

CPA REVIEW SCHOOL OF THE PHILIPPINES
Manila

ESTATE TAXATION

Dela Cruz / De Vera / Lopez / Llamado

1. This is not part of the gross estate of the decedent
 - a. Conjugal property
 - b. Community property
 - c. Share of surviving spouse
 - d. Exclusive property of the surviving spouse
2. Under the absolute community of property, jewelry for personal and exclusive use of the wife shall belong to the
 - a. Wife
 - b. Husband
 - c. Husband and wife
 - d. Children
3. The estate should be valued at the time
 - a. The heirs are ascertained
 - b. The estate tax is paid
 - c. The estate is ready for distribution to the heirs
 - d. Of death of the decedent
4. The estate of citizen or resident decedent may claim a standard deduction of
 - a. P 5,000,000
 - b. P 2,000,000
 - c. P 200,000
 - d. P 500,000
5. A made the following transfers inter-vivos:

| | <u>To B</u> | <u>To C</u> | <u>To D</u> | <u>To E</u> |
|------------------------|-------------|-------------|-------------|-------------|
| Cost | P 100,000 | P 100,000 | P100,000 | P 100,000 |
| FMV, time of transfer | 140,000 | 100,000 | 100,000 | 80,000 |
| Consideration received | 100,000 | 140,000 | 80,000 | 10,000 |
| FMV time of death of A | 120,000 | 200,000 | 70,000 | 90,000 |

The amount to be included in the gross estate of A is

 - a. P 160,000
 - b. P 100,000
 - c. P 130,000
 - d. P 110,000
6. This is not part of the conjugal property
 - a. Those acquired by onerous title during the marriage at the expense of the common fund
 - b. Those acquired by industry or work of either of them
 - c. The fruits, rents or interest received or due during the marriage coming from the conjugal property or from the exclusive properties of the spouses
 - d. Those acquired during the marriage by gratuitous title
7. The amount of funeral expense, that may be deducted from the gross estate is
 - a. 5% of the gross estate or P200,000 whichever is lower
 - b. Actual funeral expense or P200,000 whichever is lower
 - c. 5% of the gross estate or the actual funeral expenses whichever is lower
 - d. 5% of the gross estate or the actual funeral expense or P200,000, whichever is the lowest
 - e. No funeral expense may be deducted.
8. One of the following is not an exemption or exclusion from the gross estate
 - a. Capital or exclusive property of the surviving spouse
 - b. Properties outside the Philippines of a non-resident Chinese decedent
 - c. Shares of stock of San Miguel Corporation of a non-resident Mexican
 - d. The merger of usufruct in the owner of the naked title
9. A died leaving a farm land. In his will, he transferred the ownership thereof to B but subject to the condition that C will have the right to use the land for a period of ten years (usufruct). In the seventh year, however, C died and in C's will he surrendered his right over the land to B.
 - a. The transfer is subject to donor's tax
 - b. The transfer is subject to estate tax

- c. The transfer is both an inclusion and deduction from the gross estate
 - d. The above is a tax-exempt transfer
10. Gross estate includes all his property, real and personal, tangible or intangible whether situated, except
- a. Resident citizen
 - b. Non-resident citizen
 - c. Resident alien
 - d. Non-resident alien

Items 11 through 14 pertain to the following information:

Proceeds of life insurance shall be included in the gross in the gross estate if the beneficiary designated is:

11. The estate and the designation is
- a. Revocable
 - b. Whether revocable or irrevocable. Partly revocable, partly irrevocable
 - c. Irrevocable
12. The executor and the designation is
- a. Revocable
 - b. Whether revocable or irrevocable. Partly revocable, partly irrevocable
 - c. Irrevocable
13. The administrator and the designation is
- a. Revocable
 - b. Whether revocable or irrevocable. Partly revocable, partly irrevocable
 - c. Irrevocable
14. A person other than the estate, executor or administrator and the designation is
- a. Revocable
 - b. Whether revocable or irrevocable
 - c. Irrevocable
 - d. Partly revocable, partly irrevocable

Items 15 and 16 pertain to the following information:

If it will cause undue hardship on the part of the estate, the estate tax may be paid within

15. In case the estate is settled through the courts
- a. 2 years
 - b. 3 years
 - c. 4 years
 - d. 5 years
16. In case the estate is settled without court's intervention
- a. 2 years
 - b. 3 years
 - c. 4 years
 - d. 5 years
17. As a rule, estate tax return should be filed under oath:
- a. When the net estate is positive; or
 - b. When the transfer is subject to estate tax; or
 - c. When the estate includes registrable properties for which a BIR clearance is needed before transfer of ownership to the heirs is effected.
 - d. Any of the above.
 - e. None of the above.
18. If the estate consists of registrable property, such as real property, motor vehicle, shares of stock or other similar property from which a clearance from the BIR is required as a condition for the transfer of ownership, an estate tax return should be filed under oath
- a. If the gross estate exceeds P200,000
 - b. If the gross estate exceeds P500,000
 - c. If the gross estate exceeds P1,000,000
 - d. Regardless of the value of the gross estate
19. The estate tax return shall be supported with a statement duly certified by a CPA if the gross estate exceeds
- a. P 1,000,000
 - b. P 2,000,000
 - c. P 5,000,000
 - d. P10,000,000

20. From the decedents' death, the estate tax return shall be filed within
- 3 months
 - 6 months
 - 1 year
 - None of the above.
21. The CIR, in meritorious cases may grant a reasonable extension to file the return, not exceeding
- 30 days
 - 60 days
 - 3 months
 - 6 months
22. Statement 1— Fruits and income of exclusive property shall belong to the spouses.
Statement 2— Donations made by the decedent during lifetime but to take effect upon his death shall be exempt from estate tax.
- True, true
 - True, false
 - False, true
 - False, false
23. Statement 1— Property brought to the marriage by either spouse shall belong to both spouses.
Statement 2— The share of the surviving spouse in the conjugal property is part of the gross estate of the decedent.
- True, true
 - True, false
 - False, true
 - False, false
24. Which of the following statements is not correct in succession?
- Legitimate children share equally in their legitime of $\frac{1}{2}$ of the net distributable estate
 - When the spouse survives with one legitimate child, the legitime of the spouse is $\frac{1}{4}$ of the net distributable estate
 - When the spouse survives with two legitimate children, the legitime of the spouse is $\frac{1}{4}$ of the net distributable estate
 - The legitimes of the legitimate and illegitimate children take precedence over the legitime of the surviving spouse
25. Statement 1: Taxation of the estate shall be governed by the statute or law in force at the time of distribution of the estate to the heirs.
Statement 2: Succession takes place upon the determination of the respective shares of the heirs in the estate of the decedent.
- True, true
 - True, false
 - False, true
 - False, false
26. Statement 1- The family home includes the house and the lot where the house stands.
Statement 2 -The value of the house and the lot where it stands, if a Family Home, is deductible from the estate of the decedent.
- True, true
 - True, false
 - False, true
 - False, false
27. Statement 1- When exclusive property is sold during the marriage, the proceeds become property of the spouses.
Statement 2 - The legal heirs of the decedent must be determined first before the correct estate tax can be ascertained.
- True, true
 - True, false
 - False, true

- d. False, false
28. Statement 1 - Under the ACP, property acquired before marriage by his/her spouse including fruits and income, if any, shall belong to both spouses.
Statement 2 - The cost of burial plot, tombstone, monument or mausoleum, mourning apparel, expenses of the wake, and notices are deductible from gross estate as funeral expenses.
- True, true
 - True, false
 - False, true
 - False, false
29. Statement 1 - Medical expenses incidental to the decedent's death shall be included in the claims against the decedent's gross estate, and shall be deductible therefrom in computing the net estate.
Statement 2 - The administrator or executor shall submit a statement showing the disposition of the proceeds of a loan if the claim against the estate was contracted within five years before the death of the decedent.
- True, true
 - True, false
 - False, true
 - False, false
30. Statement 1 - If the property is inherited before marriage it will belong to both spouses while if it is inherited during marriage it is exclusive.
Statement 2 - Unless stipulated, the property relations shall be governed by conjugal partnership of gains for marriages celebrated on or before Aug. 3, 1988.
- True, true
 - True, false
 - False, true
 - False, false
31. Statement 1 - Unless stipulated, the property relations shall be governed by absolute community of property for marriage on or after August 3, 1988.
Statement 2 - Under the regime of absolute community of property, property for personal and exclusive use of either spouse, except jewelry, shall belong to both spouses.
- True, true
 - True, false
 - False, true
 - False, false
32. **Statement 1** - The court may authorize the distribution of estate, to an heir if in its sound discretion it believes that the heir badly needs his share.
Statement 2 - The executor, administrator, or any of the heirs may be allowed to withdraw from a bank deposit of the decedent within 1 year from the date of death. Provided, the bank withholds a 6% final withholding tax to be remitted on or before the last day of the month following the close of the quarter in which the withholding was made.
- True, true
 - True, false
 - False, true
 - False, false
33. **Statement 1** - Unpaid mortgage indebtedness is deductible from the gross estate provided the said property subject to the indebtedness is included in the gross estate, net of the mortgage indebtedness.
Statement 2 - A donation inter-vivos by the decedent to the Philippine government a few months before his death is a deduction from the gross estate.
- True, true
 - True, false
 - False, true
 - False, false

34. **Statement 1** - A died giving B power to appoint a person who will inherit A's house and lot. B however can only choose among C, D, E and F. B decided to transfer the property to C, in B's will when he was old already. The transfer from B to C is subject to estate tax.

Statement 2 - During A's lifetime, he decided to give B as gift his car subject to the condition that if B does not become a CPA within three years, A shall revoke the transfer. In the second year, however, A died. The car can no longer form part of A's gross estate.

- True, true
- True, false
- False, true
- False, false

35. A decedent left the following properties:

| | |
|---|------------|
| Land in Italy (with P1M unpaid mortgage) | P2,000,000 |
| Land in Laguna, Philippines | 500,000 |
| Franchise in USA | 100,000 |
| Receivable from debtor in Philippines | 70,000 |
| Receivable from debtor in USA | 100,000 |
| Bank deposits in USA | 80,000 |
| Shares of stocks of PLDT, Philippines | 75,000 |
| Shares of stock of ABC, foreign corporation, 75% of the business in the Philippines | 125,000 |
| Other personal properties | 300,000 |
| Zonal value of the land in Laguna | 750,000 |

If the decedent is a non-resident citizen, his gross estate is

- P3,650,000
- P3,600,000
- P2,500,000
- P2,650,000

36. Using the above data, if the decedent is a non-resident alien, his gross estate is

- P1,195,000
- P945,000
- P1,320,000
- P1,070,000

37. If in the preceding number there is reciprocity, the gross estate is

- P1,050,000
- P1,195,000
- P1,250,000
- P1,070,000

38. Based on the above problem but assuming that the PLDT shares of stocks are not listed in the local stock exchange, and there are 1,000 shares at the time of death, the company's outstanding shares were 10,000 shares. Its retained earnings was P2,000,000, par value per share was P50. The gross estate should show the said shares at

- Still at P75,000
- P250,000
- P200,000
- P0

39. A, Filipino, widower, died leaving the following:

| | |
|-------------------------|------------|
| a. Real properties | P4,000,000 |
| b. Family home | 1,200,000 |
| c. Personal properties | 2,000,000 |
| d. Paid medical expense | 600,000 |
| e. Allowable deductions | 800,000 |

(a) Determine the net estate subject to tax, and the net distributable estate if he died in 2017:

Answers:

(b) Determine the net estate subject to tax, and the net distributable estate if he died in 2018:

Answers:

40. Mr. Y, an American, single and residing in USA, died in June 2018 leaving the following:

| | |
|--|------------|
| Land in Makati | P2,000,000 |
| Land in Manila | 3,000,000 |
| Gross estate, USA | 5,000,000 |
| Deductions claimed by the estate: | |
| Actual funeral expense | 200,000 |
| Judicial expenses | 100,000 |
| Claims against the estate | 120,000 |
| Transfer of the land in Makati to the Philippine government (in decedent's will) | 2,000,000 |

- The land in Manila when inherited 3½ years ago had a value of P2,400,000 with a mortgage thereon of P400,000 which, was paid prior to Mr. Y's death.
- The land in Makati, when inherited 4½ years ago, had a value of P1,500,000.

Determine the net estate subject to estate tax.

- (a) P2,176,200
- (b) P1,793,200
- (c) P2,536,400
- (d) None of the above

41. Z, a resident citizen, died leaving in 2018 the following:

| | |
|---|------------|
| Net estate (before standard deduction): | |
| Philippines | P5,000,000 |
| USA | 3,000,000 |
| Australia | 2,000,000 |
| Estate tax paid: | |
| USA | 30,000 |
| Australia | 220,000 |

Determine the estate tax due after tax credit.

42. A, Filipino, married, died in 2018 leaving the following:

| | |
|---|------------|
| a. Real property – conjugal | P4,000,000 |
| b. Real property – exclusive (A) | 2,500,000 |
| c. Family home – exclusive (A) | 1,200,000 |
| d. Unpaid medical expenses | 600,000 |
| e. Allowable ordinary deductions – conjugal | 1,400,000 |

Determine the net estate subject to tax, and the net distributable estate:

- (a) P2,500,000; P4,210,000
- (b) P1,200,000; P4,400,000
- (c) P3,400,000; P4,000,000
- (d) None of the above.

43. C, Filipino, married to D, died in July 2018, leaving the following:

| | |
|---|------------|
| a. Real properties – conjugal | P4,000,000 |
| b. Real property – exclusive (C) | 3,800,000 |
| c. Family home – exclusive (D) | 1,400,000 |
| d. Allowable ordinary deductions – conjugal | 1,200,000 |

Determine the net taxable estate.

- (a) P4,200,000
- (b) P6,600,000
- (c) P 200,000
- (d) None of the above.

44. E, Filipino married to F, died in July 2018, leaving the following:

| | |
|---|------------|
| a. Real properties – conjugal | P5,000,000 |
| b. Real property – exclusive (E) | 1,200,000 |
| c. Real property – exclusive (E) – (Lot where the family home stands) | 10,400,000 |
| d. Family home conjugal | 6,000,000 |
| e. Allowable ordinary deductions – conjugal | 1,600,000 |

Determine the net taxable estate.

- (a) P14,300,000
- (b) P2,345,000
- (c) P1,300,000
- (d) None of the above.

45. G, non-resident alien, married to H, died in 2018 leaving the following:

| | |
|--|------------|
| a. Real properties in Manila– conjugal | P7,000,000 |
| b. Real property abroad – exclusive (G) | 1,400,000 |
| c. Real property in Q.C. – conjugal | 800,000 |
| d. Personal properties in Manila – exclusive (G) | 1,800,000 |
| e. Allowable ordinary deductions – conjugal | 2,400,000 |

Determine the net taxable estate.

- (a) P4,500,000
- (b) P5,345,000
- (c) P4,000,000
- (d) None of the above.

46. Chanella, a reviewee, married her reviewer in Tax, Chris, who already had 2 legitimate children from a former marriage. They got married on July 26, 2015. Prior to their marriage, Chris inherited a commercial building from his father who died on July 19, 2009. Chris also received a residential lot from his mother by way of donation on September 23, 2011. On their first year wedding anniversary, Chanella's mother donated to Chanella a 50 hectare agricultural lot. Which of the 3 properties are considered conjugal properties?

- a) The commercial building and the residential lot.
- b) The agricultural land.
- c) All 3 are conjugal properties.
- d) None. All are exclusive properties.

47. Mr. A, Filipino, married to B with whom he has two children died on February 14, 2018. The inventory of the properties of the spouses show the following:

| | |
|---|------------|
| a. House and lot in Manila owned by A before the marriage | P3,000,000 |
| b. Agricultural land owned by B before the marriage | 1,200,000 |

| | |
|---|-----------|
| c. Real property acquired during marriage | 2,000,000 |
| d. Family home acquired during marriage | 2,200,000 |
| e. Personal property acquired during marriage | 1,400,000 |
| f. Commercial building in Makati inherited by A during marriage from his father who died on February 14, 1987 | 2,000,000 |
| g. Apartment house inherited by B during marriage from her mother who died on February 14, 2003 | 4,000,000 |
| h. Proceeds of life insurance where the estate A was designated as the irrevocable beneficiary | 1,000,000 |
| i. Proceeds of life insurance where B was designated as the irrevocable beneficiary | 2,000,000 |

Deductions claimed by the estate:

| | |
|--|----------|
| 1. Legacy given in favour of Philippines government in decedent's will | P300,000 |
| 2. Claims against the estate | 100,000 |
| 3. Unpaid mortgage on agricultural land (letter b above) | 400,000 |
| 4. Funeral expenses | 180,000 |
| 5. Judicial expenses | 600,000 |

Determine the estate tax due and payable.

48. A, Filipino, married, died on January 2018, leaving the following:

| | |
|--|-------------|
| a. Family Home | P 1,800,000 |
| b. Cash and other properties | 2,500,000 |
| c. Benefits under RA 4917 | 1,000,000 |
| d. Ordinary deductions for expenses, losses and taxes (ELIT) | 700,000 |

Determine the net taxable estate of A.

49. Mr. O, Filipino, married, died on August 1, 2018, three years after his marriage to Mrs. O. He left the following:

| | |
|--|------------|
| a. Property inherited by Mr. O from his father who died February 14, 2013 | P3,000,000 |
| b. Property inherited by Mrs. O from her father who died February 14, 2014 | 1,200,000 |
| c. Property inherited by Mr. O from his mother who died February 14, 2015 | 1,800,000 |
| d. Property inherited by Mrs. O from her mother who died February 14, 2016 | 1,400,000 |
| e. Property acquired thru the labor of | |
| Mr. O | 2,000,000 |
| Mrs. O | 1,500,000 |
| Mr. & Mrs. O (family home) | 2,400,000 |
| f. Other personal property | 1,600,000 |

Deductions claimed by the estate:

| | |
|--|---------|
| a. Funeral expense | 220,000 |
| b. Unpaid mortgages on property in letters: | |
| a. 500,000 b. 300,000 c. 180,000 d. 200,000 | |
| c. Claims against the estate | 170,000 |
| d. Accrued taxes (before the death of Mr. O) | 80,000 |

Determine the net taxable estate assuming

1. Conjugal partnership of gains
2. Absolute community of property

END