. Windows-based servers are commonly used in most offices, both government and private. Using Windows-based servers should enable BIR less-problematic interconnection in the future with other agencies. This also allows ready technical support from many vendors.

See item B.1.1. in both Annexes C-1 and C-2 for further discussion of the server operating system.

- ii. Relational Database Management System (RDBMS). This shall be dictated by the applications to be deployed (i.e., document management system, the workflow system, and the email/messaging system). They may require a separate RDBMS or use a proprietary database engine.
- iii. Workstation Operating System. The preferred operating system for the workstations shall be Windows XP Professional. Using an operating system for workstations under the same OS family as the servers should minimize compatibility issues. Windows XP is usually bundled (with a minimum add-on cost) for new purchases of computers.
- iv. Office Automation Tools. The suggested office automation tool shall be Microsoft Office XP. This suite already includes widely used tools like Microsoft Word (word processor), Microsoft Excel (spreadsheet), Microsoft PowerPoint (presentation builder), and Microsoft Access (entry-level data management). As with Windows XP, this can also be bundled with a minimum add-on cost for new computers.

- 2.9.5. Network Infrastructure. It is recommended that the LAN that interconnects the participants in the Tax Ruling process be enhanced to ensure efficient traffic. It must be noted that traffic generated by the Tax Ruling process may be substantial, given the graphic nature of files running on the network.

The LAN covering users from the Law Division, Legal Service, Office of the Deputy Commissioner, and the Office of the Commissioner (for the National Office) will be improved by adding or replacing switches and routers, and laying new Cat5 cables as needed.

For the regional offices, a new LAN (if none exists) will also be laid out to connect users from the Legal Division, the Assistant Regional Director, and the Regional Director. The network must be able to link all users into the network and enable access to all authorized applications and services.

See item A.2. in both Annexes C-1 and C-2 for further discussion of the network-related facilities.

2.9.6. Security Components. As in any corporate network, the BIR Tax Ruling system's network shall have adequate network security components installed.

- i. Firewall. The firewall for the BIR Tax Ruling system may be a software firewall. It should, however, be able to perform all packet filtering, proxy, and stateful inspection services.¹
- ii. Anti-virus. A server-based and client-based anti-virus solution must also be implemented. Preferably, scheduled updates of virus signatures/libraries at the client workstations shall be managed by the server.

2.9.7. Peripherals and Special Devices.

Peripherals and other devices are put in place to ensure additional protection of the servers and workstations.

- i. Uninterruptible Power Supply. A basic mandatory requirement for servers is the uninterruptible power supply (UPS) device that can offer power for at least 30 minutes. This ensures adequate time for normal shutdown in case of extended power outages. The UPS device must also have a high rating for voltage regulation to 'clean' any voltage surges and sags. Each desktop must also be equipped with a UPS Device good for 10 minutes.

Item A.1.3. (server UPS) and Item A.3.2.2. (desktop UPS) for both Index D-1 and D-2 discusses further the UPS requirements.

- ii. Secured Server Room. The servers must be located in an area that is physically secluded from the office foot traffic. It is recommended that a secured room be provided to house the computer servers. The server room for the BIR Tax Ruling system may not necessarily have the standard facilities of a typical server room (i.e., raised floor, built-in fire retardant facility, etc.) but should at the very least have limited access, adequate ventilation and properly protected from electrical issues. The room must be at least 16 square meters in area.

Item A.2.2. under both Index D-1 and D-2 discusses further the server room requirements.

- iii. Scanner. One (1) high-speed scanner at NO is an integral device for the implementation of the document management. This machine is intended to be located at the Law Division for immediate scanning of submitted documents.

Item A.3.1. under Index D-1 and D-2 specifies the scanners needed at the NO and the RO.

2.10. Services Requirements

2.10.1. Project Management.

The development and implementation of the TRS shall be under the overall supervision by the Law Division assisted by USAID Consultants and managed by the winning contractor who shall be selected following the Philippine Government Bidding procedures and standards. The project organization is presented below (2.6.3).

2.10.2. Formulation and Conduct of Training and Change management Program.

A detailed change management and training program shall be designed and implemented by the winning bidder. The following are the general guidelines:

Training shall be in small doses. It shall start with basic computer concepts and sessions on how to use the computer and moves on to how to use the system effectively. Training shall be in the form of workshops where the participants get to experience hands-on the various aspects of training.

Training in the use of the TRS shall be modular and will cover the following areas:

- i. Basic Computer Concepts
- ii. Basic Email
- iii. Preparing Documents for Scanning
- iv. Document Scanning Procedures
- v. Indexing Procedures
- vi. Using the document management system – Accessing the files and Searching Techniques
- vii. Workflow Procedures
- viii. Reports Generation

The change management program shall adopt a ‘burning platform’ to ensure the success of the change from a manual mode to a computerized system. The BIR Commissioner shall play a major role in ensuring that all concerned parties shall use and maintain the system properly. BIR shall also specify effects of non-compliance.

2.10.3. Business Continuity, and Disaster Management Planning.

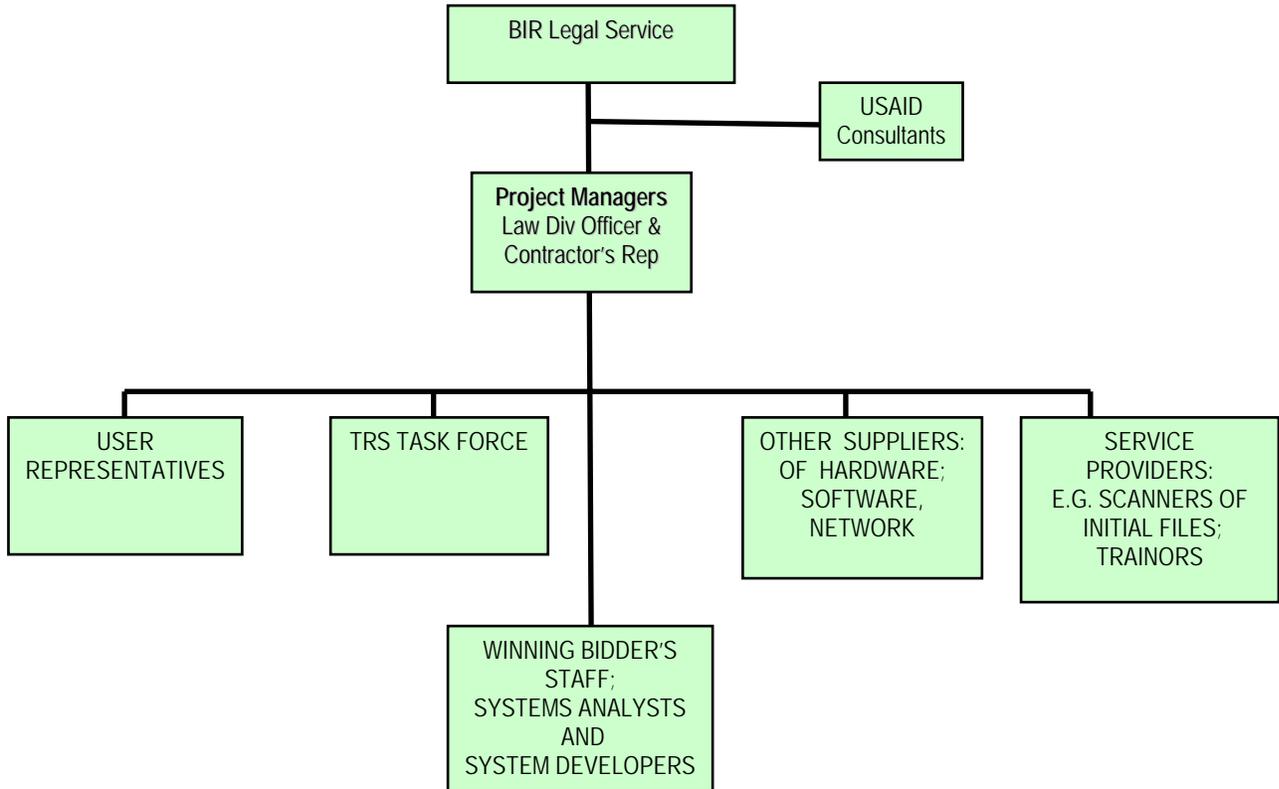
The BIR shall commission the development of a Business Continuity Plan/ Disaster Recovery Plan that will outline what BIR shall do in case the TRS gets destroyed or becomes inoperable. A back-up site shall be maintained as soon as funds become available. Meanwhile back-up copies of all files shall be prepared weekly and will be transferred to a location different from the Internet data Center.

2.10.4. System Maintenance.

Contracts shall be negotiated and entered into between BIR and selected Suppliers/Outsourcing Firms for the maintenance of the TRS Components such as Network, Hardware and Software.

2.11. Project Organization

The following ad-hoc organization is being recommended to be set up during the development of the system.



2.12. Project Development Timetable

It is estimated that the development and implementation of the Tax Ruling System will require a minimum of one year. Below is a macro view of the project schedule.

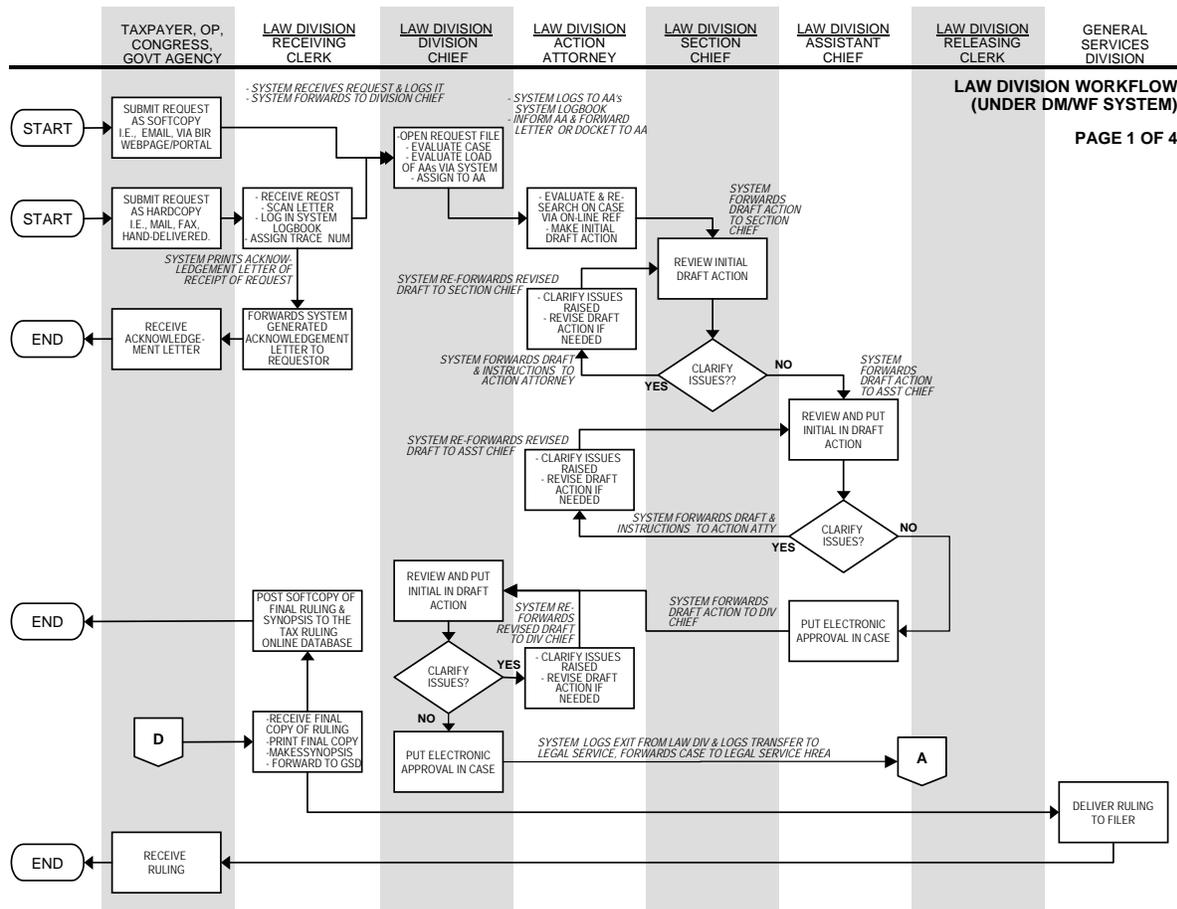
Bureau of Internal Revenue		
Tax Rulings System		
Project Development Timetable		
	ACTIVITY	DURATION
		(days)
1	Systems Requirements Report	
2	Short-listing of Candidates	15
3	RFP Preparation/Approval	5
4	Issue RFP and Accept Proposals	20
5	Evaluate Proposals - Technical	15
6	Evaluate Proposals - Financial	10
7	Negotiate with Winning Bidder	15
12	Finalization of Contract	10
13	Contract Signing	1
14	System Development and Implementation	180 days

2.13. Investment Summary

	YEAR 1	YEAR2 & BEYOND
NATIONAL OFFICE		
<i>(refer to Annex D-1 for details)</i>		
1 Hardware	P1,755,000	P263,250
2 Software	P6,670,000	P1,000,500
3 Backfile Conversion	P800,000	
4 Internet Connection <i>(2.7mU/768kD)</i>	P180,000	P180,000
TOTALS FOR N.O.	P9,405,000	P1,443,750
REGIONAL OFFICE (FOR EACH R.O.)		
<i>(refer to Annex D-2 for details)</i>		
1 Hardware	P890,000	P133,500
2 Software	P1,220,000	P183,000
3 Backfile Conversion	P0	P0
4 Internet Connection <i>(2.5mU/768kD)</i>	P96,000	P96,000
TOTALS FOR EACH R.O.	P2,206,000	P412,500
IDC HOSTING		
<i>(refer to Annex D-3 for details)</i>		
1 Hosting	P1,440,000	P1,440,000
2 Internet Connection	P360,000	P360,000
3 Tech Support/Help-Desk	P300,000	P300,000
TOTALS FOR HOSTING	P2,100,000	P2,100,000

Annex A. New Tax Rulings System at BIR

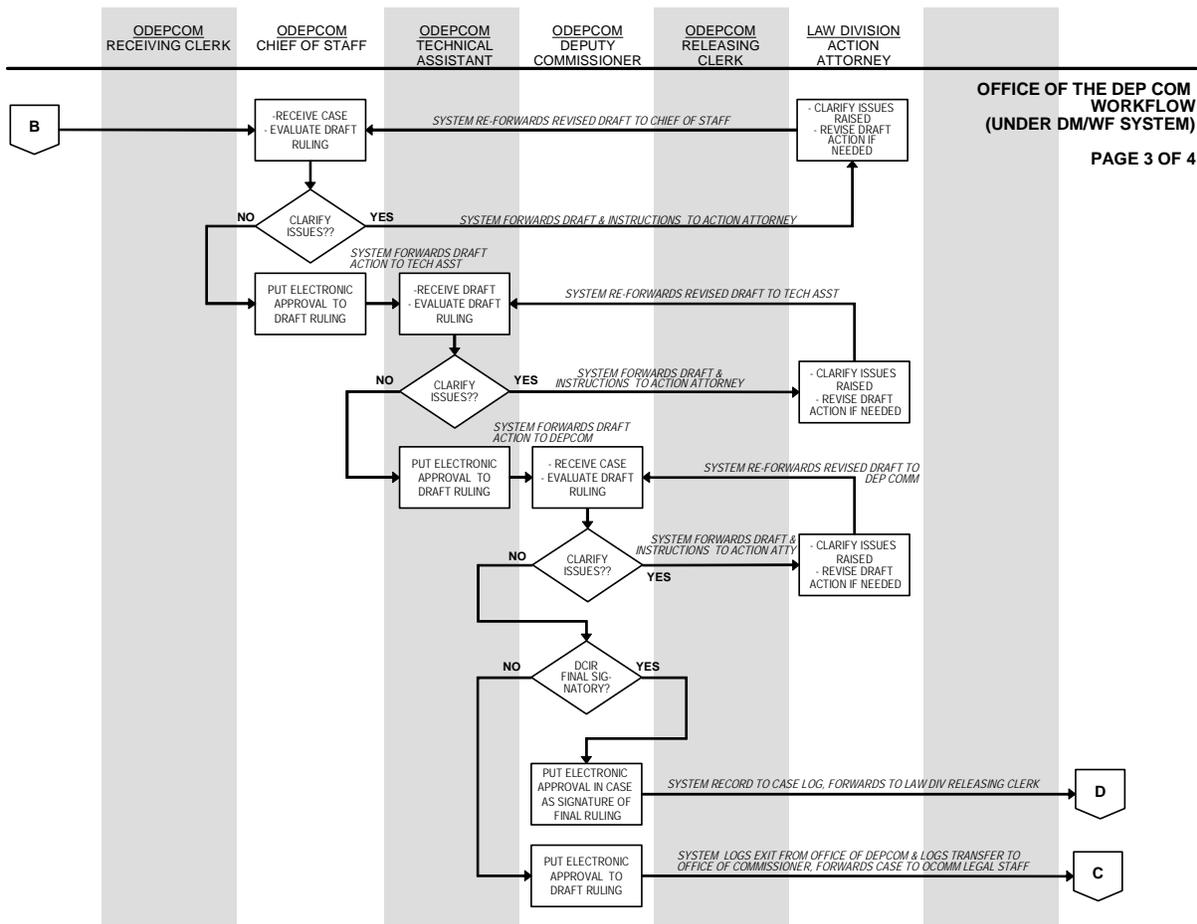
Automated Tax Ruling Process Flow for the National Office



The process flow of the Tax Ruling process in the Law Division under an automated environment is still similar to the manual (see Figure 1, page 7). The difference lies in the automated notification and transfer of draft rulings to the reviewer’s desktop, instead of a hardcopy being passed around. In every step of the way, the transfer of the electronic copy of the draft ruling is logged in the system, monitoring its date and time of transfer, as well as the length of time the draft ruling has been in possession of a reviewer.

Having the document management and work flow systems also allows the AA and reviewers to work on a single electronic copy of the draft ruling, there by having a reliable version control.

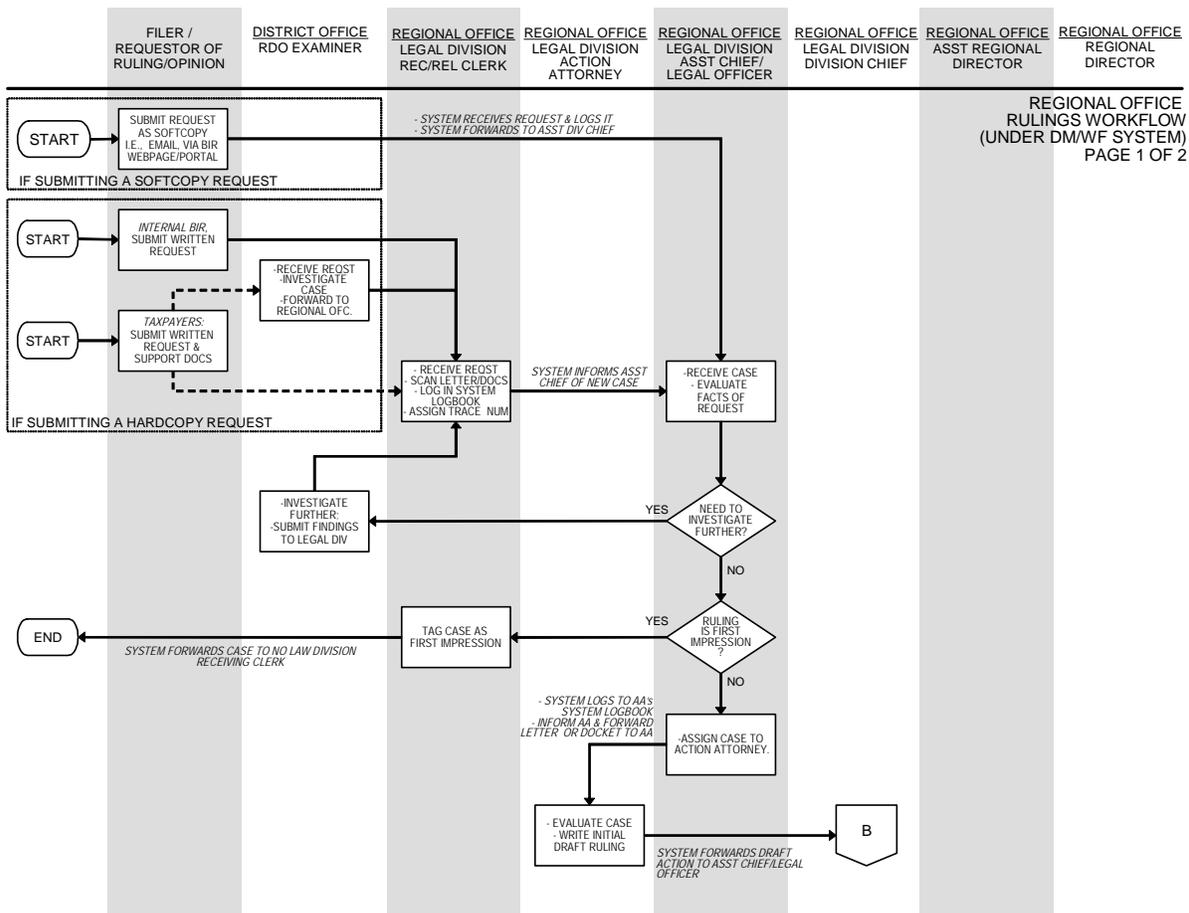
Furthermore, the system allows the AA to conduct research on-line (i.e., on his desktop) where he has access to electronic copies of previous rulings, memos, other references that will become available in the BIR Law Library. Aside from internal references, the Internet also allows the AA (and the reviewers) to research on on-line legal sites and even to participate in on-line legal forums.



OFFICE OF THE DEP COM
WORKFLOW
(UNDER DM/WF SYSTEM)
PAGE 3 OF 4

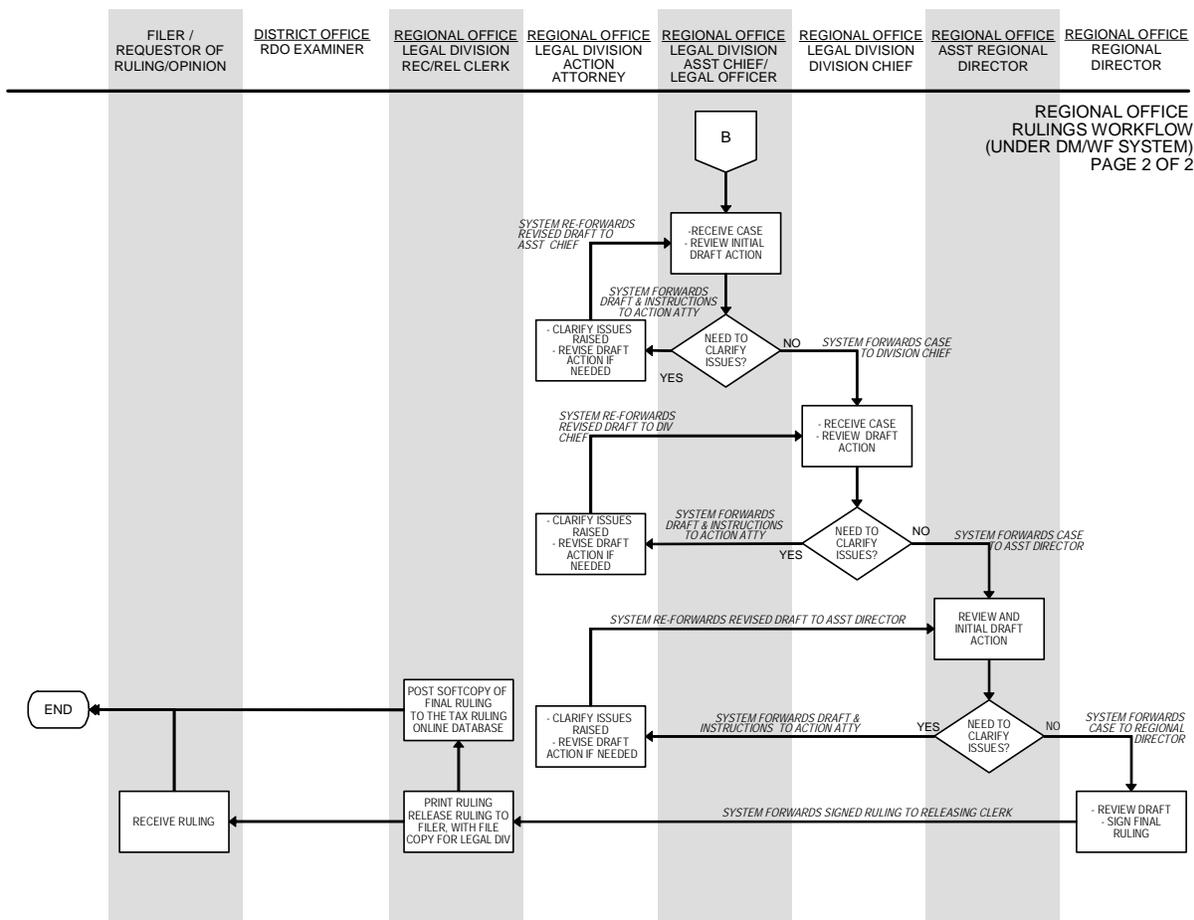
The process flow in the Office of the Deputy Commissioner for Legal and Inspection is still similar as the manual process (Figure 3, page 11). The automated transfers and activity log, as well as the sharing of electronic copy of the drafts, ensures a faster and more organized processing.

Automated Tax Ruling Process Flow for the Regional Office

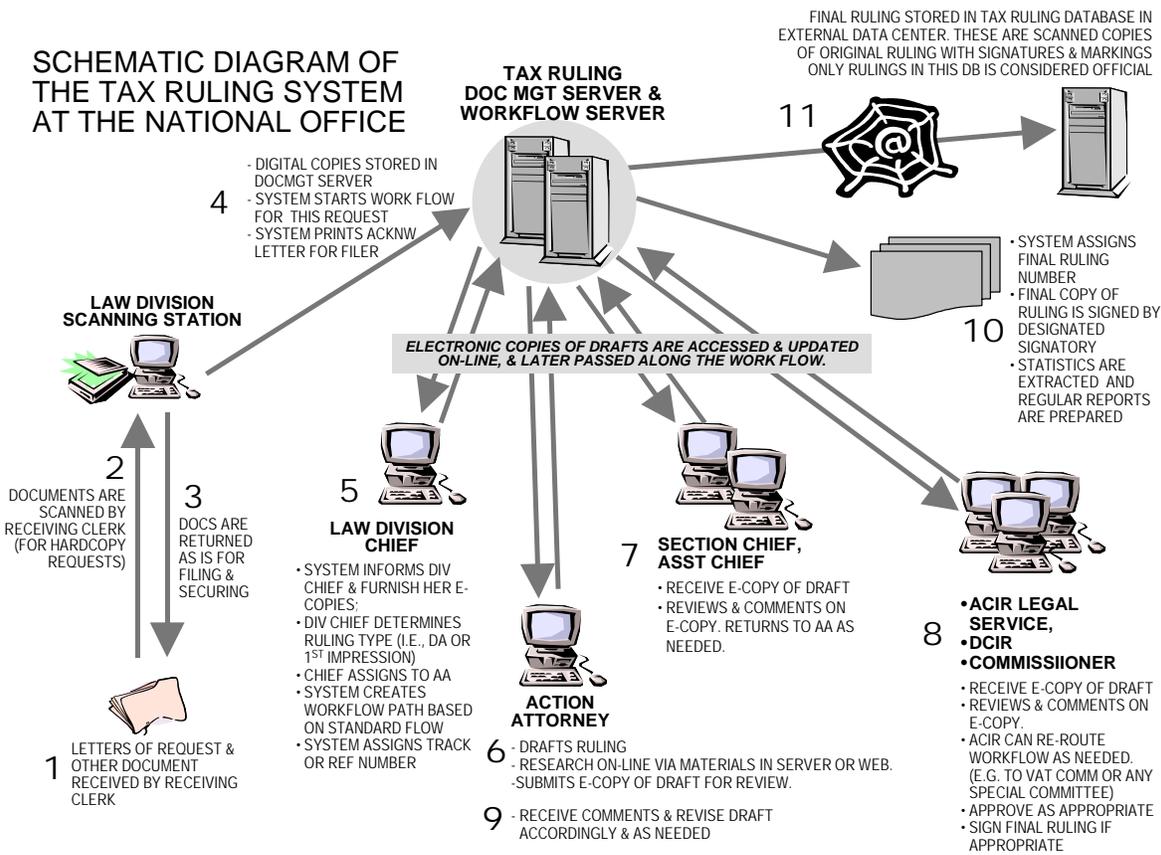


Similarly, the automated Tax Ruling process for the Regional Offices shows a similar flow as the manual (Figure 6 and 7, pages 18 and 20, respectively). The features of the system in the Regional Office would be the same as that in the National Office.

STREAMLINING THE BIR TAX RULING PROCESS – REPORT # 4
Automated Systems for the Tax Ruling Process



Annex B. Schematic Diagram of Tax Ruling System



Annex C-1. Details of Budget, National Office

ONE-TIME (FIRST YEAR) COST FOR THE BIR NATIONAL OFFICE

ITEM DESCRIPTION	REFERENCE ITEM FOR PRICE EST	U	EST UNIT PRICE		REMARKS
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A. HARDWARE

A.1. SERVERS AND SERVER PERIPHERALS:

A.1.1. DOCUMENT MGT SERVER		1	P500,000	P500,000	
Intel XeonDP or XeonMP DUAL processor running at least 3.00 Ghz/processor; Minimum 4 GB memory, (preferred is 8 GB); Minimum 144 (72x2) GB storage (pref 4x72 GB to allow at least RAID1 / mirroring); Hot-swappable-drives; CD-Read/Write drive (for backup), mouse, monitor; with optical jukebox or disk array system, for archived digital document files	HP Proliant ML-370 G3, with HP StorageWorks XP1000 or DAT series				The DMS and WF/Email services may actually be hosted in one physical server - but this is to be validated with the actual solution to be implemented. For budgetting purposes, we assume separate servers for WF/Email and DMS
A.1.2. WORKFLOW & EMAIL SERVER		1	P350,000	P350,000	
Intel XeonDP or XeonMP DUAL processor running at least 3.00 Ghz/processor; Min 4 GB memory, (preferred is 8 GB); Min 144 (72x2) GB storage (pref 4x72 GB to allow at least RAID1 / mirroring); Hot-swappable-drives; CD-Read/Write drive (for backup), mouse, monitor	HP Proliant ML-370 G3				This separate server is allotted in case one server for both DMS and WF/Email is inefficient.
A.1.3. DOMAIN SERVER		2	P150,000	P300,000	
Intel P4 processor running at least 2.50 Ghz/processor; Min 4 GB memory, (preferred is 8 GB); Min 100 GB storage (pref 4x72 GB to allow at least RAID1 / mirroring); Hot-swappable-drives; CD-Read/Write drive (for backup), mouse, monitor. To house the network OS, firewall, anti-virus, NMS, other network services	HP Proliant ML-150				Network services may be stored in one server, but budget for two in case of performance degradation and backup
A.1.3. UNINTERRUPTIBLE POWER SUPPLY		4	P20,000	P80,000	
	APC Smart UPS (1500va-3000va) series, est. 3000-4000 watts				The UPS device must provide voltage regulation and at least 15 minutes of backup power, and preferable to have an automatic shutdown interface with the servers

A.2. NETWORK-RELATED FACILITIES :

A.2.1. NETWORK CONNECTIVITY		30	P2,500	P75,000	
Improvement of existing LAN nodes, including installation of newer routers and switches to fones connecting the TaxRuling group					no need to set-up another LAN for the TaxRulings group. Just enhance current LAN
A.2.2. SERVER ROOM		LOT	P150,000	P150,000	
Additional equipment and devices to store the TaxRulings server within the BIR-ISG server room					No need to constructa new server room, just improve on the ISG server room to accommodate the Tax Ruling servers

A.3. USER-DEPLOYED DEVICES

A.3.1. HIGH-SPEED SCANNERS :		1	P300,000	P300,000	
	Kodak I-Series Duplex Scanner				To be located at the Law Division for entry and recurrina scannina jobs

ITEM DESCRIPTION	REFERENCE ITEM FOR PRICE EST	U	EST UNIT PRICE		REMARKS
A.3.2. WORKSTATIONS AND DESKTOP PERIPHERALS : NEW PCs PROVIDED ALREADY					
A.3.2.1. DESKTOP WORKSTATION		0	P70,000	P0	
	<i>Either desktop or notebook</i>				<i>For users in Law Div I.e. AAs, Chiefs, Clerks (19), Legal Service(3), Depcom office (3), and Commissioner's (3) Office who are involved in the Tax Ruling review and approval process. Also for Network Admins (2) for network management</i>
A.3.2.2. UNINTERRUPTIBLE POWER SUPPLY		0	P3,500	P0	
	<i>APC Back-UPS 600VA</i>				<i>Must provide at least 15 minutes of power supply and voltage regulation for the desktop</i>
TOTAL HARDWARE COST			P1,755,000		
B. SOFTWARE					
B.1. SERVERS :					
B.1.1. OPERATING SYSTEM		4	P50,000	P200,000	
	<i>Windows2003 Advance Server</i>				<i>Recommended is Windows 2003 Advance Server. Base server license is P50T, and about P2T per CAL</i>
B.1.2. APPLICATIONS					
B.1.2.1. DOCUMENT MANAGEMENT SYSTEM		25	P75,000	P1,875,000	
					<i>Initial cost of license & implementation (including customization) for Year 1. Price for DMS should include the license, consulting (design & customization), and implementation (installation, training). It should also to include cost of maintenance for 5 years after installation</i>
B.1.2.2. WORKFLOW SYSTEM		25	P175,000	P4,375,000	
					<i>Initial cost of license & implementation (including cusotmization) for Year 1. Price for WFS should include the license, consulting (design & customization), and implementation (installation, training). It should also to include cost of maintenance for 5 years after installation</i>
B.1.2.3. ELECTRONIC MAIL SYSTEM			P50,000	P50,000	
					<i>Assumption is there will be a separate email system for the DM/WF system, over the existing BIR email system</i>
B.1.3. SYSTEM SUPPORT SOFTWARE :					
B.1.3.2. ANTI-VIRUS SERVER	<i>Symantec, TrendMicro,</i>		P150,000	P150,000	<i>Product details to be decided later</i>
B.1.3.4. BACKUP SYSTEM			P20,000	P20,000	<i>Product details to be decided later</i>
B.2. WORKSTATIONS :					
B.2.1. OPERATING SYSTEM	<i>Windows XP Professional</i>		<i>Bundled</i>		PROVIDED ALREADY BY BIR <i>Windows XP Prof can be bundled with purchase of PC</i>
B.2.2. OFFICE PRODUCTIVITY TOO	<i>MS Office 2003 (Small Biz Ed OEM)</i>	0	P25,000	P0	<i>This is the initial licensing cost. This OEM price is to be used if this software is bought bundled with PC</i>
B.2.2. DESKTOP ANTI-VIRUS SOFT	<i>Norton Anti-virus</i>	0	P5,000	P0	
TOTAL SOFTWARE COST			P6,670,000		

ITEM DESCRIPTION	REFERENCE ITEM FOR PRICE EST	U	EST UNIT PRICE		REMARKS
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C. BACKFILE CONVERSION SERVICES

C.1. OUTSOURCED BACKFILE CONVERSION FOR DMS

P500,000

This service involves populating the Doc Mgt System with documents from the past and present cases. Documents are estimated at 1M pages. Outsourced services will include document grooming, scanning, and indexing.

Running rate for conversion (scan & index) of 250,000 documents is about P2/page

Outsourced services include provision of manpower and scanner by the provider. Scanning is to be done within the Law Division premises to avoid release of documents.

C.2. OUTSOURCED ACTIVE CASE UPDATE FOR WORKFLOW

P300,000

This service involves the data entry of the case history of each active LawDiv Tax Ruling cases into the WorkFlow System.

Workflow set-up for 3,000 TR requests, at P100/case

Outsourced services include interviewing and drawing up the case history, and data entry into the WorkFlow system

TOTAL CONVERSION CHARGES	P800,000
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D. INTERCONNECTION SERVICES

D.1. INTERNET SERVICE

12 P15,000 P180,000

2-3.0 MBPS DSL INTERNET

*PLDT myDSL Biz Empire
2.7mbps (upstream) /
768kbps (downstream)*

Internet access is critical for BIR LawDiv & Legal Services system, both for the technical/network support, as well as for legal research. Action Attorneys, in particular, can also use the Internet for legal research and accessing on-line legal libraries.

TOTAL SUBSCRIPTION CHARGES	P180,000
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TOTAL ONE-TIME COST, BIR-NO	P9,405,000
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NOTE:

Hardware and Software items discussed above are typically under warranty for one year
 Recurring expenses - starting year 2 - under items A (Hardware) and B (Software) will include licence maintenance, hardware check-up and repairs may safely be set at 15% of Year1 costs, i.e.,
 $P\ 8.43M \times 15\% = P1.26M$
 Item C (conversion service) is purely a one-time activity and cost.
 Item D (Subscription) is recurring at the same amount.
 Year 2 and beyond will therefore require recurring expense at P1.44M. This includes recurring (Item D) + maintenance (15% of Items A & B)

Annex C-2. Details of Budget, Each Regional Office

ONE-TIME (FIRST YEAR) COST FOR EACH OF THE BIR REGIONAL OFFICES

ITEM DESCRIPTION	REFERENCE ITEM FOR PRICE EST	U	EST UNIT PRICE		REMARKS
A. HARDWARE					
A.1. SERVERS AND SERVER PERIPHERALS:					
A.1.1. DOCUMENT MGT SERVER		1	P250,000	P250,000	
Intel P4 at least 2.50 Ghz/processor; 8GB); Min 100 GB storage (pref 4x72 GB to allow at least RAID1 / mirroring); Hot-swappable- drives; CD-Read/Write drive (for backup), mouse, monitor. To house the network OS, firewall, anti-virus, NMS, other network services	<i>HP Proliant ML-150 , full speed, with high storage</i>				<i>The DMS and WF/Email services may actually be hosted in one physical server - but this is to be validated with the actual solution to be implemented. For budgetting purposes, we assume separate servers for WF/Email and DMS</i>
A.1.2. DOMAIN SERVER		1	P150,000	P150,000	
Intel P4 at least 2.50 Ghz/processor; Min 4 GB memory, (preferred is 8 GB); Min 100 GB storage (pref 4x72 GB to allow at least RAID1 / mirroring); Hot-swappable-drives; CD-Read/Write drive (for backup), mouse, monitor. To house the network OS, firewall, anti-virus, NMS, other network services	<i>HP Proliant ML-150</i>				<i>Network services may be stored in one server, but budget for two in case of performance degradation and backup</i>
A.1.3. UNINTERRUPTIBLE POWER SUPPLY		2	P20,000	P40,000	
	<i>APC Smart UPS (1500va- 3000va) series, est. 3000- 4000 watts</i>				<i>The UPS device must provide voltage regulation and at least 15 minutes of backup power, and preferable to have an automatic shutdown interface with the servers</i>
A.2. NETWORK-RELATED FACILITIES :					
A.2.1. NETWORK CONNECTIVITY		10	P5,000	P50,000	
Set-up of LAN for the RO, to connect users/participants of the Tax Ruling process					<i>This includes devices such as switches and hubs, network rack; Cat-5 cabling, patch cords, RJ-45 ports & housing (if wired); wireless NICs, routers and APs (if wireless), installation and testing services. The 30 headcount includes: LawDiv(19), LegalService(3), Depcom(3), Comm (3), NetworkSupport (2)</i>
A.2.2. SERVER ROOM		LOT	P250,000	P250,000	
Secured area to house the servers and support devices. Ideally a closed room with proper voltage regulation, airconditioning, fire peotection.					
A.3. USER-DEPLOYED DEVICES					
A.3.1. HIGH-SPEED SCANNERS :		1	P150,000	P150,000	
	<i>Kodak I-Series Simplex Scanner</i>				<i>To be located at the Law Division for entry and recurring scanning jobs</i>
A.3.2. WORKSTATIONS AND DESKTOP PERIPHERALS :					* PROVIDED ALREADY *
A.3.2.1. DESKTOP WORKSTATION		0	P70,000	P0	
	<i>Either desktop or notebook</i>				<i>For users in Law Div i.e. AAs, Chiefs, Clerks (19), Legal Service(3), Depcom office (3), and Commissioner's (3) Office who are involved in the Tax Ruling review and approval process. Also for Nework Admins (2) for network management</i>
A.3.2.2. UNINTERRUPTIBLE POWER SUPPLY		0	P3,500	P0	
	<i>APC Back-UPS 600VA</i>				<i>Must provide at least 15 minutes of power supply and voltage regulation for the desktopm</i>
TOTAL HARDWARE COST				P890,000	

ITEM DESCRIPTION	REFERENCE ITEM FOR PRICE EST	U	EST UNIT PRICE		REMARKS
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B. SOFTWARE

B.1. SERVERS :

B.1.1. OPERATING SYSTEM		4	P50,000	P200,000	<i>Recommended is Windows 2003 Advance Server. Base server license is P50T, and about P2T per CAL</i>
	<i>Windows2003 Advance Server</i>				

B.1.2. APPLICATIONS

B.1.2.1. DOCUMENT MANAGEMENT SYSTEM		10	P75,000	P750,000	<i>Initial cost of license & implementation (including customization) for Year 1. Price for DMS should include the license, consulting (design & customization), and implementation (installation, training). It should also include cost of maintenance for 5 years after installation</i>
B.1.2.2. WORKFLOW SYSTEM					<i>No implementation in ROs</i>

B.1.2.3. ELECTRONIC MAIL SYSTEM			P50,000	P50,000	<i>Assumption isthere will be a separate email system for the DM/WF system, over the existing BIR email system</i>
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B.1.3. SYSTEM SUPPORT SOFTWARE :

B.1.3.1. ANTI-VIRUS SERVER	<i>Symantec, TrendMicro,</i>		P200,000	P200,000	<i>Product details to be decided later</i>
B.1.3.2. BACKUP SYSTEM			P20,000	P20,000	<i>Product detials to be decided later</i>

B.2. WORKSTATIONS :

B.2.1. OPERATING SYSTEM	<i>Windows XP Professional</i>		<i>Bundled</i>		<i>* PROVIDED ALREADY *</i> <i>Windows XP Prof can be bundled with purchase of PC</i>
B.2.2. OFFICE PRODUCTIVITY TOO	<i>MS Office 2003 (Small Biz Ed OEM)</i>	0	P25,000	P0	<i>This is the initial licensing cost. This OEM price is to be used if this software is bought bundled with PC</i>
B.2.2. DESKTOP ANTI-VIRUS SOFT	<i>Norton Anti-virus</i>	0	P5,000	P0	

TOTAL SOFTWARE COST				P1,220,000	
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C. BACKFILE CONVERSION SERVICES

Conversion to be done by internal staff

D. INTERNET SERVICE

<i>PLDT myDSL Biz Enterprise 2.5mbps (upstream) / 768kbps (downstream)</i>		12	P8,000	P96,000	
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TOTAL SUBSCRIPTION CHARGES				P96,000	
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TOTAL ONE-TIME COST, BIR-NO				P2,206,000	
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NOTE:

Hardward and Software items discussed above are typically under warranty for one year
 Recurring expenses - starting year 2 - under items A (Hardware) and B (Software) will include licence maintainance, hardware check-up and repairs may safely be set at 15% of Year1 costs, i.e.,
 $P\ 2.11M \times 15\% = P316T$
 Item C (conversion service) is purely a one-time activitiy and cost.
 Item D (Subscription) is recurring at the same amount.
 Year 2 and beyond will therefore require recurring expense at P412T, this includes recurring (P96T) + maintainance (15% of Items A & B)

Annex C-3. Details of Budget, Hosting, Web-Access & Management of the Tax Ruling Database Service

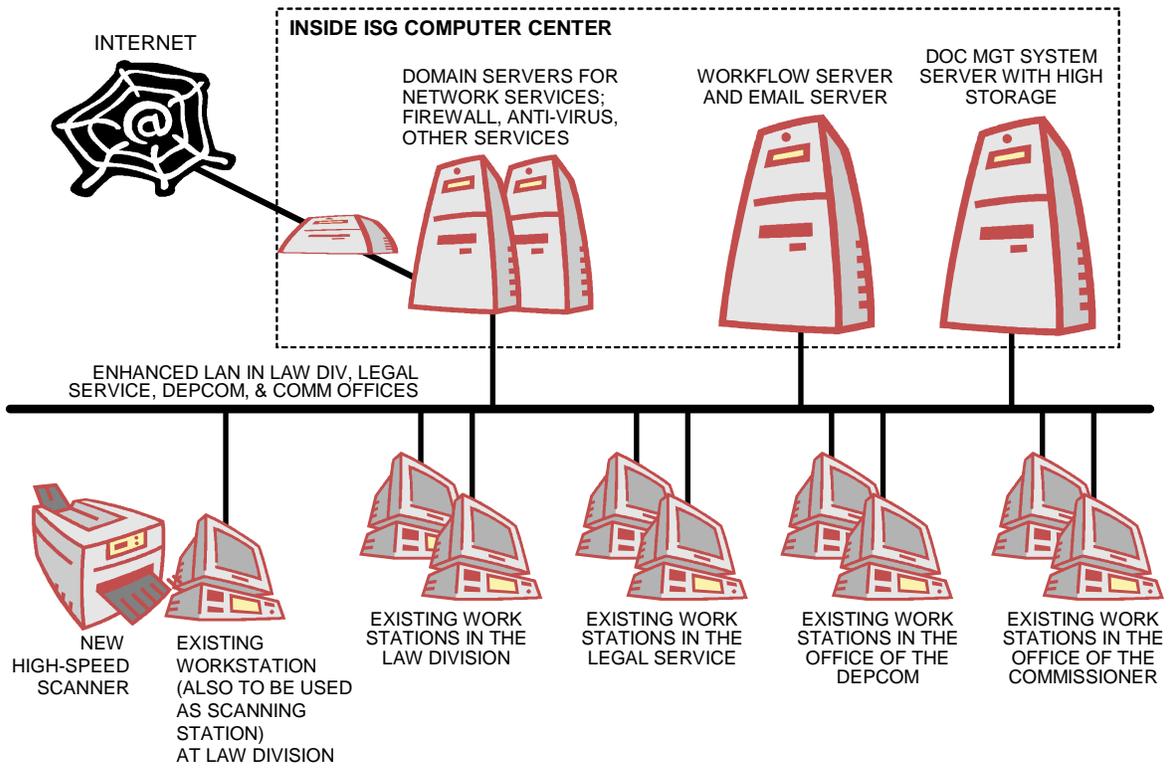
RECURRING COST OF IDC HOSTING & MANAGEMENT

The recommendation is to contract an Internet Data Center (e.g. ePLDT's Vitro, or Innove's GlobeQuest) to host the tax ruling database, instead of BIR hosting it internally. An IDC will ensure - under a proper service level agreement -- to maintain the system properly and provide adequate help desk and technical support. The IDC model also ensures high availability of the system to authorized users and subscribers

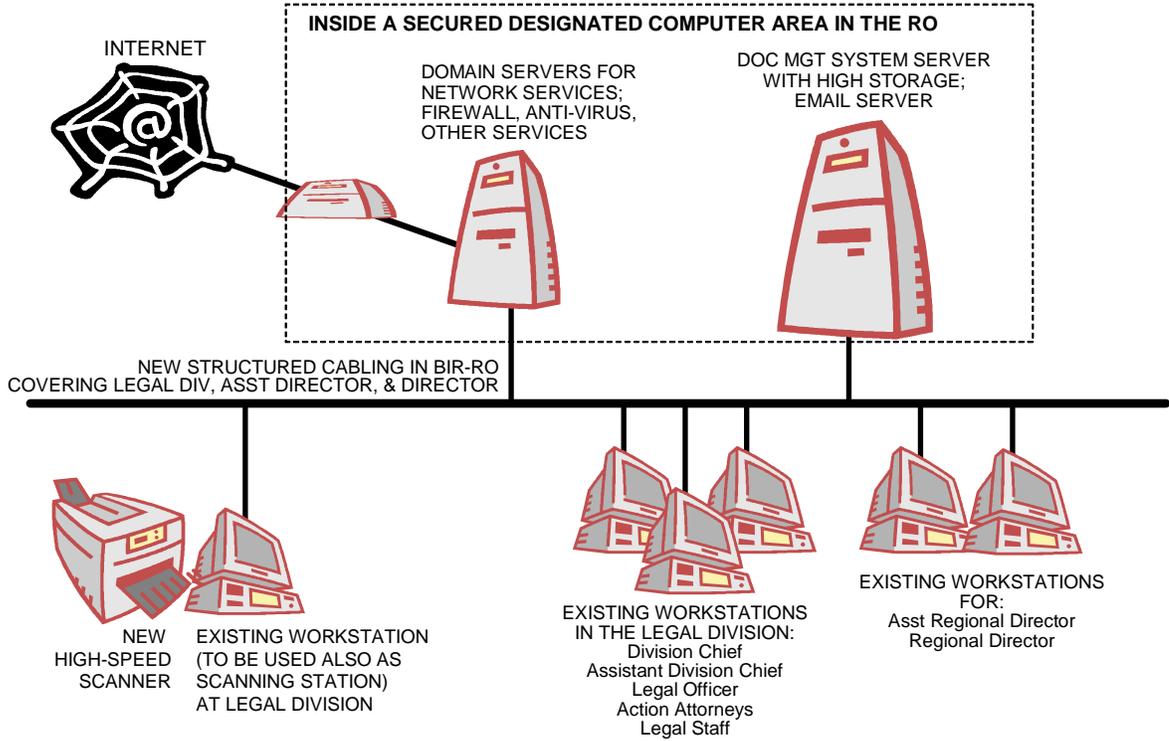
ITEM DESCRIPTION	MONTHLY	YEARLY
<p>A SERVER RENTAL & HOSTING</p> <p style="padding-left: 20px;">The contracted IDC will provide the server and space, as well as updated system-support software to ensure availability of the Tax Rulings system</p>	P120,000	P1,440,000
<p>B INTERNET CONNECTION</p> <p style="padding-left: 20px;">Ideally at least a 1MBPS link, to ensure enough bandwidth to allow in-bound and outbound traffic</p>	P30,000	P360,000
<p>C HELP DESK</p> <p style="padding-left: 20px;">This the technical support for the system</p>	P25,000	P300,000
TOTAL YEARLY RECURRING HOSTING COST		P2,100,000

Annex D. Network Diagrams .

PROPOSED NETWORK SET-UP FOR THE BIR NATIONAL OFFICE



PROPOSED NETWORK SET-UP FOR THE BIR REGIONAL OFFICE



INTER-CONNECTION BETWEEN PARTIES

