



Alas Oplas Alliance Firms

credibility and honor defined.

TAX Advisory

2020-63

VOLUNTARY ASSESSMENT AND PAYMENT PROGRAM (VAPP)

(RR No. 21-2020)

This tax advisory is for general information only and should not be treated as a substitute for specific advice. We still recommend that you seek professional assistance in determining the applicability of this advisory. For any comment or question on this matter, please email us at aocheadoffice@alaso plascpas.com or call us at (02) 7759-5090 to 91.



Dear Valued Clients,

The Bureau of Internal Revenue (BIR) has released Revenue Regulations (RR) No. 21-2020 for the collection of additional tax revenues.

VOLUNTARY ASSESSMENT AND PAYMENT PROGRAM (VAPP) *(RR No. 21-2020)*

As the country continues to fight against Corona Virus 2019 (COVID-19), which has caused a global health epidemic and has resulted in serious economic and social repercussions. It has led the government to introduce numerous measures to help relieve our fellow countrymen's misery and respond to the needs of desperately impacted pandemic - stricken industries. Since BIR is reducing the number of audit audits by promoting a rise in voluntary tax compliance to reduce taxpayer contact taking into account existing health policies in minimizing COVID-19 spread while optimizing revenue generation.

Thus, the taxpaying public was granted the opportunity to help defray the increased expenditures of the Government during this pandemic through voluntary payment of additional tax under the VAPP for the covered period, with or without an audit/investigation, and be entitled to the privilege under the regulation.

According to the regulation, any person, natural or juridical, including estates and trusts, that are liable to pay the following internal revenue taxes for the taxable year (TY) ending December 31, 2018 or fiscal year (FY) ending July 2018 to June 2019, due to inadvertence or otherwise erroneously paid his/her internal revenue tax liabilities or failed to file tax returns/pay taxes, may avail of the benefits of VAPP:

- Internal revenue taxes, and
- Taxes on One-Time Transactions (ONETT) such as:
 - o Estate tax
 - o Donor's tax
 - o Capital Gains Tax
 - o ONETT-related Creditable Withholding Tax (CWT), Expanded Withholding Tax (EWT), Documentary Stamp Tax (DST)

However, taxpayers having the following instances are **not allowed** to avail the benefits of the VAPP:

- a. Those who have already been issued a Final Assessment Notice (FAN) that have become final and executory, on or before the effectivity of the regulation;
- b. Persons under investigation because of verified information filed by a Tax Informer
- c. Those with cases involving tax fraud filed and pending in the Department of Justice or in the courts; and
- d. Those with pending cases involving tax evasion and other criminal offenses.



The bureau requires the submission of the following documents for the application for VAPP:

- a. Duly accomplished Application Form (BIR Form No. 2119),
- b. Payment Form (BIR Form No. 0622) with proof of payment,
- c. Filed tax returns, proof of payment of taxes paid in 2017 and 2018 and audited Financial Statements for the covered taxable year for those availing of the program,
- d. Copy of remittance returns and proof of payment of final and creditable withholding taxes for taxpayers availing of the program,
- e. Copy of duly paid BIR Form 0605 stamped and proof of payment representing settlement of previous deficiency tax, with or without an assessment notice, if any, covering the taxable period mentioned; and
- f. Duly accomplished ONETT tax return(s) (BIR Form Nos. 1800, 1801, 1706, 1707, 2000 - OT, 0619-E) and corresponding documentary requirements for the transaction of taxpayers availing of the program.

Based on the regulation, the voluntary payment should be made in Cash, and upon perusing the form, Checks are also allowed. However, Tax Debit memo and alike will not be allowed as a form of payment. The duly accomplished BIR Form No. 0622 shall be presented for payment to any AAB or RCO under the LT Office/RDO having jurisdiction over the taxpayer, except for ONETT involving the sale of property which must be filed and paid with AABs/RCOs under the RDO covering the location of the property. A separate application must be filed for the following transactions:

- a. Non-ONETT,
- b. ONETT wherein the same taxpayer is registered in an RDO different from the RDO having jurisdiction over the place where the decedent is domiciled at the time of death; or where the donor is domiciled at the time the donation is made; or where the property is located, or
- c. Transactions involving the sale of real properties under the jurisdiction of different RDOs.

Filing of the said documents may be done personally or through courier service with the LT Office/RDO having jurisdiction over the taxpayer. It was said that within 30 working days from receipt of the aforementioned documents, the Revenue Officer will evaluate the application, payment Form and other documents submitted, and will endorse the same to the Assistant Chief, LT Office/Assistant Revenue District Officer (ARDO) for review, and to the Chief, LT Office/Revenue District Officer, as the case may be, for approval, who shall affix his signature on the BIR Form No 2119. If the application is approved the bureau will issue the Certificate of Availment within 3 working days from the approval of the application. However, the dockets of the approved VAPP shall be subject for post review.

If the review reveals deficiencies or defects in the availment, the taxpayer will be notified to rectify the defects and comply with or pay the deficiencies within 10 working days from receipt of the notification, otherwise, failure to act and/or pay the required amount on the part of the taxpayer within such period shall result in the denial of the application.



Taxpayers who failed to submit or submitted erroneous, incomplete, or falsified information concerning the VAPP and for those whose availment is found to be invalid, will not be entitled to such benefits under these Regulations. But the voluntary payment may still be applied against the deficiency tax liability for the TY2018, in case of audit/investigation.

Below are the rates that will be applied per tax type:

a. For Income Tax (IT), Value-Added Tax (VAT), Percentage Tax (PT), Excise Tax (ET), and DST other than ONETT

Increase/Decrease in the Total Taxes Due from 2017 to 2018 (A)	Amount of Voluntary Tax Payment Whichever is the higher between of - TY2018 (B)		Minimum Amount (C)	
	Gross Sales	Taxable Net Income		
NET INCREASE			For Individuals, Estates and Trusts – ₱75,000	
Not more than 10%	3%	7%	For CORPORATION	
More than 10% up to 30%	2%	6%	Subscribed Capital	Amount
More than 30%	1%	5%	More than ₱50Mn	₱1,000,000
NET DECREASE			More than ₱20Mn up to ₱50Mn	₱500,000
Not more than 10%	4%	8%	More than ₱5Mn up to ₱20Mn	₱250,000
			Less than ₱5Mn	₱100,000
More than 10%	5%	9%	Other juridical entities, including but not limited to cooperatives, foundations, general professional partnerships – ₱75,000	

The amount to be paid must be the higher amount in column B, but in no case should be less than the amount in column C. Total tax due will refer to the sum of all tax due per tax return before deducting any creditable withholding tax for TY2017 and 2018. The gross sales and taxable net income shall be based on the AITR for TY ending December 31, 2018, and FY2018 ending on the last day of July 2018 to June 2019.

b. For Final Withholding Taxes (on Compensation, Fringe Benefits, etc.) and Creditable Withholding Taxes (CWT) other than CWT on ONETT - 5% of the total basic withholding tax remittance.



- c. For taxes on ONETT, such as Estate Tax, Donor's Tax, CGT ONETT-related CWT/Expanded Withholding Tax, and DST - basic tax due of the unfiled return plus 5%.

Taxpayer with duly issued Certificate of Availment shall not be audited for 2018 for the tax types covered by the availment. For instances where the taxpayer is currently being audited for the covered taxable period, the conduct of audit shall be suspended while the availment of such benefits is under evaluation. It shall resume if the availment has been found invalid. If it has been found valid, the issued Letter of Authority, Tax Verification Notice, Discrepancy Notice, Notice for Informal Conference, Preliminary Assessment Notice, Final Assessment Notice for pending cases shall be withdrawn and canceled.

The following instances shall render the taxpayer's availment invalid despite the issuance of Certificate of Availment, thus, will subject the taxpayer to audit and investigation:

- a. When there is strong evidence or findings of under-declaration of sales, receipts or income or overstatement of deductions by more than 30% based on a written report of the appropriate revenue official stating the facts with supporting documents; and/or
- b. When there is verifiable information that the taxpayer has withheld but failed to remit withholding taxes.

Any voluntary payment may be applied against the deficiency tax due. If any, that may be assessed against the taxpayer after the audit/investigation.

Taxpayers who failed to file tax returns and/or pay their taxes for the taxable year 2018 under (a) above can apply for VAPP, provided that the unfiled tax returns shall first be filed and/or unpaid taxes plus corresponding penalties for late filing and payment shall first be paid by the taxpayer. However, it will be construed as a waiver of the taxpayer's right to claim for refund or credit, notwithstanding the collection thereof from an erroneous payment.

It should be noted that the act of voluntary payment under the VAPP shall not be deemed as an admission on the part of the taxpayer that there was fraud in the declaration of its taxes and/or there was an intention to pay the tax erroneously.

Finally, qualified taxpayers can avail of the benefits of VAPP until **December 31, 2020**, unless extended by the Secretary of Finance.

Please be guided accordingly.

Sincerely,

Tax Advisory Services