

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

November 16, 2007

REVENUE MEMORANDUM CIRCULAR NO. 77-2007

SUBJECT : Supplemental Provision to the Previously Issued Revenue Memorandum Circular (RMC 69-2007) on Issues pertaining to the Tax Amnesty Program Under Republic Act No. 9480 as Implemented by Department Order No. 29-07

TO : All Revenue Officers and Others Concerned

For the information and guidance of the taxpaying public and all internal revenue officers and others concerned, this Revenue Memorandum Circular is issued to clarify certain issues relative to Question and Answer (Q & A) No. 24 of RMC No. 69-2007.

Since Q & A No. 24 mentioned TRS-Letter Notice (TRS-LN) only, the answer and sample given was made specific to the TRS-LN. However, since there are also taxpayers who have received Letter Notice tagged as "SLSP/BOC Letter Notices", the manner on how these taxpayers can avail of the tax amnesty and the amount of payment that needs to be paid is also illustrated in the examples below:

Letter Notice sent:

Scenario A

A. Discrepancy on Sales (underdeclaration)	500,000.00
B. Discrepancy on Local Purchases (underdeclaration)	1,000,000.00
C. Discrepancy on Imported Purchases (underdeclaration)	750,000.00
Resulting Underdeclaration on Sales/Networth:	
Discrepancy on Sales	500,000.00
Discrepancy on Purchases - $(1,000,000 + 750,000)/80\%$ *	2,187,500.00
Base Amount	2,687,500.00

*Assumption:

Cost of Sales Ratio = 80%

Since both discrepancies on sales and purchases result to underdeclaration of networth, the P2,687,500 shall be added to any increase in the networth. Hence in the above example, 5% of P2,687,000 (on the assumption that P2,687,500 is the only increase in networth) which is P 134,375 or the prescribed minimum absolute amount, whichever is higher, shall be the tax amnesty payment.

Scenario B

A. Discrepancy on Sales (underdeclaration)	500,000.00
B. Discrepancy on Local Purchases (overdeclaration)	1,000,000.00
C. Discrepancy on Imported Purchases (overdeclaration)	750,000.00
Total Underdeclaration on Gross Income/Net Income :	
On sales discrepancy	500,000.00
On discrepancy on purchases	1,750,000.00
Base Amount for purposes of computing the 5% of networth	2,250,000.00

The overdeclaration of purchases has no effect on the taxable gross receipts subject to VAT but has effect on the VAT payable as the taxpayer has over-declared the input tax claimed, while for gross income for income tax purposes, the overdeclaration of purchases results to over-declaration of cost of sales, thereby under-declaring the income by same amount. Under scenario B, the P2,250,000 shall be added to any increase in networth. Hence, in the said example, 5% of P2,250,000 (on the assumption that P2,250,000 is the only increase in networth) which is P 112,500 or the prescribed minimum absolute amount, whichever is higher, shall be the tax amnesty payment.

For cases where taxpayer received two kinds of LN (TRS-LN or Consolidated BOC/SLSP LN), the basis of the tax amnesty amount shall be that LN which discrepancy/ies results to a higher increase in assets/networth.

All internal revenue officers and others concerned are requested to give this circular as wide a publicity as possible.

(Original Signed)
LILIAN B. HEFTI
Commissioner of Internal Revenue