

**REPUBLIC OF THE PHILIPPINES**  
**DEPARTMENT OF FINANCE**  
**BUREAU OF INTERNAL REVENUE**  
Quezon City

December 21, 2006

**REVENUE MEMORANDUM CIRCULAR NO. 2-2007**

**SUBJECT** : Guidelines in the Implementation of the Improved Voluntary Assessment Program (IVAP) for Taxable Year 2005 and Prior Years Under Certain Conditions Pursuant to Revenue Regulations No. 18-2006

**TO** : All Internal Revenue Officials and Employees and Others Concerned

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Hereunder are the guidelines in the form of basic questions and answers regarding the IVAP.

**Q1.** What is the coverage of the program?

**A1.** The privilege of last priority in audit and investigation herein granted shall apply to all internal revenue taxes covering the taxable years ending December 31, 2005 and fiscal years ending on any day not later than June 30, 2006 and all prior years, including one-time transactions, estate tax, donor's tax, capital gains tax, expanded withholding tax and documentary stamp tax on the transfer, sale, exchange, or disposition of assets. The IVAP can be availed of on a per taxable year and on a per tax type basis.

**Q2.** Can the application be filed on a quarterly basis within the covered taxable years?

**A2.** No, availment is on a per tax type and per taxable year basis. However, for one time transactions involving the sale, transfer, exchange or disposition of assets, where the transaction or taxable event took place not later than June 30, 2006, the availment shall be on a per transaction or taxable event basis.

**Q3.** Who can avail of the IVAP?

**A3.** Any person, natural or juridical, including estates and trusts, liable to pay any of the above-cited internal revenue taxes for the above specified period/s who, due to inadvertence or otherwise, erroneously paid his/its internal revenue tax liabilities or failed to file tax returns/pay taxes may avail of the IVAP, subject to certain exceptions. The program shall likewise cover taxpayers enjoying preferential tax treatment.

**Q4.** Who are disqualified to avail of the program?

**A4.** The following are the exceptions to the program as mentioned in RR No. 18-2006 , hence, disqualified from availing the program:

- a. Those taxpayers who have already been issued a Preliminary Assessment Notice (PAN) and/or Final Assessment Notice (FAN), whether protested or unprotested on or before the effectivity of RR No. 18-2006 (December 1, 2006) with respect to the internal revenue taxes applicable to the taxable period(s) covered by the PAN or FAN;
- b. Persons under investigation as a result of verified information filed by a Tax Informer under Section 282 of the NIRC, duly processed and recorded in the BIR Official Registry Book on or before the effectivity of RR No. 18-2006;
- c. Tax fraud cases filed and pending in the Department of Justice or in the courts for adjudication;
- d. Those with unpaid tax liability as admitted and reflected in the books of accounts/records, or financial statements and tax returns of the covered period, with respect to the tax type covered by the said admitted tax liability, unless they first pay the same (i.e., DST payable, withholding tax payable, and unpaid individuals' second installment of income tax, etc.);
- e. Cases handled by the Bureau of Internal Revenue under the Run After Tax Evader (RATE) Program; and
- f. Cases in which Letter Notices (LNs) were issued, where the discrepancy in sales exceeds 30% of sales of the base year or the discrepancy in purchases exceeds 30% of the purchases of the base year.

Taxpayers with duly issued PAN and/or FANs, whether protested or unprotested, at the time of the effectivity of Revenue Regulations (RR) No. 18-2006, cannot avail of the IVAP.

**Q5.** Can a taxpayer avail of the IVAP if the Preliminary Assessment Notice (PAN) dated November 14, 2006 was received after the publication of RR 18-2006?

**A5.** No, a taxpayer who has already been issued a PAN on or before the effectivity of RR No. 18-2006 with respect to internal revenue taxes applicable to the taxable period covered by the PAN cannot avail of the IVAP.

**Q6.** What are the benefits granted under the IVAP?

**A6.** A taxpayer who has availed of the IVAP shall not be audited, except upon prior authorization and approval of the Commissioner of Internal Revenue, when there is strong evidence or finding of understatement in the payment of a taxpayer's correct liability by more than thirty percent (30%), as supported by a written report of the appropriate officer stating in detail the facts and the law on which the findings are based.

Audit shall **automatically** be discontinued upon filing of the application and payment of the IVAP amount. Letters of Authority (LAs)/Audit Notices (ANs), Letter Notices (LNs), Taxpayer Verification Notices (TVNs) and Mission Orders (MOs) shall be cancelled and withdrawn for IVAP availments with issued Certificates of Qualification.

The discontinuance of audit/investigation and the cancellation of the authority to audit/investigate, shall apply only to the kind of tax covered by the IVAP availment.

**Q7.** What will happen if a taxpayer who is under audit availed of the IVAP and such availment did not meet the requirements for qualification?

**A7.** If after evaluation, the taxpayer has been determined as not qualified for the benefits of the IVAP, the audit shall be revived and shall proceed accordingly. The IVAP payment shall be credited against any deficiency tax due and penalties that pertain to the same tax type and same taxable year covered by the Application for IVAP availment.

**Q8.** How can the taxpayer avail of the IVAP? What are the forms to be used for IVAP availment?

**A8.** The IVAP applicant-taxpayer shall signify his intention to avail of last priority in the audit and investigation by filing an application form (BIR Form No. 2115) and paying the IVAP amount using BIR Form No. 0615 with the appropriate BIR collection agent [Accredited Agent Bank (AAB) or Revenue Collection Officer (RCO)/Deputized Municipal Treasurer (DMT), in the absence of an AAB], and filing his application form, Proof of Payment and other necessary attachments to the Revenue District Office having jurisdiction over the taxpayer's registered address.

**Q9.** Can a taxpayer file first the IVAP application form and pay after the application has been determined by the BIR to be qualified under the requirements of RR No. 18-2006?

**A9.** No, availment of IVAP consists of filing of the IVAP application form together with the documentary requirements and paying the IVAP amount using the IVAP payment form.

Taxpayer can ask for the assistance of his home RDO in understanding the IVAP and computing the IVAP amount.

**Q10.** What are the forms to be used for IVAP availment?

**A10.** BIR Form 2115-IVAP as application form and BIR Form 0615 as payment form.

**Q11.** What are the documentary requirements that must accompany the IVAP application form?

**A11.** The documentary requirements per tax type are enumerated under the Guidelines and Instructions at the back of BIR Form No. 2115-IVAP Application Form.

**Q12.** What are the conditions for availment? How is the IVAP amount payable determined?

**A12.** The IVAP amount to be paid shall be the highest amount among the result or deficiency in amount after applying the formula in condition No. (1) which requires that there is at least 30% increase in the applicable or covered taxable year compared to that of the base year, or the resulting amount in condition No. (2), which is the minimum IVAP payment in absolute amount per taxable year, as stated in Section 4(a) of RR No. 18-2006 or a certain percentage of sales, depending on the tax type, whichever is higher.

Thus, if a tax return was filed and the corresponding tax was already paid during the covered year, the difference between the tax due in the covered or applicable year and the tax due during the base year should show at least a 30% increase in the covered year. Any shortage from the 30% requirement shall be **compared** with the minimum amount and the percentage of sales to determine the IVAP amount payable. The **highest amount** between the additional tax required to meet the 30% increase in condition No.1, and the minimum amount or the percentage of sales in condition No. 2 shall be the IVAP amount payable.

In case the 30% increase has already been met based on the tax due per tax return filed for the covered year as compared to that of the base year,

payment of the minimum absolute amount in condition No. 2 or the required percentage of sales, whichever is higher, is sufficient IVAP payment, (i.e. on top of payment already made).

**Q13.** What are the conditions for availment of IVAP on income tax?

**A13.** For taxpayers with returns filed both in the base year and the covered year, the conditions are the following:

The higher amount between:

1. The difference between the required total tax due for the applicable/covered year which is at least 30% higher than the tax due of the base year and the actual tax due reflected in the applicable/covered year, OR

2. The minimum absolute amount due for the following taxpayers classification:

**Individuals with P10 M in assets or less** – P25,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher

**Individuals with more than P10M in assets-** P100,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher

**Estate/Trust** - P50,000

**Corporation with P10M in assets or less–** P50,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher

**Corporation with more than P10M in assets** – P100,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher

**Large Taxpayers (LTS)** –P20,000,000

**Taxpayers with cases handled by the National Investigation Division** - P20,000,000

Sample computations:

*Example 1*

X Company is a non-large corporation, its final income tax return filed for the taxable year 2005 shows the following:

	<b>2004</b>	<b>2005</b>
Total Assets	11,000,000	12,000,000
Taxable Income	5,000,000	5,500,000
Sales for the Year	60,000,000	70,000,000
Gross Income	18,000,000	20,000,000
Income tax due/Basic Tax (32%)	1,600,000	<b>1,787,500*</b>

Less: Creditable amounts:

1. Quarterly income taxes	P150,000	250,000
2. Creditable withholding taxes	<u>150,000</u>	<u>250,000</u>

Balance Paid per Return	P1,300,000	P1,287,500
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Tax Due per Return	P1,600,000	P1,787,500
	=====	=====

\* **Income tax due 2005**  $(5,500,000 \times 10/12 \times 32\% = 1,466,666.70$   
 $5,500,000 \times 2/12 \times 35\%) = \underline{320,833.30}$   
**1,787,500.00**  
 =====

X Company believes that it may not have paid its correct income tax liability for the year 2005 which, in its computation, amounts to an additional tax payment of P100,000; hence, it would like to avail of the Improved Voluntary Assessment Program. Based on the information provided above, X Company shall pay an IVAP amount equal to **P350,000** which is the highest amount computed based on the following conditions.

The total tax due for the applicable covered year 2005 should be at least 30% higher than that of the basic tax due per 2004 final adjustment income tax return filed; thus, the tax due for 2005 must be at least P 2,080,000. Since the tax due per 2005 tax return is only P1,787,500, there is a deficiency of P292,500 ( P 2,080,000 – P 1,787,500) to meet the required 30% increase for the covered year compared to that of the base year. Thus, if the taxpayer wants to avail of the IVAP, the taxpayer must pay the highest figure/amount among the minimum absolute amount of P100,000.00 or P350,000.00 (1/2 of 1% of sales of 70,000,000), or the deficient amount of P292,500.00 required to meet the first condition that the tax due for the covered year is at least 130% of the base year.

Comparing the three figures, the highest amount is P350,000.00. Therefore, the IVAP amount for this case is P 350,000.00. This is on top of the earlier payment made.

## Example 2.

ABC Corp. is a non-large taxpayer with P10M in assets and Gross Sales for 2005 amounting to P50,000,000. What amount would it pay to qualify for IVAP?

- Per taxable Year 2004 income tax return filed:  
 Normal Income Tax Due P180,000  
 MCIT is P200,000
- MCIT paid for 2005 is P220,000
- Tax to be paid under condition No.1 is  $P200,000 \times 130\% =$  P260,000  
 Less tax paid per return in the covered year 220,000  
 Deficiency amount under Condition No. 1 P 40,000  
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- The minimum absolute amount is P100,000
- ½ of 1% of gross sales of P50,000,000 P250,000

The taxpayer wants to avail of the IVAP for its income tax return filed for the year 2005. In order to qualify for the privilege under this Circular, such taxpayer should pay an IVAP amount of P250,000.00 which is the highest amount computed based on condition No. 1 and No. 2. (NOTE: The payment is on top of or separate from the earlier payment of P220,000 already made).

**Q14.** If the taxpayer, based on the tax returns filed, has reached the required percentage of increase in condition No. 1 (tax due for the covered year is at least 130% of the tax due for the base year), is he required to pay the minimum absolute amount in order to qualify for IVAP?

**A14.** Yes, payment of the minimum absolute amount in condition No. 2 is required for all IVAP applications, where the required percentage increase in condition No. 1 (at least 30%, or percentage higher than 30%) has already been met per tax return filed for the covered year.

Nonetheless, for clarity, if the required percentage of increase in the tax due for the covered year over the base year is not met, the deficiency in amount should be computed and compared with the minimum amounts required in condition No. 2. The IVAP payment should be the highest among the computed deficiency in amount under condition No. 1, the absolute amount under condition No. 2, and the resulting product after multiplying the required percentage of sales as prescribed in condition No. 2. The required IVAP Payment is on top of the earlier payment made.

**Q15.** How much should the taxpayer pay in the following cases, in case he wants to avail of IVAP on Income Tax?

Corporate Taxpayer's scenario:

a) Illustration No. 1

Gross Sales for the Covered Year:	P18,000,000.00
Corporate assets	P12,000,000.00

		Condition No. 1	Condition No.2	Remarks
			Minimum IVAP	
Kind of Tax	Tax Due	Amount	Payment in Absolute Amount	
Income Tax	Covered year	P 1,350,000.00	P100,000.00	
	Base year	<u>1,000,000.00</u>		
		P 350,000.00		More than 30% increase

**A15.**

(a) Condition No. 1	(P350,000/1,000,000)	35%
Condition No. 2		
a) Minimum absolute amount		P100,000.00
b) Percentage of sales (P18,000,000 x .05%)		90,000.00
IVAP amount to be paid		<b><u>P100,000.00</u></b>

b) Illustration No. 2- Corporate taxpayer with assets of less than P10,000,000.00 and gross sales of P30,000,000.00.

		Condition No. 1	Condition No.2	
			Minimum IVAP Payment in Absolute Amount	Percentage of sales = ½ of 1% of sales
Kind of Tax	Tax Due	Amount		
Income Tax	Covered year	P 1,100,000.00		
	Base year	1,000,000.00		
	Increase in tax due	100,000.00		
	Tax due of base year and 30% increase	P 1,300,000.00		
	Tax due for the covered year	<u>(1,100,000.00)</u>		
	Required Percentage Deficiency	P 200,000.00	50,000	.5% of sales of P30,000,000 = P150,000

**A15.**

b) In Illustration No. 2, the taxpayer's tax due for the covered year did not reach the required 30% increase. Therefore, it should be required to pay P200,000.00 as IVAP payment, to comply with the percentage of increase requirement. This resulting deficiency under condition No. 1 is higher than the amounts prescribed and computed under condition No. 2.

**Q16.** A taxpayer has no income tax payment or no taxable income in the base year and the covered year. Can he still avail of the IVAP?

**A16.** No, a taxpayer having no payment or negative taxable income for the base year and the covered year cannot avail of the IVAP.

**Q17.** Is condition No. 1 mandatory for all IVAP applications, before application of the minimum IVAP payment in condition No. 2?

**A17.** Yes, because condition No. 1 is being taken into account as the basis of computation for the IVAP payment, i.e., based on whichever is the



**highest amount** among the three conditions [condition No.1, condition No. 2(a) or (b)].

**Q18.** If the taxpayer is in its first year of operation, can he/it avail of the program? How?

**A.18.** Yes, provided there is a tax return filed for the covered year. A photocopy of the regular tax return should be attached to the IVAP application. In case the tax payments for the first year cover a period of less than 12 months, it should be annualized.

Example:

A Corp. started its business in July 1, 2005. It earned an income and paid tax due amounting to P60,000. Gross sales for the year is P8,000,000.00. It wants to avail of IVAP, How much should it pay?

Annualized Tax due (P60,000/6 x 12)	P120,000.00
Required amount in Condition No.1 (P120,000 x 130%)	156,000.00

Amount to be compared to Condition No. 2	36,000.00
Minimum absolute amount	50,000.00
Percentage of sales ( $\frac{1}{2}$ of 1% of P8M)	40,000.00
IVAP amount to be paid	<b><u>P 50,000.00</u></b>

**Q19.** A company has been issued a Final Assessment Notice (FAN) for taxable year 2004. The company wants to avail of IVAP for 2005. What is the base amount to be used?

**A19.** The base amount shall be the total tax due per return plus the amount of basic deficiency tax based on the FAN, if any.

**Q20.** Is the EVAP payment covering year 2004 included as part of tax due for the base year?

**A20.** Yes. EVAP payment, if any, shall be included as part of the tax due for the base year.

**Q21.** If the taxpayer failed to file returns in the base and covered years, will he be allowed to file and avail of IVAP?

**A21.** No. he cannot avail of IVAP.

**Q22.** If a taxpayer earns mixed income (compensation and business income), what will be the basis for computing the IVAP amount if the taxpayer incurred losses and paid income tax only for compensation income for the base year and paid income tax for both compensation and business income for the covered year?

- A22.** For purposes of computing the required 30% increase over the base year, the basis shall be the tax payment for the base year (tax paid for compensation income). Deficient amount from the required at least 30% increase in the covered year compared to that of the base year shall, however, be compared with condition No. 2 and whichever is the highest amount shall be the IVAP payment.
- Q23.** Can we consider the basic deficiency tax as basis in the base year if the ITR/ VAT return has excess tax credit or zero balance?
- A23.** Yes. The amount paid as deficiency tax shall be considered as the basic tax due for the base year.
- Q24.** A taxpayer with a final assessment notice, issued after June 30, 2006 but before December 1, 2006, can neither avail of one time administrative abatement program nor IVAP. What program can he avail of in this case?
- A24.** There is no special program available to him at the moment but he may try the normal remedies available under existing rules, if he has basis therefor. His available options are either to apply for abatement under RR No. 13-2001 or Compromise Settlement under RR No. 30-2002 whichever is applicable to his case, but, of course, subject to evaluation of compliance with the conditions and documentary requirements prescribed thereunder.
- Q25.** Can the tax due per return for the covered year be deducted in computing the one half (1/2) of one percent (1%) or one percent (1%) of sales?
- A25.** No.
- Q26.** Should the deficiency tax paid pursuant to a Letter of Authority/Tax Verification Notice of an audit or to a Letter Notice or Mission Order covering the base year be included in the computation of the tax due for the base year?
- A26.** Yes, whatever deficiency tax paid pursuant to a Letter of Authority/Tax Verification Notice of an audit or to a Letter Notice or Mission Order covering the base year shall be considered in computing for the tax due in the base year.
- Q27.** The Taxpayer paid MCIT in 2004 amounting to P200,000.00 and paid the Normal Income Tax for 2005 of P250,000. How shall the 30% increment be computed and with what figure should this be compared?
- A27.** The MCIT shall be the basis of the tax due for the base year 2004 on which the 30% increase shall be computed. The said prescribed increased amount which is at least 130% of the 2004 tax due shall be compared with "The tax due for 2005 computed under the normal income tax".

**Q28.** If the taxpayer amended its tax return, can it still avail and qualify for IVAP?

**A28.** If the taxpayer amended its tax return for the base year after September 30, 2006, it cannot avail of the IVAP.

**Q29.** If the taxpayer reported VAT-zero rated transactions and it wants to avail of the benefits of IVAP, what will be the basis of computing for the IVAP amount for VAT?

**A29.** If the VAT Return does not reflect any net VAT due, **both** for the base year and covered year, the taxpayer cannot avail of the IVAP.

**Q30.** How is the IVAP for documentary stamp tax (DST) for 2005 computed when it failed to file DST return in 2005 but the records for 2004 reflects the following:

"ABC Insurance Corporation" has the following information with regard to its documentary stamp liabilities for taxable year 2004:

Documentary Stamp Taxes (DST)	
Due Per Books or Per Record of the Insurance Commission	P20,000,000
DST Paid per return filed	12,000,000
DST Payable	8,000,000

**A30.** In the above illustration, before "ABC Insurance Corporation" can avail of the privileges of the IVAP for 2005 provided in the regulations, it should first complete the payment of the DST due in the amount of P20,000,000 by paying the balance of P8,000,000. In case it avails of the IVAP for the taxable year 2005 after paying the said balance, the IVAP to be paid shall be whichever is the highest between the P26,000,000 (P20,000,000 x 130%) and the minimum absolute amounts in condition no.2(a) and (b).

**Q31.** How is the income tax due computed in case there is an MCIT carry over or in case the taxpayer paid the Minimum Corporate Income Tax (MCIT)?

**A31.** MCIT carried over from the base year shall be considered in determining/computing the tax due for the base year which is the subject of increase and to be compared with the tax due for the covered year. If the tax due in the base year is the MCIT, the basis for computing the required increase of 30% in condition No. 1 is the MCIT during the base year.

**Q32.** What will be the basis of computation for taxpayers with outstanding Letter Notices (LNs) on the covered year and they want to avail of IVAP?

- A32.** For taxpayers with outstanding Letter Notices, the IVAP amount will be computed using the conditions laid down in Sec. 4 of RR 18-2006, provided that Pre-assessment Notices and Final Assessment Notices against such LNs for the covered year have not yet been issued at the time of the effectivity of RR No. 18-2006. Nonetheless, if the Letter Notices that were issued reflect discrepancy in sales that exceeds 30% of sales of the base year or discrepancy in purchases that exceeds 30% of the purchases of the base year, the taxpayers/holders of the Letter Notices cannot avail of IVAP.
- Q33.** How is the Net VAT Due computed? Does it include interest and penalties paid?
- A33.** Net VAT Due is Output Tax minus Input Tax. It does not include interest, surcharge and penalties.
- Q34.** If a taxpayer was subject to percentage tax in the base year and has become a VAT taxpayer in the covered year, what will be the basis of computing the IVAP payment?
- A34.** This would be a case where tax returns were filed but there are two different tax types involved. For the purpose of computing the required percentage of increase, the 30% increase should be based on the total percentage tax due during the base year. The resulting product or figure hereon shall be compared with the net VAT due (output tax less input tax) for the covered year. Any shortage in the 30% requirement as provided in condition No. 1 of Section 4(a) of RR No. 18-2006 shall also be compared with the minimum absolute amount or the required percentage of sales in condition No. 2, and the highest amount is the IVAP amount payable.
- Q35.** If a taxpayer has availed of EVAP for 2004, and he wants to avail of IVAP for 2005, what will be the amount to be considered as tax due of the base year?
- A35.** EVAP payment made for the previous year shall be included in the computation of the tax due for the base year, the total of which shall be the basis in computing the required percentage of increase and the resulting figure therefrom shall be compared with the tax due for the covered year to determine the difference or deficiency as prescribed in condition No. 1 which shall be compared with the figures in condition No. 2 to determine the IVAP amount. The highest figure among the three (3) figures being compared is the IVAP amount.
- Q36.** How can the taxpayers, who have previously filed tax returns for one-time transactions, avail of the program if they still have to pay additional basic taxes thereon?

**A36.** A taxpayer who has previously filed tax return/s on one-time transactions (e.g., estate and/or donor's tax or final capital gains tax or expanded withholding tax and documentary stamp tax on the sale, exchange or disposition of real property or shares of stock not traded in the stock exchange) but thinks that he has erroneously paid the amount of tax due may, nevertheless, avail of the IVAP by filing his IVAP application using the prescribed BIR Form and pay the corresponding IVAP amount: Provided, however, that the IVAP amount to be paid shall at least be equal to 30% of the basic tax computed based on the tax return originally filed if no additional properties have to be declared and that the previously declared properties and claimed expenses are properly valued and documented, or one hundred thirty percent (130%) of the actual unpaid tax due on newly declared property, if any, provided that the previously and the newly declared properties and claimed expenses are properly valued and documented.

**Q37.** Can a taxpayer, who did not file the required return for one-time transaction and did not pay the amount due thereon, avail of IVAP? How?

**A37.** If no return has been filed and no payment has been made, the IVAP may be availed of by paying 130% of the basic tax due computed based on the rates applicable and in accordance with the statutes in force at the time the taxable transaction or event occurred using the prescribed BIR Form.

Nonetheless, the applicant-taxpayer shall file the required regular tax return/s with the concerned BIR office/Collection Agent by attaching the same to the IVAP Forms. Provided, however, that in case of transfers of real property and shares of stocks, the prescribed valuation rules shall be applied; Provided, further, that the documentary requirements and deductions claimed shall be fully substantiated and supported, with full compliance of RR No. 02-2003, RMO No. 15-2003 and RMO No. 11-2006.

**Q38.** What are the available modes of payment?

**A38.** Only cash payments are acceptable. IVAP payments shall not include any tax debit memo, creditable withholding tax and MCIT carry-over.

**Q39.** What will be the treatment of IVAP payments in case of disqualification?

**A39.** If despite IVAP availment, tax audit is conducted on the covered year under the circumstances allowed by the regulations, the IVAP payment shall be credited against the deficiency tax after audit for the same tax type and same taxable year.

**Q40.** What will happen to invalid availments of the No Audit Program (NAP)? How about availments under RR 18-2005 or EVAP?

**A40.** Taxpayers who have applied for the NAP, but whose availments are found to be invalid, may avail of the privilege under this program. Payment under NAP may be credited against the tax due for the covered year under the IVAP on a per tax type/ per taxable year basis. Prior notice of disqualification under NAP is necessary before application or crediting of payment of NAP. Likewise, invalid availments of EVAP under RR 18-2005 may be credited against the IVAP for the covered year for the same tax type.

**Q41.** What is the condition for installment payment of the IVAP?

**A41.** When the IVAP amount is in excess of Five Million Pesos (Php 5,000,000.00), the taxpayer may elect to pay the tax in three (3) equal installments provided that said installment payments shall be approved by the concerned Regional Director or the ACIR – LTS, as the case maybe.

**Q42.** Is there an extension of the due date for installment payment?

**A42.** Taxpayers may request in writing for an extension of installment payments of IVAP on the ground of financial incapacity. The request shall be evaluated and approved by the concerned Regional Director or Officer-in-Charge, Large Taxpayers Service upon compliance with the conditions stated under RR 18-2006.

**Q43.** What are the conditions for the extension of the installment payment period?

**A43.** To grant extension of the installment payment period, the following requirements shall be filed with the Revenue District Office having jurisdiction over the taxpayer, or at the Large Taxpayers Service, in the case of large taxpayers:

1. Taxpayer must submit a list of banks in which he/it maintains bank deposits/accounts;
2. Taxpayer must execute a waiver of bank secrecy of deposits thereby authorizing the BIR to inquire into the bank accounts of the taxpayer in order to verify his claim of financial incapacity;
3. Taxpayer must submit a written undertaking to pay the IVAP installments within a period not exceeding six (6) months from date of filing his/its IVAP application; and
4. Taxpayer must put up a bond corresponding to the installment payments to be made if the tax case is prescribing within six (6) months from the date of filing the IVAP application.

**Q44.** If the taxpayer pays and avails of IVAP even before the effectivity of the RR No. 18-2006, are the availments valid?

- A44.** The availment of IVAP prior to the effectivity date of the IVAP shall be considered as valid availments, provided they meet the required payments and conditions under RR No. 18-2006.

This Circular shall be given a wide publicity as possible.

(Original Signed)  
**JOSE MARIO C. BUÑAG**  
Commissioner of Internal Revenue

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