

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

**Quezon City**

September 26, 2006

**REVENUE REGULATIONS NO. 18-2006**

**SUBJECT : Improved Voluntary Assessment Program (IVAP) for  
Taxable Year 2005 and Prior Years under Certain  
Conditions**

**TO : All Internal Revenue Officers and Others Concerned**

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Pursuant to Section 244, in relation to Sections 6, 204, 254, 255, 256, and other pertinent provisions of the National Internal Revenue Code (NIRC), these Regulations are hereby promulgated to provide for the policies, procedures and guidelines in the implementation of IVAP for the collection of additional tax revenue, which could otherwise be collected through audit and enforcement effort.

The program covers all types of taxes including taxes for one-time transactions, and may be availed of by qualified taxpayers on a per taxable year/period and on a per tax-type basis.

**POLICY STATEMENT**

To maximize revenue collection with least administration costs, to encourage voluntary tax compliance, and to maintain harmonious relation with taxpayers by minimizing inconvenience relative to investigation, the taxpaying public is hereby granted the opportunity to avail of the privilege of last priority in audit under this Program in accordance with the rules herein prescribed.

**SECTION 1. COVERAGE.** — The privilege of last priority in audit and investigation herein granted shall apply to all internal revenue taxes covering taxable years ending December 31, 2005 and fiscal year ending on any day not later than June 30, 2006 and all prior years, including one-time transactions such as estate tax, donor's tax, capital gains tax, final withholding tax, expanded withholding tax and documentary stamp tax on the transfer, sale, exchange, or disposition of assets. This Program shall likewise cover taxpayers enjoying preferential tax treatment.

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, except those falling under any of the following instances:

- a. Those taxpayers who have already been issued a Preliminary Assessment Notice (PAN) and/or Final Assessment Notice (FAN) on or before the effectivity of these regulations 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 these regulations;
- 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 base year or the discrepancy in purchases exceeds 30% of the purchases of the base year.

**SECTION 2. TAXPAYER'S BENEFIT FROM AVAILMENT OF THE IVAP.** — 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 tax liability by more than thirty percent (30%), as supported by a written report of the appropriate office stating in detail the facts and the law on which such finding is based: Provided, however, that any IVAP 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 filing of application and payment of the IVAP amount. However, if the audit case is prescribing within six (6) months from date of application and payment of the IVAP, the availment should be evaluated by the investigating office within 5 days

from receipt of the payment to determine its qualification hereunder. If after evaluation, the taxpayer has been disqualified under these regulations, the audit shall be revived and should proceed accordingly. 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 Certificate of Qualification.

The suspension of audit/investigation and the cancellation of the authority to audit/investigate, shall be on a per taxable year/period and on a per tax type basis or only on the kind of tax covered by the IVAP availment.

Before any LA/AN, TVN or MO is issued against a taxpayer for the taxable year/s covered by IVAP, it is incumbent upon the investigating office to ensure that the taxpayer has not validly availed of the IVAP.

### **SECTION 3. DEFINITIONS. —**

- a) **Applicable Taxable Year/Period** – refers to the taxable year/period for which qualification under the IVAP is sought.
- b) **Base Year/Period** – refers to the taxable year/period immediately prior to the Applicable Taxable Year/Period. Thus, if a taxpayer avails of the IVAP for income tax for taxable year 2005, the Base Year from which the growth rate shall be determined is taxable year 2004. (For one-time transactions, the base year/period will not apply.)
- c) **Prior Years** - refers to taxable year 2004 and prior years in which period no Preliminary Assessment Notice (PAN) or Final Assessment Notice (FAN) has been issued against a taxpayer liable to pay income tax, business tax and other internal revenue tax.
- d) **Net Value-Added Tax Due (net VAT due)** – refers to the difference between the output tax and input tax *{i.e. net vat=output tax-input tax}*.

Example:

Output Tax		P150,000.00
Input tax carried over from previous quarter	P 20,000.00	
Input Tax from Domestic Purchases	100,000.00	
Input Tax from Importation	<u>20,000.00</u>	<u>140,000.00</u>
<b>NET VAT DUE</b>		<b><u>P10,000.00</u></b>

- e) **Percentage Tax Due** – refers to the tax due per return, which is the product of gross sales/receipts and the applicable percentage tax rate *{i.e. tax due=gross sales/receipts x percentage tax rate}*.

- f) **Income Tax Due** – refers to the income tax due per final or annual income tax return, undiminished by any amount of withholding tax or tax credit.

**SECTION 4. CONDITIONS FOR AVAILMENT AND MANNER OF COMPUTING THE IVAP AMOUNT.** — The IVAP applicant-taxpayer shall signify his intention to avail of last priority in the audit and investigation by filing his application and paying the required amount to comply with the IVAP formula with the appropriate BIR collection agent [Accredited Agent Bank (AAB) or Revenue Collection Officer (RCO)/Deputized Municipal Treasurer (DMT), in the absence of 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 using BIR Forms to be prescribed by the Commissioner subject to the following conditions:

- a) **Computation of IVAP amount payable.** — Compliance with IVAP requirement shall be the total payment for the covered year of the amount in condition no. (1) but with a minimum payment of the absolute amount in condition no. (2) in the year of availment.

Kind of Tax	Condition No. (1) Prescribed Percentage in the Applicable or Covered Taxable Year	Condition No. (2) Minimum IVAP Payment in Absolute Amount Per Taxable Year
<p><b>I. Income Tax (including payment under MCIT)</b></p> <p><b>a) With Returns Filed in the covered year and base year.</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Individuals with more than P10M in assets- P100,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less– P50,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher</li> </ul>

		<ul style="list-style-type: none"> <li>• Corporation with more than P10M in assets – P100,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>
<b>II. Improperly Accumulated Earnings Tax</b>  <b>a) With Returns Filed in the covered year and the base year</b>  <b>b) Without Returns Filed in the covered year</b>  <b>c) Without Returns Filed or zero tax due in the base year</b>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporation - P100,000</li> <li>• Large Taxpayers (LTS) – P10,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P10,000,000</li> </ul>
<b>III. Value Added Tax (VAT)</b>  <b>a) With Returns Filed in the covered year and the base year</b>  <b>b) Without Returns Filed in the covered year</b>  <b>c) Without Returns Filed or with zero net VAT due in the base year</b>	<ul style="list-style-type: none"> <li>• Net VAT due for the applicable/covered year is 30% higher than that of the base year.</li> <li>• Net VAT due is at least three percent (3%) of the gross sales/gross receipts of the covered year</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less – P50,000, or one percent (1%) of sales, whichever is higher.</li> <li>• Individuals with more than P10M in assets- P100,000, or one percent (1%) of sales, whichever is higher.</li> <li>• Estate/Trust – P100,000</li> <li>• Corporation with P10M in assets or less– P100,000, or one percent (1%) of sales, whichever is higher.</li> </ul>

		<ul style="list-style-type: none"> <li>• Corporation with more than P10M in assets – P200,000, or one percent (1%) of sales, whichever is higher.</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>
<b>IV. Percentage Tax</b>  <b>a) With Returns Filed in the covered year and the base year</b>  <b>b) Without Returns Filed in the covered year</b>  <b>c) Without Returns Filed or with zero tax due in the base year</b>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less – P50,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher.</li> <li>• Individuals with more than P10M in assets- P100,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher.</li> <li>• Estate/Trust – P100,000</li> <li>• Corporation with P10M in assets or less – P100,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher.</li> <li>• Corporation with more than P10M in assets – P200,000, or one-half of one percent (1/2 of 1%) of sales, whichever is higher.</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>

<p><b>V. Excise Tax</b></p> <p><b>a) With Returns Filed in the covered year and the base year</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than that of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less – P50,000</li> <li>• Individuals with more than P10M in assets- P100,000</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less– P50,000</li> <li>• Corporation with more than P10M in assets – P100,000</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>
<p><b>VI. Documentary Stamp Tax (DST on business)</b></p> <p><b>a) With Returns Filed in the covered year and the base year</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less– P25,000</li> <li>• Individuals with more than P10M in assets- P100,000</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less – P50,000</li> <li>• Corporation with more than P10M in assets – P100,000</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>

<p><b>VII. Withholding Tax on Compensation Payment;</b></p> <p><b>a) With Returns Filed in the covered year and the base year</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less – P25,000</li> <li>• Individuals with more than P10M in assets- P100,000</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less– P50,000</li> <li>• Corporation with more than P10M in assets – P100,000</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>
<p><b>VIII. Expanded Withholding Tax</b></p> <p><b>a) With Returns Filed in the covered year and the base year</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less – P25,000</li> <li>• Individuals with more than P10M in assets- P100,000</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less– P50,000</li> <li>• Corporation with more than P10M in assets – P100,000</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>



<p><b>IX. Final Withholding of Income Tax</b></p> <p><b>a) With Returns Filed in the covered year and the base year</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less – P25,000</li> <li>• Individuals with more than P10M in assets- P100,000</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less– P50,000</li> <li>• Corporation with more than P10M in assets – P100,000</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>
<p><b>X. Withholding of Business Tax</b></p> <p><b>a) With Returns Filed in the covered year and the base year</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10M in assets or less – P25,000</li> <li>• Individuals with more than P10M in assets- P100,000</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less– P50,000</li> <li>• Corporation with more than P10M in assets – P100,000</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>

<p><b>XI. Taxes on One-Time Transaction (Estate Tax, Donor's Tax, Capital Gains Tax, Expanded Withholding Tax, Documentary Stamp Tax on Sale or disposition of assets-real property or personal property, including shares of stock)</b></p> <p><b>a) With Returns Filed</b></p> <p><b>b) Without Returns Filed</b></p>	<ul style="list-style-type: none"> <li>• Payment of 130% of the unpaid tax due for the covered transactions.</li> <li>• 130% of the declared unpaid tax due for the covered transactions.</li> </ul>	
<p><b>XII. Taxpayers under Preferential rates (PEZA, SBMA, etc.)</b></p> <p><b>a) With Returns Filed in the covered year and the base year</b></p> <p><b>b) Without Returns Filed in the covered year</b></p> <p><b>c) Without Returns Filed or with zero tax due in the base year</b></p>	<ul style="list-style-type: none"> <li>• The total tax due for the applicable/covered year is at least 30% higher than the tax due of the base year.</li> <li>• At least increase of 30% of the declared tax due in the covered year.</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals with P10 M in assets or less – P25,000</li> <li>• Individuals with more than P10M in assets- P100,000</li> <li>• Estate/Trust - P50,000</li> <li>• Corporation with P10M in assets or less– P50,000</li> <li>• Corporation with more than P10M in assets – P100,000</li> <li>• Large Taxpayers (LTS) – P20,000,000</li> <li>• Taxpayers with cases handled by the National Investigation Division - P20,000,000</li> </ul>
<p><b>XIII. Accrued Penalties</b></p>	<ul style="list-style-type: none"> <li>• 30% of the basic tax paid</li> </ul>	

Payment of the minimum absolute amount in Condition No. 2 is required for all IVAP applications, where the required percentage increase has already been met in the tax due for the covered year.

The base year mentioned herein shall be the immediately preceding year.

Any deficiency tax paid for the base year shall form part of the tax due or net VAT due of the base year.

**b) Other Conditions:**

- b.1 Mode and Treatment of IVAP Payment.** — IVAP payments shall not include any tax debit memo, creditable withholding tax, MCIT carry-over and income tax carry-over from prior period. The IVAP payment cannot be used as tax credit in the year of payment as well as in the returns for subsequent year/s nor as a deduction for internal revenue tax purposes. Nonetheless, if despite IVAP availment, tax audit is conducted on the covered year under the circumstances allowed by these Regulations or prescribed by the law, e.g., Refund Case, the IVAP payment shall be credited against the deficiency tax after audit.

It is to be noted, however, that IVAP availment is not an admission on the part of the taxpayer of erroneous payment of the tax as well as of failure to file returns and pay the required tax.

- b.2 Issuance of the Certificate Authorizing Registration or the Tax Clearance Certificate for Taxes on One-time Transactions.** — The Tax Clearance Certificate or the Certificate Authorizing Registration shall be issued in accordance with the procedures prescribed by the Bureau of Internal Revenue after the verification of the taxpayer's compliance of the asset and liability valuation rules as well as evaluation of the documents submitted to substantiate the assets reported and the deductions claimed. The clearance to be issued shall cover only the assets declared by the taxpayer in the tax return/declaration and verified by the BIR to be properly valued and completely tax-paid.

**SECTION 5. TREATMENT OF INVALID AVAILMENT OF THE NO AUDIT PROGRAM (NAP) OR ENHANCED VOLUNTARY ASSESSMENT PROGRAM (EVAP).** — Taxpayers who have applied for NAP or EVAP but whose availments are found to be invalid may avail of the privilege under this program. Payment under NAP or EVAP may be credited against the IVAP on a per tax type basis.

**SECTION 6. TREATMENT OF INVALID AVAILMENT OF THE IVAP.** — Taxpayers who have applied for IVAP but whose availments are found to be

invalid may apply said payments against the deficiency taxes for the same taxable year on a per tax type basis. Invalid availments include, among others, those cases enumerated as exceptions under Section 1 hereof.

**SECTION 7. INSTALLMENT PAYMENT.** — 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 all installment payments shall be made on or before November 29, 2006 unless extended by the Commissioner.

If any installment is not paid on or before the date fixed for its payment, the whole amount of tax unpaid becomes due and payable or else, the IVAP application shall be denied and payment invalidated as IVAP payment.

Notwithstanding the above terms for installment payment, taxpayers may request in writing an extension for installment payment of IVAP on the ground of financial incapacity. The request shall be approved by the concerned Regional Director/Officer-in-Charge, Large Taxpayers Service upon compliance with the following conditions:

- 7.1. Taxpayer must submit a list of banks in which he/it maintains bank deposits/accounts;
- 7.2. Taxpayer must execute a waiver of secrecy of bank deposits thereby authorizing the BIR to inquire into the bank accounts of the taxpayer in order to verify his claim of financial incapacity;
- 7.3. 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
- 7.4. 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.

The above requirements must be filed with the Revenue District Office (RDO) having jurisdiction over the taxpayer, or with the Large Taxpayer Service (LTS), in the case of large taxpayers, at the time of the submission of IVAP application form.

**SECTION 8. PROCESSING OF APPLICATIONS AND ISSUANCE OF THE CERTIFICATE OF QUALIFICATION.** — The Commissioner of Internal Revenue is hereby authorized to issue the necessary and appropriate internal revenue issuances to facilitate implementation of these regulations. All IVAP Application Forms (AF) and validated IVAP Payment Form (PF), and such other documents as may be required and duly received by the RDO or LTS shall serve as proof of the taxpayer's availment of IVAP. All IVAP availments made pursuant hereto shall be subject to the review and evaluation of the concerned Regional

Office/Large Taxpayer's Service, and upon verification of the correctness of the taxpayer's availment of the privilege of last priority in the audit and investigation, the Regional Director/Officer-in-Charge, Large Taxpayers Service shall issue a Certificate of Qualification for the privileges herein granted. Nonetheless, if the review reveals deficiencies or defects in the IVAP availment, the reviewing BIR Office shall inform the originating BIR Office to require the taxpayer to comply, correct or rectify the deficiencies or defects. Upon completion of all the requirements and satisfaction of all the conditions, the Certificate of Qualification shall be issued.

The IVAP availment shall be reviewed within thirty (30) days from date of application and payment and the resulting Certificate of Qualification or Notice of Disqualification, whichever is applicable, shall accordingly be issued. A taxpayer who has received a Notice of Disqualification may appeal the same to the Assessment Service, through the Assessment Programs Division, whose recommendation shall be subject to approval by the Commissioner after review by the Deputy Commissioner, Operations Group.

Selected IVAP availments may be subjected to post audit by the Assessment Service to check the competence and efficiency of the processing BIR personnel.

**SECTION 9. DEADLINE FOR AVAILMENT.** — This Program is valid until November 29, 2006, subject to extension by the Commissioner on meritorious grounds.

**SECTION 10. EFFECTIVITY CLAUSE.** — These Regulations shall take effect after fifteen days (15) days following publication in any newspaper of general circulation.

(Original Signed)  
**MARGARITO B. TEVES**  
Secretary of Finance

Recommending Approval:

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

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