

Department of Education SCHOOLS DIVISION OF CITY OF MEYCAUAYAN

Pag-asa St., Malhacan, City of Meycauayan, Bulacan



Senior High School

Activity Sheet in

Fundamentals of Accountancy, Business and Management 2

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



SOUTH PROPERTY OF SALE

INCOME TAX DUE COMPUTATION



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.



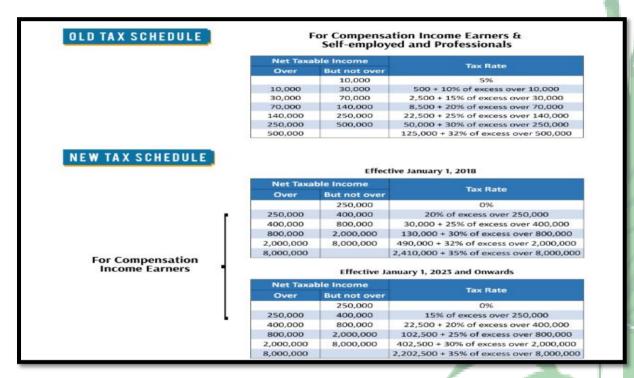
d. 13th Month Pay

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

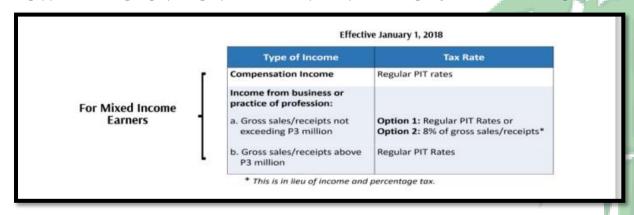
1008	ic the re	ter of the correct answer. Write your answer on a clean sheet of paper.
7	It is ar	all income whatever is the source is
7	a.	Gross Net Income
V /	b.	Operation Income
V_{μ}	C.	Gross Income
1		Other Income
2.	u.	is an income earned by individual from business (sole
24.	proprie	etorship) and professional practices. Tax range from 5% to 32% of taxable
	income	
		Compensation
/-		Gross Income
		Sales & Revenue
		Professional Fee
3.	u.	is an income earned which is subject to different final
٦.	withho	Iding tax rates
1		Passive Income
LΊ		Corporate Income
4	C.	Professional Income
	d.	Individual Income
1		axable income of \$250,000 is subject to rate
T.		2%
		0%
W		3%
- 74		1%
5.		of the following is not an exclusion from gross income?
٥.	a.	Income exempt under treaty
	b.	Gifts and bequest
	c.	Gross Receipt/ Sale
	∼.	01000 10001pt/ 0010



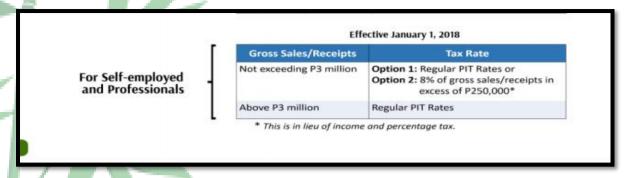
Below is the current tax table use to compute the income tax due of a taxpayer. A tax table is a chart that displays the amount of tax due based on income received. An article from the site of Investopedia define it as a schedule that shows a discrete amount, a percentage rate or combination. It is widely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



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



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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 V	illar Inc	ome tax liability			
Total Compensation	n Income			₱244,000.00	1 / 11
Less: Non- taxable	benefits	(13'th Month pay)	₱ 20,000.00		1
Mandatory (Contributi	on to SSS, Philhealth &	12,135.60	32,135.60	1
Taxable Income				₱ 211,864.40	
				ĺ	
* Income tax shal	l be com	puted on taxable incon	ne exceeding?	250,000	7
* Mr. Villar is tax o	exempt si	nce he is considered a n	ninimum incom	e wage earner	and his taxable in
amounted ₱211,86	54.40			4	1824

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 incompany	ne:					
V.A.						
Total Compensation Income		₱144,000.00				
Add: Overtime, nightshift differential, hazard and holi	day 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 an	d 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

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

How much is Ms. Sheng Cleng tax liability?

Computation of Sheng	Cleng's tax liability				
					V
Annual Basic Pay (₱120,				₱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 Inc	come				₱2,640,000.00
Less: Tax exempt benef	its of bonus(max of	₱90,000)		₱90,000.00	
Annual SSS, Philhealth, F	HDMF Contribution			15,000.00	₱ 105,000.00
Net Taxable Income					₱2,535,000.00
					,
Tax due is computed us	ing the graduated t	ax rates (s	ee 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	Table 1
Total Taxable Income ₱2,535,000.00			Tax Due	₱661,200.00	7 6 7
					711
On	₱2,000,000.00			₱490,000.00	733
On	535,000.00	32%		171,200.00	
Total Taxable Income	₱2,535,000.00		Total taxable due	₱661,200.00	1/1

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.	₱ 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	
V /	
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 \rat{P} 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 receip	₱	4,750,000.00		
Cost of Service				2,000,000.00
Operating expense			1,250,000.00	

What is Dr. Tumambing tax payable for 2019.

Gross Receipts - Med	dical Services			4,750,000.00	
Less: Cost of Service				2,200,000.00	
Gross Income			₽	2,550,000.00	
Less: Operating Exp	enses			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	
1			-		

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			la's Tax Due				450
							1
Gross Sale	es				₽ 2,600,000.00	,	-//
Less: Cost	t of Sales				1,100,000.00		"
Gross Inc	ome				₱1,500,000.00	- 4	Name of the last
Less : Ope	erating Expe	enses	5		650,000.00		7
Net Incor	ne from Op	erati	on		₱850,000.00		
Add: Othe	er Non-Ope	ratin	g Income		150,000.00		7
Taxable I	Income				₱1,000,000.00		
							7
Tax Due						3 190-	
	on	₽	800,000.00		130,000.00		
	on	₽	200,000.00	30%	60,000.00	7	
		₱:	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 Taxa	ible 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

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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			
1	₱ 550,000	₱678,000	₱ 730,000		
,		Income Tax	8%		
		table			
Total Income Tax	a. ₱150,000	b. ₱95,450	c. ₱58,000		
Tax Savings					

LET US APPRECIATE

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	30	
	◆Accurate and detailed information	- 1	
	◆ Information adequately supports purpose of visual		
Focus	Topic and title clear and easily identified	20	
	◆ Main idea is clearly appropriate to topic		
	◆ All illustrations complement purpose of visual		
Visual Appeal	Outstanding use of color, design, and space	35	
	♦ Original and creative design		
	♦ Overall design is pleasing and harmonious		
Mechanics	Free of grammatical errors and words are legible and	15	
	pertinent to topic		

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 incom	ne which is	ncludes		₱150,000.00	
his 13'th Month Pay					
Overtime and Night shift of	lifferential			100,000.00	
Mandatory Contribution of	?			6,500.00	
					- /
How much is Marco Sison's income tax payable?			1		

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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