

**[ EXECUTIVE ORDER NO. 422, April 26, 2005 ]**

**ENHANCING AND AMENDING CERTAIN PROVISIONS OF  
EXECUTIVE ORDER NO. 399, REQUIRING THE BUREAU OF  
INTERNAL REVENUE TO ESTABLISH A PROGRAM TO PROMOTE  
OPTIMUM TAX COMPLIANCE**

WHEREAS, recognizing the need to establish a program to increase tax collections by providing taxpayers with incentives to voluntarily declare and pay higher taxes and reducing administrative costs from audits and investigations conducted by the Bureau of Internal Revenue, Executive Order No. 399 was issued on the 17th of January, 2005, instructing the Commissioner of Internal Revenue to establish a program to be known as the "No Audit Program" (NAP);

WHEREAS, in order to attain the objectives set forth in the establishment of the NAP, there is a need to further enhance the conditions under which taxpayers liable for business income tax shall be exempted from audit and/or investigation;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

*SECTION 1.* Section 2 of Executive Order No. 399, Series of 2005, is hereby amended to read:

"Section 2. Under the NAP, the Commissioner of Internal Revenue shall provide the conditions, in accordance with law, under which taxpayers liable for business income tax shall be exempted from audit and/or investigation; provided, that to be exempted from audit and/or investigation, the threshold required shall not be lower than the following:

- a. growth rate of income tax payment for the current tax year compared with the previous tax year must be at least 20%;
- b. ratio of income tax payment to gross sales/receipts for the current taxable year must be at least equal to that of the previous taxable year;
- c. ratio of net value added tax or business tax actually paid to gross sales/receipts for the current taxable year must be at least equal to that of the previous taxable year, or the benchmark of the industry, as set by the Commission of Internal Revenue, whichever is higher".