

## COMPUTATION OF THE VAAP AMOUNT

### A. For Taxable Period/s with Discrepancy Stated in the LN. –

**1. Initial VAAP Payments.** - Within the period prescribed in the LN, the taxpayer shall make initial VAAP payments for the corresponding taxes due on the amount of under-declared sales/revenues/taxable amounts for the years/periods with noted discrepancy (see Section 2.5.1.1) discovered by the BIR as stated in the LN. The initial VAAP payments shall consist of minimum VAAP amounts computed as follows:

**(a) VAT Minimum Amount Payable.** - On the amount of under-declared sales/receipts stated in the Letter Notice, the minimum amount that must be paid shall be 3% for seller of goods and 6% for the seller of service;

**(b) Income Tax Minimum Amount Payable.** - 2% of the amount of under-declared sales/receipts stated in the LN; and

**(c) Excise Tax Minimum Amount Payable.** – In case the taxpayer is likewise subject to excise tax, 2% of the amount of under-declared sales /receipts/ taxable amounts stated in the LN.

**2. Subsequent VAAP Payments at the Time of Submission of VAAP-AF.** - Notwithstanding the initial VAAP minimum payments made, additional VAAP payments shall be made on the corresponding taxes for the taxable period where under-declaration of sales has been noted by the BIR if it appears that the amount as determined below is higher than the minimum VAAP amount paid, pursuant to No. 1 above.

**(a) VAT Payable** – 110% of the basic tax due computed as follows:

Sales declared per returns		Pxxxx
Add: Sales discrepancy per LN No. ____	Pxxxx	
Voluntary disclosure	xxxx	xxxx
Total Adjusted Sales		Pxxxx
x output tax rate		.10
Output tax		Pxxxx
Less: Tax Credits		
Total input tax claimed per original return		(xxxx)
Tax paid per return (tax credit claimed/payments)		(xxxx)
Input taxes on sales discrepancy		
Domestic purchases - capital goods	(xxxx)	
Domestic purchases – goods other than capital goods	(xxxx)	
Domestic purchases - services	(xxxx)	
Domestic services rendered by non-resident	(xxxx)	
Importations - capital goods	(xxxx)	
Importations - goods other than capital goods	(xxxx)	(xxxx)
Other tax credits applicable to sales discrepancy		(xxxx)
VAP availment per RR 8-2001, if any		(xxxx)

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Basic Tax		Pxxxx
X VAAP rate		<u>110%</u>
VAT Payable		Pxxxx
Less : VAT Minimum Amount Paid per LN		<u>(xxxx)</u>
Additional VAAP Amount Payable		Pxxxx =====

The factor of 1/11 in arriving the Output tax due as provided in Revenue Regulations No. 12-2002 shall only be applied if the declaration of sales is inclusive of VAT. However, for uniformity in presentation, this Order requires that the total adjusted sales for the VAAP computation required above and Item (B)(1) below, be presented at net of the VAT amount.

**(b) Income Tax Payable.** – 110% of the basic tax due computed as follows:

Sales declared per returns		Pxxxx
Add: Sales discrepancy per LN No. ____	Pxxxx	
Voluntary disclosure	<u>xxxx</u>	<u>xxxx</u>
Total Adjusted Sales		Pxxxx
Less : Adjusted Cost of Sales		
Cost of sales per return	(xxxx)	
Cost of sale applicable to underdeclaration	<u>(xxxx)</u>	<u>(xxxx)</u>
Total Gross Income		Pxxxx
Less : Adjusted Expenses		
Expenses per return	(xxxx)	
Expenses applicable to underdeclaration	<u>(xxxx)</u>	<u>(xxxx)</u>
Adjusted Net Income		Pxxxx
x income tax rate		<u>xxx</u>
Income Tax due (normal rate or MCIT, whichever is higher)		Pxxxx
Less : Tax paid per return (not including the amount of MCIT for the year in excess of the normal rate)	(xxxx)	
Tax credit applicable to sales discrepancy per LN and/or on sales voluntarily disclosed	(xxxx)	
VAP availment per RR 8-2001, if any	<u>(xxxx)</u>	<u>(xxxx)</u>
Basic Tax		Pxxxx
X VAAP rate		<u>110%</u>
Income Tax Payable		Pxxxx
Less: Income Tax Minimum Amount Paid per LN		<u>(xxxx)</u>
Additional VAAP Amount Payable		Pxxxx =====

**(c) Excise Tax Payable.** – 110% of the basic tax due computed as follows:

Original Declaration		Pxxxx
Add: Underdeclaration per LN No. ____	Pxxxx	
Voluntary disclosure	<u>xxxx</u>	<u>xxxx</u>
Total Adjusted Declaration		Pxxxx
x excise tax rate		<u>xxx</u>

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Excise Tax Due		Pxxxx
Less: Tax Paid per Return VAP availment per RR 8-2001, if any	(xxxx) (xxxx)	<u>(xxxx)</u>
Basic Tax		Pxxxx
X VAAP rate		<u>110%</u>
Excise Tax Payable		Pxxxx
Less: Excise Tax Minimum Amount Paid per LN		<u>(xxxx)</u>
Additional VAAP Amount Payable		Pxxxx =====

The term "**income tax due**" for domestic corporations and resident foreign corporations shall refer to the higher amount between the normal income tax and the MCIT rate of 2% of gross income.

The term "**tax paid per return**" shall be construed as the total tax due per return consisting of the tax credits applied and the tax actually paid at the time of the filing of returns. As stated above, the same shall not include portion of MCIT paid in the year in excess of the normal rate of 32% which amount can be utilized in the succeeding year.

Excess tax credits appearing in the originally filed returns in the covered years as well as unutilized balance of tax credit certificates (TCC) shall not be allowed to be used as payment under this Program. This means that any tax credits applied on subsequent returns filed shall not be disturbed.

Additional VAAP payments shall be made for the difference between 110% basic taxes as computed above and the minimum VAAP payments computed in item (A)(1) above. Such amounts shall be paid by using again the VAAP-PF.

**B. For Taxable Period/s without Noted Discrepancy Stated in the LN and for taxpayers without LN availing of VAAP (Sections 2.5.1.2 and 2.5.2).** - There shall be no VAAP minimum payments to be initially paid but rather the VAAP amounts shall be paid at the time of the submission of the VAAP-AF which shall be computed as follows:

**1. VAT Payable** – 110% of the basic tax due computed as follows:

Sales declared per returns		Pxxxx
Add: Voluntary disclosure		<u>xxxx</u>
Total Adjusted Sales		Pxxxx
x output tax rate		<u>.10</u>
Output tax		Pxxxx
Less: Tax Credits		
Total input tax claimed per original return	(xxxx)	
Tax paid per return (tax credit claimed/payments)	(xxxx)	
Input taxes on sales discrepancy		

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Domestic purchases - capital goods	(xxxx)	
Domestic purchases - goods other than capital goods	(xxxx)	
Domestic purchases - services	(xxxx)	
Domestic services rendered by non-resident	(xxxx)	
Imports - capital goods	(xxxx)	
Imports - goods other than capital goods	(xxxx)	
Other tax credits applicable to sales discrepancy	(xxxx)	
VAP availment per RR 8-2001, if any	(xxxx)	(xxxx)
Basic Tax		Pxxxx
X VAAP rate		110%
VAT Payable		Pxxxx =====

As stated in A(2)(a) above, the sales declaration shall be presented in the computation at net of VAT where the 10% output tax rate shall be applied instead of the factor of 1/11 as stated in Revenue Regulations No. 12-2002.

**2. Income Tax Payable.** – 110% of the basic tax due computed as follows:

Sales declared per returns		Pxxxx
Add: Voluntary disclosure		xxxx
Total Adjusted Sales		Pxxxx
Less : Adjusted Cost of Sales		
Cost of sales per return	(xxxx)	
Cost of sale applicable to underdeclaration	(xxxx)	(xxxx)
Total Gross Income		Pxxxx
Less : Adjusted Expenses		
Expenses per return	(xxxx)	
Expenses applicable to underdeclaration	(xxxx)	(xxxx)
Adjusted Net Income		Pxxxx
x income tax rate		xxx
Income Tax due (normal rate or MCIT, whichever is higher)		Pxxxx
Less : Tax paid per return (not including amount of MCIT for the year in excess of the normal rate)	(xxxx)	
Tax credit applicable to sales discrepancy per LN and/or on sales voluntarily disclosed	(xxxx)	
VAP availment per RR 8-2001, if any	(xxxx)	(xxxx)
Basic Tax		Pxxxx
X VAAP rate		110%
Income Tax Payable		Pxxxx =====

**3. Excise Tax Payable.** – 110% of the basic tax due computed as follows:

Original Declaration		Pxxxx
Add: Voluntary disclosure		xxxx
Total Adjusted Declaration		Pxxxx

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x excise tax rate		<u>xxx</u>
Excise Tax Due		Pxxxx
Less: Tax Paid per Return	(xxxx)	
VAP availment per RR 8-2001, if any	<u>(xxxx)</u>	<u>(xxxx)</u>
Basic Tax		Pxxxx
X VAAP rate		<u>110%</u>
Excise Tax Payable		Pxxxx
		=====

As stated above , the term **"income tax due"** for domestic corporations and resident foreign corporations shall refer to the higher amount between the normal income tax and the MCIT rate of 2% of gross income.

The term **"tax paid per return"** shall be construed as the total tax due per return consisting of the tax credits applied and the tax actually paid at the time of the filing of returns. As stated above, the same shall not include portion of MCIT paid in the year in excess of the normal rate of 32% which amount can be utilized in the succeeding year.

Excess tax credits appearing in the originally filed returns in the covered years as well as unutilized balance of tax credit certificates (TCC) shall not be allowed to be used as payment under this Program. This means that any tax credits applied on subsequent returns filed shall not be disturbed.

**Note: Tax deduction and credit claimed as applicable to sales discrepancy per LN and/or on sales voluntarily disclosed shall be subject to the submission of soft copy of schedule of purchases.**

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