

[BIR REVENUE MEMORANDUM CIRCULAR NO. 75-90, August 15, 1990]

LAST PRIORITY IN AUDIT AND INVESTIGATION OF 1988 AND 1989 INCOME TAX VAT AND 2% PERCENTAGE TAX LIABILITIES

SECTION 1. Statement of Policy. It is the policy of the Bureau of Internal Revenue to encourage voluntary disclosure of undeclared taxable base, such as sales, receipts and income. Towards this end, the Bureau of Internal Revenue, under certain conditions prescribed herein, HEREBY extends the privileges of "*relative last priority*" or "*absolute last priority*" (hereinafter referred to as the "privilege") to taxpayers who shall come forward and declare their correct liabilities for income tax under Title II, VAT under Title IV and the 2% percentage tax under **Section 112** of the **Tax Code** by filing the "VOLUNTARY DECLARATION FORM". (Please see NAR Vol. 1 No. 3, July-September 1990, pp. 305 & 306)

SECTION 2. Privilege of "relative last priority" and/or "absolute last priority". The income tax, VAT, and two percentage 2% percentage tax returns for the taxable years 1988 and 1989 of any person who avails of the "relative last priority" shall be the last to be subjected to audit and investigation for the said taxable years, except when otherwise authorized by the Commissioner.

The Commissioner, however, shall be very discreet and could refrain from authorizing audit and investigation of said returns, including verification of inventories, if the person qualifies for the privilege of "absolute last priority" for the said years.

A certificate or a card of availment of either privilege shall be issued to any person upon entitlement thereof under the conditions prescribed in this Circular.

SECTION 3. Who may avail of the privilege. Under certain conditions, the privilege may be availed of by any person liable to pay income tax, VAT and/or two percent (2%) percentage tax who, due to inadvertence or otherwise:

(a) has underdeclared his liabilities for income tax, VAT, and 2% percentage tax for the taxable years 1988 and 1989; or

(b) has not filed any income tax return and value added tax or 2% tax return for the taxable years 1988 and 1989 and, in either case, has not been issued a letter of authority for the taxable year(s) 1988 and/or 1989 as of August 15, 1990.

Any person who availed of the privilege for the "sympathetic" treatment under Revenue Memorandum Circular Nos. 23-89, 29-89, 36-89 and 44-89 may also avail of the privilege under this Circular provided that he satisfies the conditions prescribed in the preceding paragraphs and Sections 5 & 6 hereof.

For purposes of income and the 2% percentage taxes, the terms "taxable year 1988" means the calendar year 1988 and any fiscal year ending on or before July 31, 1988 and June 30, 1989 and "taxable year 1989" means the calendar year 1989 and any fiscal year ending on or before July 31, 1989 and June 30, 1990.

For purposes of VAT, the term "taxable year" means:

Taxable
Year 1988

Group A Jan. 1, 1988 to
Dec. 31, 1988

Group B Jan. 1, 1988 to
Jan. 31, 1989

Group C Jan. 1, 1988 to
Feb. 28, 1989

Taxable
Year 1989

Group A Jan. 1, 1989 to
Dec. 31, 1989

Group B Feb. 1, 1989 to
Jan. 31, 1990

Group C Mar. 1, 1989 to
Feb. 28, 1990

The availment of the privilege under this Circular shall be strongly recommended as a condition to qualify for any legislative general tax amnesty which the government may grant in the future.

SECTION 4. Cases not covered. Notwithstanding the availment of the privilege granted under this Circular, the following cases are not covered by the privilege:

(a) Verification to obtain information relevant to the tax liability of another person pursuant to **Section 7** of the **Tax Code**;

(b) Verification to obtain information pursuant to a request of a Competent Authority under the Exchange of Information Article of tax entered into by the Philippines with other countries;

(c) Request for refund of any taxes paid or application for issuance of tax credit memo or certificate;

(d) Determination of correct withholding tax liability of withholding agents;

(e) No-contract surveillance for the purpose of determining tax compliance requirements;