

September 3, 2001

REVENUE REGULATIONS NO. 10-2001

SUBJECT : Amendment to Revenue Regulations No. 8-2001 Relative to the Period of Availment of the Voluntary Assessment Program (VAP), Additional Benefits to Taxpayers Who Availed of the VAP and Clarification of Some of the Conditions for the Availment Thereof.

TO : All Internal Revenue Officers and Others Concerned.

SECTION 1. SCOPE. - Pursuant to Section 6(A), in relation to Section 244 of the National Internal Revenue Code of 1997, these Regulations are hereby promulgated to amend Revenue Regulations No. 8-2001 dated August 1, 2001 by extending the deadline for the VAP until October 31, 2001, providing additional benefits to taxpayers who availed of the Program and by prescribing the basis of computing the VAP for ordinary taxpayers, taxpayers enjoying preferential tax treatments under special laws, taxpayers with mixed income and taxpayers with refundable returns.

SEC. 2. TAXPAYER'S BENEFIT FROM AVAILMENT OF THE VOLUNTARY ASSESSMENT PROGRAM (VAP). – Sec. 2 of Revenue Regulations 8-2001 is hereby amended to read as follows:

“SEC.2. TAXPAYER'S BENEFIT FROM AVAILMENT OF THE VAP. - A taxpayer who has availed of the VAP shall not be audited except upon authorization and approval of the Commissioner of Internal Revenue when there is strong evidence or finding of understatement in the payment of taxpayer's correct tax liability by more than thirty percent (30%) as supported by a written report of the appropriate office detailing the facts and the law on which such finding is based: Provided, however, that any VAP payment should be allowed as tax credit against the deficiency tax due, if any, in case the concerned taxpayer has been subjected to tax audit.

Audit of taxpayers shall automatically be suspended upon availment of the VAP. Letters of Authority (LAs)/Audit Notices (ANs), Taxpayer Verification Orders (TVNs) or Mission Orders (MOs) shall thereafter be cancelled and withdrawn upon issuance of the Certificate of Qualification, or if no such Certificate has been issued, then within thirty (30) days after the taxpayer has complied with all the conditions and requirements for the availment of the VAP. The suspension of audit/investigation and the cancellation of the authority to audit/investigate, however, shall be on a per tax type or only on the kind of tax subject of VAP availment.

Before any LA/AN, TVN or MO is issued against a taxpayer for the taxable year/s covered by VAP, it is incumbent upon the investigating Office to first secure a Certification from the DCIR-Operations on whether such taxpayer has availed of the VAP and whether such availment has been correspondingly approved. On the other hand, reports of tax audit/investigation of taxpayers who did not avail of the VAP shall be subjected to post audit by the National Office upon request thereof by the Commissioner or his duly authorized representative.”

SEC. 3. CONDITIONS FOR THE AVAILMENT OF VAP. - Sec. 3 of Revenue Regulations No. 8-2001 is hereby amended to read as follows:

“SEC.3. xxx xxx xxx

“3.1. In case there are returns filed in the current (covered) year. – The VAP amount to be paid shall not be less than the highest amount computed in all of the conditions prescribed hereunder and the actual additional unpaid tax due for the taxable period covered by the VAP availment as determined by the taxpayer, viz:

Kind of Tax	Condition No. (1) Covered Year	Condition No. (2) Sales of Covered Year	Condition No. (3) Minimum Amount
Income Tax	<ul style="list-style-type: none"> 20% (for year 1999 and prior years)/30% (for all the years 2000 ending not later than December 31, 2000) of tax due per tax return of the covered year if the ratio of the tax due per return over the annual gross sales/receipts for the year does not exceed two and one-half percent (2.5%) 	<ul style="list-style-type: none"> For individual taxpayer, 0.5% of total sales/receipts less tax due and paid per tax return filed in the covered year In case of corporation, 1% of total sales/receipts less tax due and paid per tax return filed in the covered year 	<ul style="list-style-type: none"> P10,000 for individual P50,000 for corporation

Kind of Tax	Condition No. (1) Covered Year	Condition No. (2) Sales of Covered Year	Condition No. (3) Minimum Amount
	<ul style="list-style-type: none"> 10% (for year 1999 and prior years)/15% (for all the years 2000 ending not later than December 31, 2000) of tax due per tax return of the covered year if the ratio of the tax due per return over the annual gross sales/receipts for the year exceeds two and one-half percent (2.5%) 		
Improperly Accumulated Earnings Tax	<ul style="list-style-type: none"> 5% of the improperly accumulated earnings tax due on improperly accumulated taxable income earned starting January 1, 1998. 		
Value Added Tax (VAT)	<ul style="list-style-type: none"> 15% of the total output tax declared per VAT returns filed for the covered year if the ratio of the VAT payments over the gross sales/receipts for the year does not exceed two percent (2%) 10% of the total output tax declared per VAT returns filed for the covered year if the ratio of the VAT payments over the gross sales/receipts exceeds two percent (2%) 	<ul style="list-style-type: none"> 2% of the total sales or receipts subject to VAT per books/records or financial statements less VAT paid per VAT returns filed in the covered year 	

Percentage Tax	<ul style="list-style-type: none"> • 15% of the total percentage tax due per percentage tax returns filed for the covered year if the ratio of the percentage tax over the gross sales/receipts does not exceed two percent (2%) • 10% of the total percentage tax due per percentage tax returns filed for the covered year if the ratio of the percentage tax over the gross sales/receipts exceeds two percent (2%) 	<ul style="list-style-type: none"> • 2% of the total taxable sales or receipts per books/records or financial statements less the amount of tax due per percentage tax returns filed in the covered year. 	
Excise Tax	<ul style="list-style-type: none"> • 3% of total excise tax due for the covered year 		
Documentary Stamp Tax (DST)	<ul style="list-style-type: none"> • 20% of the total tax due during the year 		
Withholding Tax	<ul style="list-style-type: none"> • 20% of the total withholding tax due 		

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“3.6. VAP availment of taxpayers subject to preferential tax rates under special laws. - VAP availment for these taxpayers shall be effected by paying a VAP amount equivalent to twenty percent (20%) of the tax due per returns filed for the covered year or the additional unpaid tax for the covered year as computed by the taxpayer which has not yet been recognized or recorded in the books of accounts, whichever is higher. Provided, however, that no payment of the VAP shall be allowed unless the unpaid tax liability per taxpayer's books/records/financial statement/filed return, or unpaid tax liability on the unfiled return if no return was filed, has been correspondingly paid.”

“3.7. VAP availment of taxpayers with refundable returns or excess/erroneous tax payments. – In cases where VAP is availed on

refundable returns or on excess/erroneous payments where there is a pending request for tax refund/credit, such availment of VAP shall not constitute an automatic approval of said refund or tax credit. Should the taxpayer insist on the grant of refund or tax credit, he may request that the tax type being claimed be processed/audited solely for purposes of the refund case.”

“3.8. VAP availment of individuals with mixed income. – Individual taxpayers deriving mixed income (compensation and business) may choose to avail of VAP for compensation income alone, business income alone or both compensation and business income.

Example – The income tax return and audited financial statements of Anton Fabon for the calendar year 2000 show the following:

Income from Compensation	P 540,000
Income from Business	
Sales	P 2,850,000
Cost of Sales	(1,700,000)
Administrative and Other Expenses	(<u>300,000</u>)
Net Income	<u>850,000</u>
Total Income before personal and additional exemptions	P1,390,000
	=====
Tax Due	P394,440
Tax Withheld from Compensation	<u>115,600</u>
Income Tax Paid	P278,840
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Anton Fabon is married, with two (2) dependent children ages five and six. His wife is not employed, neither is she engaged in business. He has no unpaid liability per return/books, and even based on his own recomputation, he has no additional unpaid tax liability. If he avails of the VAP on income tax for his business income only, the computation shall be:

Income Tax Due applicable/proportionate to Compensation Income

$$\text{P}540,000/\text{P}1,390,000 \times \text{P}394,440 = \text{P}153,236$$

Income Tax Due applicable/proportionate to Business Income

$$\text{P}850,000/\text{P}1,390,000 \times \text{P}394,440 = \text{P}241,204$$

VAP AMOUNT [Highest Amount among (a), (b) & (c)]	.	P36,181
(a) 2000 Basic Income Tax under VAP 15% X P241,204 Note: The rate used is 15% because the ratio of the tax due over sales is more than 2.5% computed as follows: (241,204/2,850,000) = 8.46%	.	36,181
(b) .5% X 2,850,000 = P 14,250 Less: Tax Due 241,204	.	0
(c) Minimum VAP requirement for individuals	.	10,000

SEC. 4. EXTENSION OF THE PERIOD WITHIN WHICH TO AVAIL OF THE VAP. – Section 6 of Revenue Regulations No. 8-2001, is hereby amended to read as follows:

“SEC. 6. DEADLINE FOR AVAILMENT. – This Program is valid only until OCTOBER 31, 2001.”

SEC. 5. EFFECTIVITY CLAUSE. – These Regulations shall take effect fifteen (15) days after publication in a newspaper of general circulation.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary of Finance

Recommending Approval:

(Original Signed)
RENÉ G. BAÑEZ
Commissioner of Internal Revenue