

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

November 14, 2002

**REVENUE REGULATIONS NO. 18-2002**

**SUBJECT :** Amending Revenue Regulations Nos. 12-2002 and 17-2002 Relative to the Implementation of the Voluntary Assessment and Abatement Program (VAAP).

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

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**SECTION 1. SCOPE.** – Pursuant to Section 244, in relation to Sections 6, 115, 204, 254, 256, and other pertinent provisions of the National Internal Revenue Code of 1997 (Code), these Regulations are hereby issued to amend certain provisions of Revenue Regulations No 17-2002 and 12-2002 relative to the deadline on availment, imposing VAAP minimum payments on voluntarily disclosed sales/receipts/income or taxable base, and for other purposes.

**SEC. 2. DURATION OF THE VAAP.** - Section 3 of Revenue Regulations No. 17-2002 is hereby amended to read as follows:

**“SEC. 3. DURATION OF THE VAAP.** – Using the VAAP-Application Forms and VAAP- Payment Forms, applications for VAAP Availment and corresponding payments thereon for the taxes and taxable periods covered by Section 2(B) hereof on voluntarily disclosed sales/receipts/income or taxable base must be received not later than November 29, 2002, subject to the right of the taxpayer to pay in installment as that provided under Section 5 of these Regulations.

For taxpayers who have been sent Letter Notices (LNs), the deadline for the availment of VAAP (i.e., submission of VAAP-AF) shall be the date stated in the LN unless extension is granted or a different deadline is approved by MANCOM of the BIR. Upon approval, MANCOM shall also state the new deadline date from which to reckon the installment payments provided in Section 5 (A) hereof.”

Aside from the VAAP-Application Forms and VAAP-Payment Forms, submission of additional documents shall be required on onerous or gratuitous transfer transactions requiring the issuance of Tax Clearance Certificate (TCL)/Certificate Authorizing Registration (CAR) as a condition for the transfer of real property or shares of stock.”

**SEC. 3. COMPUTATION OF THE AMOUNTS PAYABLE.** – Section 4 of Revenue Regulations No. 17-2002 is hereby amended to read as follows:

**“SEC. 4. COMPUTATION OF AMOUNTS PAYABLE.** –

- (A) **Income Tax.** – The income tax payable shall be **the highest amount computed in any of the following:**
- (1) **110% of the basic tax due on (A) total adjusted sales/revenues consisting of (1) sales/revenues declared per returns, plus (2) voluntary disclosure of undeclared/unreported sales/revenues, (B) less allowable deductions, (C) multiplied by income tax rate;**
  - (2) **a) For individual taxpayer, 0.5% of total adjusted sales/receipts less tax due and paid per tax return filed in the covered year,**  
**b) For corporate taxpayer, 1% of total adjusted sales/receipts less tax due and paid per tax return filed in the covered year;**
  - (3) **20% of the basic tax due per original return filed (if a return was filed) ; and**
  - (4) **Minimum payment of P50,000 for corporations and P10,000 for individuals.**
- (B) **VAT Payable.** – The VAT payable shall be **the highest amount computed in any of the following:**
- (1) **110 % of the basic tax due on (A) total adjusted gross sales/gross receipts consisting of (1) gross sales/gross receipts declared per returns, plus (2) voluntary disclosure of undeclared/unreported gross sales/gross receipts, (B) multiplied by 1/11, (C) less input taxes;**
  - (2) **10% of total output tax per original return filed (if a return was filed).**
  - (3) **Minimum payment of P100,000 for corporations and P50,000 for individuals.**
- (C) **Excise Tax Payable.** – The excise tax payable shall be **the highest amount in any of the following:**
- (1) **110% of the basic tax due on the adjusted tax base; and**
  - (2) **2% of the voluntarily disclosed taxable base.**
- (D) **Percentage Tax Payable.** – The percentage tax payable shall be **the highest amount in any of the following:**
- (1) **110% of the basic tax due on the adjusted tax base;**

- (2) **20% of the tax due per original return filed (if a return was filed).**
  - (3) **Minimum payment of P50,000 for corporations and P10,000 for individuals.**
- (E) **Improperly Accumulated Earnings Tax.** – The improperly accumulated earnings tax payable shall be 110% of the basic tax due on the improperly accumulated earnings computed in accordance with Section 29 of the Code and Revenue Regulations No. 2-2001.
- (F) **Documentary Stamp Tax/Withholding Tax/Taxes on One-Time Transactions.** – The tax payable for DST/withholding tax/taxes on one-time transactions such as estate tax, donor's tax, capital gains tax, expanded withholding tax and documentary stamp tax on sale, exchange, or disposition of real property and/or shares of stock on transactions occurring on or before June 30, 2002, shall be 120% of the basic tax due on the tax base.
- (G) **VAAP Amount for Accrued Penalties.** – Penalties that have accrued due to late payment of basic tax may be the subject of VAAP availment, provided, that the VAAP amount payable shall consist of the payment of interest at the rate of twenty percent (20%) per annum computed from the due date when the basic tax was supposed to be paid up to the time of payment thereof.

Payment of the above amounts shall constitute an abatement or cancellation of penalties, and shall therefore be in lieu of surcharge, interest and penalties otherwise due on the deficiency taxes payable by the taxpayer, subject to Section 7 hereof.

As used herein, the term basic tax shall mean tax due less tax paid in the original return.

All VAAP availments made pursuant hereto shall be subject to the review and evaluation by the National Office unless otherwise delegated upon order by the Commissioner of Internal Revenue.

**SEC. 4. INSTALLMENT PAYMENTS.** – Section 5 of Revenue Regulations No. 17-2002 is hereby amended to read as follows:

**“SEC. 5. INSTALLMENT PAYMENTS. –**

- (A) **Installment Payment of Minimum Amounts Per Letter Notices and the Remaining Balance, if any, if the 110% of the Basic Tax is Higher than the Minimum Amounts.**– Installment payment of the minimum amounts per letter notices is hereby allowed under this section. The schedule of the installments shall be as follows:
1. For Minimum Amounts Payable totaling P3.0M and above, payment must be in three equal parts as follows:

- (a) The first installment must be on the deadline set in the letter notice;
  - (b) The second installment must be paid within 30-days **from the deadline of first installment**;
  - (c) The third installment must be made within the year 2002.
2. For Minimum Amounts Payable totaling between P0.5M and P3.0M, payment must be in two equal parts as follows:
- (a) First installment must be in A-1 (a)
  - (b) Second installment must be in A-1 (b)

Accordingly, no installment payment shall be allowed if the amount payable is less than five hundred thousand pesos (P500,000.00).

All payments, accompanied by a duly accomplished VAAP payment form, must be submitted and made to an AAB of the RDO having jurisdiction over the taxpayer.

For the remaining balance, if any, upon filing of the submission (VAAP Application Form) where the remaining amount payable exceeds P1M, the same shall be paid in two equal installments, both to be paid in year 2002.

**(B) Installment Payment of Voluntarily Disclosed Amounts.** – Installment payment must be in three (3) equal parts. The first payment must be made before the filing of the VAAP Application Form with the Revenue District Office. The payment form duly filed and validated by the AAB must accompany the VAAP Application Form filed with the RDO. The second and third payments, accompanied by the VAAP payment form, must be made to the AAB within the year 2002.

Provided, that no installment payment shall be allowed if the amount payable is less than five hundred thousand pesos (P500,000.00).

**(C) Request for Extension of Installment Payment.** - Notwithstanding the above terms for installment payment, taxpayers may nevertheless request an extension for installment payment of VAAP on the ground of financial incapacity by filing a written request for extension of installment payment to be approved by the Regional Director, subject to the following conditions:

- (1) Taxpayer must submit a list of banks to which he maintains bank deposits/accounts;
- (2) Taxpayer must submit/ execute a waiver of bank secrecy of deposits thereby authorizing the BIR to inquire into bank accounts to verify claim of financial incapacity;
- (3) Taxpayer must submit a written undertaking to pay the VAAP amount by installment within a period not

- exceeding six (6) months from the date of filing of VAAP-AF; and
- (4) Taxpayer must issue postdated checks corresponding to the installment payments to be made.

The above requirements must be filed with the RDO at the time of the submission of the VAAP-AF.

**SEC. 5. INCORRECT SUBMISSION RESULTING TO ADDITIONAL DISCREPANCY.** – Section 7 of Revenue Regulations No. 17-2002 and Section 8 of Revenue Regulations No. 12-2002 , are hereby amended to read as follows:

“xxx xxx xxx

- “(A) Notwithstanding the taxpayer’s payment of the amounts referred to in Section 4, should the Bureau discover additional discrepancy through the RELIEF System and the ITS as well as through other processes, where the additional sales/revenues/tax base discovered exceed the amount voluntarily disclosed by **thirty percent (30%)** the availment of VAAP for each of the tax type and taxable period covered by the availment shall be considered null and void and the entire under-declaration/discrepancy shall be subjected to the full force of the law;
- “(B) Likewise, should the Bureau discover through the RELIEF System and the ITS as well as through other process, overstatement in purchases or cost or tax credit or deduction by more than **thirty percent (30%)** of what has been voluntarily disclosed in the VAAP-AF, the VAAP availment for each of tax type and taxable period covered by the availment shall be considered null and void and the entire findings/discrepancies shall be subjected to the full force of the law;

“(C) xxx xxx xxx

**SEC. 6. EFFECTIVITY CLAUSE.** – The provisions of these Regulations shall take effect **IMMEDIATELY** following publication in a newspaper of general circulation.

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

Recommending Approval:

(Original Signed)  
**GUILLERMO L. PARAYNO, JR.**  
Commissioner of Internal Revenue