Department of Education
SCHOOLS DIVISION OF CITY OF MEYCAUAYAN
Pag-asa St., Malhacan, City of Meycauayan, Bulacan

Senior High School

12

Activity Sheet in

Fundamentals of Accountancy, Business and Management 2

Income Tax Due Computation
(ABM_FABM12-IIh-j-17)

GOVERNMENT PROPERTY
NOT FOR SALE

INCOME TAX DUE COMPUTATION

LET US KNOW

We have gained the concept of income tax theory from our previous lesson and in this part, we will embark on the most challenging segment of income taxation . Wherein we need to present the general concept and the process of computing our tax liabilities. This is to comply on our obligations and correctly declare our tax dues with objectivity and integrity.

LET US REVIEW

Choose the letter of the correct answer. Write your answer on a clean sheet of paper.

1. It is an all income whatever is the source is _____
   a. Gross Net Income
   b. Operation Income
   c. Gross Income
   d. Other Income
2. _____ is an income earned by individual from business (sole proprietorship) and professional practices**.** Tax range from 5% to 32% of taxable income.
   a. Compensation
   b. Gross Income
   c. Sales & Revenue
   d. Professional Fee
3. _____ is an income earned which is subject to different final withholding tax rates
   a. Passive Income
   b. Corporate Income
   c. Professional Income
   d. Individual Income
4. A net taxable income of ₱250,000 is subject to_____ rate
   a. 2%
   b. 0%
   c. 3%
   d. 1%
5. Which of the following is **not** an exclusion from gross income?
   a. Income exempt under treaty
   b. Gifts and bequest
   c. Gross Receipt/ Sale
   d. 13th Month Pay

LET US STUDY

Below is the current tax table use to compute the income tax due of a taxpayer. A tax table is a chart that displays the amount of tax due based on income received. An article from the site of Investopedia define it as a schedule that shows a discrete amount , a percentage rate or combination. It is widely used by individuals, companies, and estates to accurately compute the tax collected by BIR or NIRC.

OLD TAX SCHEDULE

For Compensation Income Earners & Self-employed and Professionals

Net Taxable Income		Tax Rate
Over	But not over	
	10,000	5%
10,000	30,000	500 + 10% of excess over 10,000
30,000	70,000	2,500 + 15% of excess over 30,000
70,000	140,000	8,500 + 20% of excess over 70,000
140,000	250,000	22,500 + 25% of excess over 140,000
250,000	500,000	50,000 + 30% of excess over 250,000
500,000		125,000 + 32% of excess over 500,000

NEW TAX SCHEDULE

For Compensation Income Earners

Effective January 1, 2018

Net Taxable Income		Tax Rate
Over	But not over	
	250,000	0%
250,000	400,000	20% of excess over 250,000
400,000	800,000	30,000 + 25% of excess over 400,000
800,000	2,000,000	130,000 + 30% of excess over 800,000
2,000,000	8,000,000	490,000 + 32% of excess over 2,000,000
8,000,000		2,410,000 + 35% of excess over 8,000,000

Effective January 1, 2023 and Onwards

Net Taxable Income		Tax Rate
Over	But not over	
	250,000	0%
250,000	400,000	15% of excess over 250,000
400,000	800,000	22,500 + 20% of excess over 400,000
800,000	2,000,000	102,500 + 25% of excess over 800,000
2,000,000	8,000,000	402,500 + 30% of excess over 2,000,000
8,000,000		2,202,500 + 35% of excess over 8,000,000

http://www.ntrc.gov.ph/images/Publications/train/tax-changes-you-need-to-know.pdf)

For Mixed Income Earners

Effective January 1, 2018

Type of Income	Tax Rate
Compensation Income	Regular PIT rates
Income from business or practice of profession:	
a. Gross sales/receipts not exceeding P3 million	**Option 1:** Regular PIT Rates or **Option 2:** 8% of gross sales/receipts*
b. Gross sales/receipts above P3 million	Regular PIT Rates

* *This is in lieu of income and percentage tax.*

http://www.ntrc.gov.ph/images/Publications/train/tax-changes-you-need-to-know.pdf)

Effective January 1, 2018

For Self-employed and Professionals

Gross Sales/Receipts	Tax Rate
Not exceeding P3 million	**Option 1:** Regular PIT Rates or **Option 2:** 8% of gross sales/receipts in excess of P250,000*
Above P3 million	Regular PIT Rates

** This is in lieu of income and percentage tax.*

http://www.ntrc.gov.ph/images/Publications/train/tax-changes-you-need-to-know.pdf)

Gross Income – means all income earned from whatever source (but not limited to the following

a) Compensation for service in whatever form paid, including but not limited to fees, salaries,wages, commission and similar items
b) Gross Income derived from deaking in property
c) Interests
d) Rents
e) Royalties
f) Dividends
g) Annuities
h) Prizes and winnings
i) Pensions
j) Partners's distributive share from the net income of the general professional partnership

- **Compensation Income** is an income arising from personal services under an employer and employee realtionship. Tax range from 5% to 32% of taxable incone.
- **Business Professional Services** is an income earned by individual from business (sole proprietorship) and professional practices**.** Tax range from 5% to 32% of taxable income.
- **Passive income** is an income earned which is subject to different final withholding tax rates

Exclusion from Gross Income

Life Insurance , Amount received by insured as Return of Premiums,Gifts and bequest and Devises, compensation from injuries or sickness, Income exempt under treaty, retiremnet benefit,pension,gratuities,miscellaneous items

a. Income derived from foreign government.
b. Income derived byb Government or its political subdivision
c. Prizes and awards
d. Prizes and award in Sports Competition
e. 13th month pay
f. GSIS , SSS, Medicare and other contribution
g. Gains from sales of bonds, debentures and indebtedness with a maturity of more than five years.
h. Gains from redemption of shares in mutual fund.

Computing Income Tax Due under Train Law

On this part we will illustrates the computation of individual taxable income and income tax due.

Case 1: Employee is a minimum wage earner

Mr. Ariel P. Villar is a minimum wage employee in Chicken Bacolod C. His only source of income is from employment and he is not engaged in any kind of business. For the year 2019, Mr Villar provided the following data for his tax computation purposes

Total Compensation income includes his 13'th Month pay of ₱20,000 ---------- ₱ 244,000

Mandatory Contribution to SSS, Philhealth and HDMF ---------- ₱ 20,000

How much is Mr. Villar income tax liability ?

Solution for Mr Villar Income tax liability		
Total Compensation Income		₱244,000.00
Less: Non- taxable benefits (13'th Month pay)	₱20,000.00	
Mandatory Contribution to SSS, Philhealth &	12,135.60	32,135.60
Taxable Income		**₱211,864.40**
*** Income tax shall be computed on taxable income exceeding₱250,000**		
* Mr. Villar is tax exempt since he is considered a minimum income wage earner and his taxable in		
amounted ₱211,864.40		

Case 2: Employee is a minimum wage earner working in BPO company .

Mr. Bryan Capangpangan is a minimum wage earner BPO employee in Justice League Co. He has no other source of Income

Total Compensation income includes his 13'th Month pay of ₱ 12,000 --------- ₱ 144,000
Overtime, Night shift differential hazard and holiday pay ---------- ₱ 150,000
Mandatory Contribution to SSS, Philhealth and HDMF---------- ₱ 12,135.60
How much is Mr.Capangpangan's income tax liability ?

Bryan Capangpangan Computation of taxable income :		
Total Compensation Income		₱144,000.00
Add: Overtime , nightshift differential, hazard and holiday pay		150,000.00
Total Income		₱294,000.00
Less: Non-taxable benefits(13'th month pay)	₱12,000.00	
Mandatory Contributions to SSS, Philhealth and HDMF	12,135.60	₱24,135.60
Net Taxable Income		**₱269,864.40**
Tax Due		**None**
a. Taxpayer is tax exempt as minimum wage earner		
b. The employees minimum wage as well the holiday pay,overtime pay,		
night shift differentials and hazard pay received by such MWE are specifically		
exempted from income tax under the law		

Case 3. Employee derives income solely from Pure Compensation

Ms. Sheng Cleng is a branch manager of Sheng-Sheng Ramen Inc. her income is solely from her compensation

Monthly Basic Pay	₱ 120,000.00
Monthly Allowance	60,000.00
13'th Month Pay	120,000.00
Anniversary Bonus	120,000.00
Performance Bonus	240,000.00
Annual SSS Philhealth , HDMF Contribution	15,000.00

How much is Ms. Sheng Cleng tax liability ?

Computation of Sheng Cleng's tax liability						
Annual Basic Pay (₱120,000x12)						₱1,440,000.00
Annual Allowance (₱60,000x12)						720,000.00
13"th Month						120,000.00
Anniversary Bonus						120,000.00
Performance Bonus						240,000.00
Total Compensation Income						**₱2,640,000.00**
Less: Tax exempt benefits of bonus(max of ₱90,000)					₱90,000.00	
Annual SSS, Philhealth, HDMF Contribution					15,000.00	₱105,000.00
Net Taxable Income						**₱2,535,000.00**
Tax due is computed using the **graduated tax rates (see tax table above)**						
	On	₱250,000.00	0%		₱0.00	
	On	150,000.00	20%		₱30,000.00	
	On	400,000.00	25%		₱100,000.00	
	On	1,200,000.00	30%		₱360,000.00	
	On	535,000.00	32%		₱171,200.00	
Total Taxable Income		**₱2,535,000.00**		Tax Due	**₱661,200.00**	
	On	₱2,000,000.00			₱490,000.00	
	On	535,000.00	32%		171,200.00	
Total Taxable Income		**₱2,535,000.00**		Total taxable due	**₱661,200.00**	

Case 4: Individual earning income from self-employment (Business and Practice of Profession.

Mr Eumir Angeles is an accountant that gives tax and accounting services. He also owns a small grocery store.

Mr Angeles presented the following information for 2018.

Gross Sales from Mr. Angeles Grocery Store				₱ 1,600,000.00
Computer Services				600,000.00
Cost of Sales				1,200,000.00
Operating Expenses				400,000.00

What would be Mr. Angeles tax payable in 2018 if he signified his intention to be taxed at 8% income tax rate in his first quarter return?

Angeles Computation Tax Due	
Gross Sales from grocery store	₱ 1,600,000.00
Gross Receipts-Accounting Services	600,000.00
Total Sales/ Receipts	₱ 2,200,000.00
Less Allowable Deductions	250,000.00
Taxable Income	₱ 1,950,000.00
Income Tax Rate @ 8%	0.08
Tax Due	**₱ 156,000.00**

Analysis

a. The total gross sales and gross receipt of ₱ 2,200,000 is below VAT threshold of ₱ 3,000,000.

b. Mr. Angeles source of income is purely from self- employment; thus, she is entitled to the amount allowed as deductions of ₱ 250,000.

c. Income tax to be imposed at the rate of 8% is based on total of gross sales and gross receipts in lieu of the graduated income tax rates and percentage tax prescribed by law

Case 5: Self Employed Individual Earning from practice of profession

Dr. Sofia Tumambing a prominent medical doctor derives her income solely from her professional practice.

For 2019 her record show:

Total Gross receipts from professional services	₱ 4,750,000.00
Cost of Service	2,000,000.00
Operating expenses	1,250,000.00

What is Dr. Tumambing tax payable for 2019.

Gross Receipts - Medical Services				4,750,000.00
Less: Cost of Service				2,200,000.00
Gross Income				₱ 2,550,000.00
Less : Operating Expenses				1,250,000.00
Taxable Income				**₱ 1,300,000.00**
Tax Due				
	on	₱ 800,000.00		₱ 130,000.00
	on	₱ 400,000.00	30%	120,000.00
		₱ 1,200,000.00		**₱ 250,000.00**

Analysis

a. Gross Receipts of Dr. Tumambing exceeded the VAT threshold of ₱ 3,000,000. This made her liable to a business tax – VAT in addition to income tax.
b. Net income is subject to graduated income tax rates.

Case 6. Self-employed individual deriving income from business restaurant

Mrs. Nida Flores owns a restaurant a business subject to percentage tax 18% on gross receipts. The following are data presented by Mrs. Nida to her 2018 operations.

Gross Sales /Receipt	₱2,600,000.00
Cost of Sales	1,100,000.00
Operating Expenses	650,000.00
Other Non operating Income	150,000.00

How much is Mrs. Flores taxable income and income tax liability?

Computation of Mrs. Nida's Tax Due				
Gross Sales				₱2,600,000.00
Less: Cost of Sales				1,100,000.00
Gross Income				**₱1,500,000.00**
Less : Operating Expenses				650,000.00
Net Income from Operation				**₱850,000.00**
Add: Other Non-Operating Income				150,000.00
Taxable Income				**₱1,000,000.00**
Tax Due				
	on	₱ 800,000.00		130,000.00
	on	₱ 200,000.00	30%	60,000.00
		₱ 1,000,000.00	**Total Tax Due**	**190,000.00**

LET US PRACTICE

Complete the tax table below for **compensation income tax earners**. Write your answer on separate sheet of paper.

Effective January 18, 2018 Income Tax Table

Net Taxable Income		Tax Rate
Over	**But not Over**	
	₱ 250,000	
₱250,000	₱ 400,000	
₱ 400,000	₱ 800,000	
₱ 800,000	₱ 2,000,000	
₱ 2,000,000	₱ 8,000,000	
₱ 8,000,000		

LET US REMEMBER

Gross Income – means all income earned from whatever source (but not limited to the following

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b. Business Professional Services is an income earned by individual from business (sole proprietorship) and professional practices**.** Tax range from 5% to 32% of taxable income.
c. Passive income is an income earned which is subject to different final withholding tax rates

LET US PRACTICE

Compute for the tax savings of Alexa Arellon mixed income owners. Who owns a convenience store in Perez, Meycauayan City and an employee in Universal Robina in Pasig. Write your answers on a separate sheet of paper.

Mixed Income Earner			
Total taxable Income	Previous	Under Train	
	₱550,000	₱678,000	₱730,000
		Income Tax table	8%
Total Income Tax	a. ₱150,000	b. ₱95,450	c. ₱58,000
Tax Savings			

LET US APPRECIATE

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Create a banner to campaign for honesty and integrity in declaring tax dues of a tax payers. Highlight on your campaign the benefits of correct tax liabilities and consequences of not declaring and filing our tax dues. Upload your work on your social media personal account (facebook or instagram).

RUBRICS		
Criteria	Description	Points
Content	Appropriate details support main idea ♦Accurate and detailed information ♦ Information adequately supports purpose of visual	30
Focus	Topic and title clear and easily identified ♦ Main idea is clearly appropriate to topic ♦ All illustrations complement purpose of visual	20
Visual Appeal	Outstanding use of color, design, and space ♦ Original and creative design ♦ Overall design is pleasing and harmonious	35
Mechanics	Free of grammatical errors and words are legible and pertinent to topic	15

LET US PRACTICE MORE

Compute for the taxable income and tax due from the problem below. Write your answer on separate sheet of paper.

1. Marco Sison is a minimum wage earner and work in a BPO company. He has no other source of Income.

For 2019 the following data was provided by the payroll specialist from his company	
Total Compensation income which includes	₱150,000.00
his 13'th Month Pay	
Overtime and Night shift differential	100,000.00
Mandatory Contribution of	6,500.00
How much is Marco Sison's income tax payable ?	

2. Chona Velasquez is a CPA lawyer and she also owns a merchandising stall in Ema Town Cityof Meycauayan Bulacan. Chona presented the following financial data for 2018.

Gross Sales from Merchnadising Stall	1,500,000.00
Professional Fee	700,000.00
Cost of Sales	1,200,000.00

What would be the tax payable of Chona Velasquez if she signified her intention to be taxed at 8% income tax rate in her 1st quarter?

EVALUATION

Compute for the taxable income and tax due from the case below . Write your answer on separate sheet of paper.

Case 1. Rabiya Mateo – Self employed

Architect Rabiya derive her income from self-employment (practice of profession

Gross Receipts			₱5,000,000.00		
Cost of Service			2,150,000.00		
Operating Expense			1,000,000.00		

Required: Compute for taxable income and tax payable of Architect Rabiya.

Case 2 . Jay Laurio- Employee

Jay Laurio a pure compensation earner submitted the following data to his accountant for tax computation. He provided the following information.

Monthly Basic Pay	₱ 60,000.00
Mothly Allowance	₱ 20,000.00
13th Month Pay	₱ 60,000.00
Anniversary Bonus	₱ 60,000.00
Performance Bonus	₱ 120,000.00
Annual SSS, Pag-ibig & Philhealth Contribution	₱ 14,750.00

Compute for taxable income due fro 2018 of Jay Laurio.

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