

Tax Audit Reforms to Ease Doing Business in the Philippines

Taxes have always been an important consideration for businesses intending to invest in a market and for businesses already operating in the market. The Philippine government recognizes this and has recently been working on reforms in the tax audit system to regain public trust and investor confidence. Last November 2025, the Bureau of Internal Revenue (BIR) suspended field audits and the issuance of Letters of Authority (LOA) amidst concerns of alleged abuse in order to review the current system and plan reforms. After 2 months, the BIR will now resume the issuance of LOA while introducing reforms in the system.

To provide context, the issuance of LOA allows the BIR to start assessing whether a company is compliant with tax payments or if there are any tax deficiencies (see Figure 1 for the general tax audit process).

For businesses, receiving a LOA can be burdensome as they would need to dedicate manpower and resources to handle the tax audit. In practice, the entire process usually takes months to even years depending on the volume and complexity of transactions. Speaking of volume, one of the most time-consuming processes in the audit would be the submission of documents by the company.

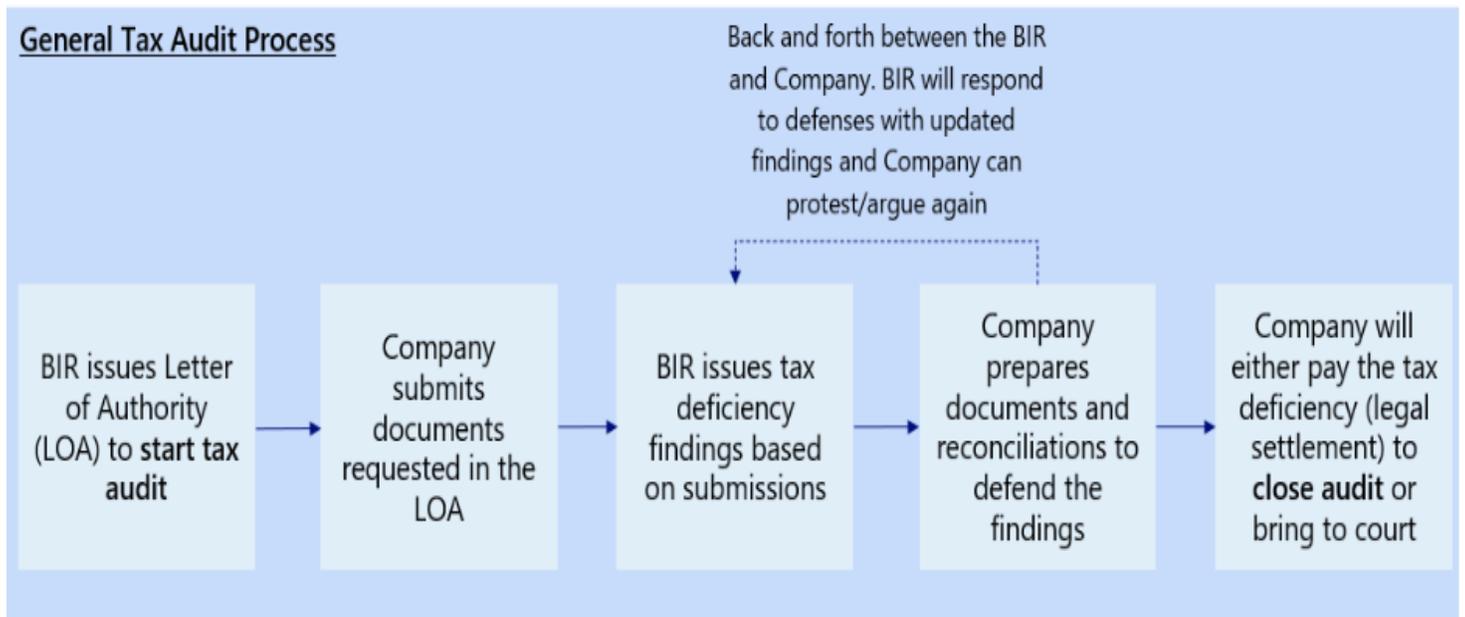


Figure 1: General Tax Audit Process

To ease the burden of submitting and transporting voluminous documents to the BIR office, one key reform is providing the taxpayers with the option regarding the manner and venue of record examinations.

Previously, there were also instances where a company will be handling multiple tax audits at the same time. There were cases wherein separate LOAs for different years would be issued consecutively or different LOAs will cover different taxes. To address this, the BIR will now adopt a single-instance audit framework which generally limits each taxpayer to one LOA per taxable year. It will also close the operations of the value-added tax (VAT) audit service to consolidate audit authority and avoid having separate LOAs for VAT. This reduces the uncertainty for companies on how many LOAs they would expect to manage in a year, enabling them to better plan their resources.

To avoid any perceived abuse, the BIR will also launch the Audit Auditor Program which will instill accountability among its officers. Moreover, the selection of companies that will be issued a LOA will now be guided by a system with defined parameters and criteria. A system will automatically generate an initial list subject to further approval. This will promote fairness, objectivity and transparency to ensure that taxpayers are not chosen randomly while also fostering efficiency through the digitized system.

What would all of these reforms mean for companies and businesses? The above reforms, if properly implemented, could notably reduce the time, cost and manpower resource spent by companies in handling tax audits.

These resources can then be dedicated to expansions, strategy execution or other value-adding activities. On a broader scale, these reforms can also support economic growth by assuring potential investors with predictability, accountability and transparency. As of this writing, the BIR is yet to issue a memorandum circular providing more details on these reforms. We are hopeful that the effective implementation of these reforms will promote ease of doing business and help position the Philippines as an attractive market to investors.

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