



TAXATION

Estate Tax

Kenneth L. Manuel, CPA, J.D.¹

TAX
01
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1. It is a mode of acquisition by virtue of which the property, rights, and obligations to the extent of the value of the inheritance, of a person are transmitted through his death to another or others either by his will or by operation of law.
 - a. Succession
 - b. Donation
 - c. Creation
 - d. Embezzlement
2. Jisoo died. In her will, she transferred her parcel of land located in Pampanga covered by TCT No. 123456 to Jennie. Jennie is:
 - a. An heir
 - b. A donee
 - c. A legatee
 - d. A devisee
3. Estate tax is a tax on:
 - a. Death
 - b. Succession
 - c. Properties of the decedent
 - d. Privilege of will-making

For items 4 to 6, refer to the following details:

Wonwoo died on 30 April 2023, leaving the following properties:

Land, Philippines	₱ 3,000,000
Car, Philippines	1,800,000
Cash, Philippines	2,100,000
Trademark, Philippines	600,000
Land, South Korea	5,400,000
Cash, South Korea	3,200,000

4. If Wonwoo is classified as a resident citizen for Philippine tax purposes, how much is his gross estate for purposes of computing estate tax?
 - a. ₱ 7,500,000
 - b. ₱ 8,600,000
 - c. ₱ 12,900,000
 - d. ₱ 16,100,000
5. If Wonwoo is classified as a non-resident alien for Philippine tax purposes because he is a resident and a citizen of South Korea, how much is his gross estate for purposes of computing estate tax if there is no reciprocity between the Philippines and South Korea?
 - a. ₱ 7,500,000
 - b. ₱ 8,600,000
 - c. ₱ 12,900,000
 - d. ₱ 16,100,000

¹ Kenneth L. Manuel is a lawyer and a Certified Public Accountant. He placed 14th in the October 2014 CPA Licensure Examinations and 6th in the 2019 Philippine Bar Examinations. He graduated with a degree of BS Accountancy *magna cum laude* from Colegio de San Juan de Letran and a degree of Juris Doctor *cum laude* from the University of Santo Tomas (UST). Practicing taxation since 2014, he was a tax accountant at SGV & Co., a tax lawyer at Divina Law Offices, and a tax professor in numerous accounting schools and Bar review schools. His current tax work includes being a tax reviewer at the Review School of Accountancy (ReSA), a tax professor at the UST Faculty of Civil Law, an author of a tax reviewer, and a Court Attorney at the Court of Tax Appeals.

6. If Wonwoo is classified as a non-resident alien for Philippine tax purposes because he is a resident and a citizen of South Korea, how much is his gross estate for purposes of computing estate tax if there is reciprocity between the Philippines and South Korea?
- a. ₱ 4,800,000

b. ₱ 5,400,000

c. ₱ 6,900,000

d. ₱ 7,500,000

For items 7 to 8, refer to the following details:

Seokjin, a resident citizen and a caregiver, died on 8 April 2023. Details regarding his properties are provided below:

Land located in Pampanga	
Assessed value	₱ 3,000,000
Zonal value	3,500,000
Proceeds of life insurance he received from his grandmother	1,200,000
Proceeds of life insurance from a policy he secured, to be given to his son, his revocable beneficiary	1,100,000
Value of clothing items he gave to RM on 12 September 2022, in celebration of the latter’s birthday	400,000
Value of jewelry he gave to V, on 6 March 2023, with the thought of impending death	550,000
SSS Benefits	1,450,000
Parcel of land he transferred to Agust D. The transfer is by way of a revocable transfer, and the transfer has not yet been revoked by Seokjin. The value of the land at the time of transfer is P1,800,000.	2,200,000

7. Would the proceeds of life insurance to be given to Seokjin’s son be included in the computation of Seokjin’s gross estate?
- a. Yes, considering that the beneficiary is his son.

b. Yes, considering that the designation of his son as a beneficiary is revocable.

c. No, considering that the beneficiary is his son.

d. No, considering that the designation of his son as a beneficiary is revocable.
8. How much is Seokjin’s gross estate?
- a. ₱ 8,050,000

b. ₱ 6,600,000

c. ₱ 8,550,000

d. ₱ 8,150,000
9. All of the following are excluded from gross estate, except:
- a. Merger of the naked title with the owner of the usufruct

b. The transmission from the first heir, legatee or donee in favor of another beneficiary, in accordance with the desire of the predecessor.

c. The transmission or delivery of the inheritance or legacy by the fiduciary heir or legatee to the fideicommissary.

d. Bequests to social welfare institutions
10. Under the property regime of absolute community of property, which of the following is an exclusive property of a decedent who was married in 2018?
- I. A parcel of land donated to the decedent in 2016.

II. A car inherited by the decedent in 2019.

a. I only.

b. II only.

c. Both I and II.

d. Neither I nor II.

11. Under the property regime of conjugal partnership of gains, which of the following is an exclusive property of a decedent who was married in 2018?
- I. A parcel of land donated to the decedent in 2016.
 - II. A car inherited by the decedent in 2019.
- a. I only.
 - b. II only.
 - c. Both I and II.
 - d. Neither I nor II.
12. Statement 1: Jewelry bought with exclusive money is considered as exclusive property under conjugal partnership of gains.
Statement 2: Jewelry bought with exclusive money is considered as exclusive property under absolute community of property.
- a. Only Statement 1 is true.
 - b. Only Statement 2 is true.
 - c. Both statements are true.
 - d. Both statements are not true.
13. When did the Family Code take effect?
- a. August 3, 1988
 - b. September 5, 1986
 - c. October 11, 1990
 - d. November 13, 1993
14. Under the Family Code, the default property regime is:
- a. Conjugal partnership of gains
 - b. Absolute community of property
 - c. What is yours is mine regime
 - d. KKB property regime

For items 15 to 16, refer to the following information:

Baekhyun died on 13 December 2022. The following are the pertinent details regarding his death and his estate:

- 1. Funeral expenses amounting to ₱500,000 were spent within two months from Baekhyun's date of death.
 - 2. Medical expenses amounting to ₱4,500,000 were spent within one year prior to Baekhyun's date of death.
 - 3. Baekhyun had a payable owing to Sehun amounting to ₱600,000. The entire amount remains unpaid as of the time of the former's death.
 - 4. Baekhyun had a receivable collectible from Chanyeol amounting to ₱1,000,000. However, Chanyeol has been declared insolvent, and his liabilities (₱5,000,000) have already exceeded his assets (₱1,250,000).
 - 5. Baekhyun owned a car which was lost due to flood on 22 December 2023. The value of the car is ₱670,000.
 - 6. Baekhyun owned a business which suffered losses due to unfavorable market conditions. The value of business losses amounted to ₱2,455,000.
 - 7. Baekhyun owned pieces of jewelry which were lost due to theft on 5 August 2023. The value of the jewelry is ₱1,899,000, and these properties are insured.
15. How much may be claimed as deduction under "Claims Against Insolvent Persons"?
- a. ₱ 1,000,000
 - b. ₱ 750,000
 - c. ₱ 600,000
 - d. ₱ 250,000

16. How much is the total ordinary deduction that may be claimed by the estate of Baekhyun?
- | | |
|----------------|----------------|
| a. ₱ 1,350,000 | c. ₱ 4,475,000 |
| b. ₱ 2,020,000 | d. ₱ 9,475,000 |

For items 17 to 21, refer to the following information:

Yeonjun died on December 24, 2018. He transferred by way of his will a parcel of land with a fair market value of P4,000,000 at the time of his death to Soobin. The parcel of land is the subject of a real estate mortgage contract with a bank. The outstanding liability with the bank as of the time of Yeonjun's death is P2,500,000.

On May 23, 2020, Soobin, single and head of the family, died. He transferred by way of his will the same parcel of land inherited from Yeonjun to Beomgyu. As of the time of Soobin's death, the fair market value of the land has increased to P5,500,000. The outstanding liability attached to the land has been reduced to P1,500,000.

Likewise, in Soobin's will, he bequeathed cash amounting to P400,000 to Barangay TXT.

Aside from the land Soobin inherited from Yeonjun and the cash Soobin bequeathed to Barangay TXT, Soobin owns a car with a fair market value of P600,000, a family home amounting to P1,500,000, and a usufruct over a parcel of land with a value of P350,000 which will be transferred to Taehyun, the owner of the naked title over the parcel of land.

Both Yeonjun and Soobin are resident citizens.

17. How much is Soobin's gross estate?
- | | |
|----------------|----------------|
| a. ₱ 8,000,000 | c. ₱ 6,500,000 |
| b. ₱ 8,350,000 | d. ₱ 6,850,000 |
18. How much is Soobin's vanishing deduction?
- | | |
|----------------|----------------|
| a. ₱ 1,724,000 | c. ₱ 1,853,962 |
| b. ₱ 1,830,000 | d. ₱ 1,950,000 |
19. How much is Soobin's ordinary deduction?
- | | |
|----------------|----------------|
| a. ₱ 3,624,000 | c. ₱ 3,450,000 |
| b. ₱ 3,730,000 | d. ₱ 3,753,962 |
20. How much is Soobin's special deduction?
- | | |
|----------------|----------------|
| a. ₱ -0- | c. ₱ 5,000,000 |
| b. ₱ 1,500,000 | d. ₱ 6,500,000 |
21. How much is Soobin's total deduction?
- | | |
|----------------|-----------------|
| a. ₱ 8,624,000 | c. ₱ 10,230,000 |
| b. ₱ 9,950,000 | d. ₱ 10,480,000 |
22. What is the maximum amount of family home deduction that may be claimed?
- | | |
|----------------|-----------------|
| a. ₱ 1,000,000 | c. ₱ 5,000,000 |
| b. ₱ 2,000,000 | d. ₱ 10,000,000 |

23. Consider the following decedents:
- I. Mr. X, a non-resident alien, with a surviving spouse and three kids.
 - II. Ms. Y, a resident citizen, head of the family with three minor dependents.

For purposes of computing their net taxable estate, who among them can claim a family home deduction?

- a. I only.
 - b. II only.
 - c. Both I and II.
 - d. Neither I nor II.
24. The standard deduction allowed for nonresident alien individuals is:
- a. ₱ -0-
 - b. ₱ 500,000
 - c. ₱ 1,000,000
 - d. ₱ 5,000,000
25. Consider the following decedents:
- I. Maloi, with gross estate of P6,000,000 and total deductions of P5,500,000
 - II. Jhoanna, with gross estate of P4,000,000 and total deductions of P6,000,000
 - III. Colet, with gross estate of P3,000,000, including shares of stock, and total deductions of P7,000,000

Who among the following is required to file an estate tax return?

- a. Maloi and Jhoanna only.
 - b. Maloi and Colet only.
 - c. Jhoanna and Colet only.
 - d. Maloi only.
26. The deadline for the filing of the estate tax return is:
- a. Thirty (30) days from the date of death.
 - b. Six (6) months from the date of death.
 - c. One (1) year from the date of death.
 - d. Two (2) years from the date of death.
27. A CPA Certification is required to be attached to the estate tax return when the gross estate of the decedent exceeds:
- a. ₱ 500,000
 - b. ₱ 1,000,000
 - c. ₱ 2,000,000
 - d. ₱ 5,000,000
28. The heirs seek to withdraw from the bank account of the decedent. Which of the following statements is true?
- I. Withdrawal is not allowed.
 - II. Withdrawal is allowed but only up to P20,000.
 - III. Withdrawal is allowed but the bank should withhold at the rate of 6%. The bank deposit will then be declared as part of the gross estate, and the tax withheld will be claimed as estate tax credit.
 - IV. Withdrawal is allowed but the bank should withhold at the rate of 6%. The bank deposit will then be excluded from gross estate, and the tax withheld will not be claimed as estate tax credit.
- a. Statement II.
 - b. Statement III.
 - c. Statement IV.
 - d. **Either Statement III or IV.**

CUMULATIVE PROBLEM

For items 29 to 38, refer to the following situation:

Martin, a resident citizen, is an engineer and is married to Julie on April 25, 2019. Martin and Julie did not enter into any antenuptial agreement as to their property relations. Due to a freak accident at work, Martin died on August 5, 2022, leaving behind the following items:

Car, acquired on March 5, 2017	₱ 850,000
House and lot where the entire family resides, purchased on April 17, 2019	12,000,000
Vacation house and lot located in Batangas, inherited on January 3, 2021 from Martin’s uncle, mortgage was assumed by Martin	
Fair market value on January 3, 2021	6,000,000
Fair market value on August 5, 2022	8,800,000
Mortgage due on January 3, 2021	1,500,000
Mortgage still due on August 5, 2022	870,000
Unpaid real property taxes on the property as of August 5, 2022	50,000
Balance as of August 5, 2022 of Martin’s cash in bank in the Philippine National Bank (“PNB”), unknown when earned	1,600,000
Life insurance proceeds, wife Julie is designated as the revocable beneficiary	1,200,000
Parcel of land located in Minnesota, United States	3,500,000
Shares in ABC Corporation, a corporation listed in the local stock exchange	80,000
Household effects (e.g., furniture, electronics), 80% purchased before the marriage, for the common use of the family	600,000
Personal effects (e.g., clothing, hygiene items)	50,000
Receivables collectible from Mr. Banks, outstanding as of the date of death	500,000

After Martin’s death, the following events transpired or were made known to the executor of his estate:

- a. Martin’s uncle provided no instruction to Martin as to whom the vacation house and lot will be transmitted in the event of the latter’s death.
 - b. Mr. Banks is insolvent. Mr. Banks had an asset of P1,000,000 and an outstanding liability of P4,000,000.
 - c. Martin’s heirs made a withdrawal on December 1, 2022 of P500,000 on his PNB account.
 - d. Martin’s car was stolen on September 3, 2022.
29. Statement 1: As a general rule, Martin’s gross estate will include his properties within and outside the Philippines.
Statement 2: Assuming Martin is a non-resident citizen, his estate will still include his properties within and outside the Philippines.
- a. Only Statement 1 is true.
 - b. Only Statement 2 is true.
 - c. Both statements are true.
 - d. Both statements are not true.

30. The property regime which governs Martin and Julie is:
- Absolute community of property
 - Conjugal partnership of gains
 - Complete separation of property
 - Separation of Church and State
31. How much is Martin's gross estate?
- | | |
|-----------------|-----------------|
| a. ₱ 25,380,000 | c. ₱ 25,880,000 |
| b. ₱ 25,505,000 | d. ₱ 28,680,000 |
32. Statement 1: 80% of the household effects would be classified as exclusive property.
Statement 2: The vacation house and lot located in Batangas would be classified as exclusive property.
- | | |
|------------------------------|----------------------------------|
| a. Only Statement 1 is true. | c. Both statements are true. |
| b. Only Statement 2 is true. | d. Both statements are not true. |
33. How much is the amount of claims against insolvent persons?
- | | |
|--------------|--------------|
| a. ₱ -0- | c. ₱ 375,000 |
| b. ₱ 125,000 | d. ₱ 500,000 |
34. How much is the amount of vanishing deduction?
- | | |
|----------------|----------------|
| a. ₱ 3,782,699 | c. ₱ 3,974,699 |
| b. ₱ 4,105,017 | d. ₱ 3,982,188 |
35. How much is the share of the surviving spouse?
- | | |
|----------------|----------------|
| a. ₱ 9,302,500 | c. ₱ 9,062,500 |
| b. ₱ 9,915,000 | d. ₱ 9,577,500 |
36. How much is the special deduction?
- | | |
|-----------------|-----------------|
| a. ₱ 6,000,000 | c. ₱ 12,000,000 |
| b. ₱ 11,000,000 | d. ₱ 15,000,000 |
37. How much is the estate tax due?
- | | |
|--------------|--------------|
| a. ₱ 98,718 | c. ₱ 118,968 |
| b. ₱ 104,532 | d. ₱ 135,468 |
38. When is the deadline for the filing of the estate tax return in relation to Martin's estate?
- | | |
|----------------------|-------------------|
| a. December 31, 2022 | c. August 5, 2023 |
| b. February 5, 2023 | d. August 5, 2024 |

Suggested Answers to the Cumulative Problem:

- 29. C
- 30. A
- 31. D
- 32. B
- 33. C
- 34. C
- 35. A
- 36. B
- 37. D
- 38. C

Solutions:

31.

	Community	Exclusive
Car, acquired on March 5, 2017	850,000	
House and lot where the entire family resides	12,000,000	
Vacation house and lot located in Batangas		8,800,000
Cash in bank, net of withdrawals (P1,600,000 - P500,000)	1,100,000	
Life insurance proceeds, wife Julie is designated as the revocable beneficiary	1,200,000	
Parcel of land located in Minnesota, United States	3,500,000	
Shares in ABC Corporation, a corporation listed in the local stock exchange	80,000	
Household effects (e.g., furniture, electronics), 80% purchased before the marriage	600,000	
Personal effects (e.g., clothing, hygiene items)		50,000
Receivables collectible from Mr. Banks	500,000	
Gross Estate	19,830,000	8,850,000
Total		28,680,000

33-34.

Value to take (P6,000,000 or P8,800,000, whichever is lower)	6,000,000
Less: Mortgage paid (P1,500,000 less P870,000)	(630,000)
Initial basis	5,370,000
Less: Ratable ELIT (5,370,000 / 28,680,000 x 2,145,000)	(401,627)
Final basis	4,968,373
Multiply by: Decreasing rate	80%
Vanishing deduction	3,974,699
Unpaid taxes (RPT on inherited property)	50,000
Claims against insolvent persons (500,000 x 3,000,000 / 4,000,000)	375,000
Unpaid mortgage on inherited property	870,000
Casualty losses (car)	850,000
Ordinary deductions before vanishing deduction	2,145,000
Add: Vanishing deduction	3,974,699
Ordinary deductions	6,119,699

35.

Community gross estate	19,830,000
Less: Community ordinary deductions	
Claims against insolvent persons	(375,000)

Casualty losses (car)	(850,000)
Community net estate after ordinary deductions	18,605,000
Divided by: 2	2
Share of the surviving spouse	9,302,500

36.

Standard deduction	5,000,000
Family home (12,000,000 / 2)	6,000,000
Special deduction	11,000,000

37.

	Community	Exclusive	Total
Gross estate	19,830,000	8,850,000	28,680,000
Less: Ordinary deductions	(1,225,000)	(4,894,699)	(6,119,699)
Net estate after ordinary deductions	18,605,000	3,955,301	22,560,301
Less: Special deductions			(11,000,000)
Net estate after special deductions			11,560,301
Less: Share of the surviving spouse			(9,302,500)
Net taxable estate			2,257,801
Estate tax rate			6%
Estate tax due			135,468

*** END OF HANDOUT ***