

**CPA Review School of the Philippines
Manila**

VALUE ADDED TAX

Dela Cruz / De Vera / Lopez / Llamado

1. One of the following statements is incorrect
 - a. Imported goods which are subject to excise tax are no longer subject to VAT.
 - b. VAT on importation is paid to the Bureau of Customs before the imported goods are released from custody.
 - c. Expenses incurred after the goods are released from Customs custody are disregarded in computing the VAT on importation.
 - d. When a person who enjoys a tax-exemption on his importation subsequently sells in the Philippines such imported articles to a non-exempt person, the purchaser-non-exempt person shall pay the VAT on such importation.

2. Which of the following input taxes can be refunded, converted into tax credit certificates or carried over to the next quarter at the option of the VAT-registered taxpayer?
 - a. Input tax on raw materials
 - b. Input tax on importation of supplies
 - c. Input tax on zero-rated sales of goods and services
 - d. Input tax on purchase of services

3. Value Added Tax is a/an
 - a. Indirect tax
 - b. Direct tax
 - c. Local tax
 - d. Personal tax

4. **Statement 1**- A taxpayer whose gross sales or receipts exceeded the amount of P3,000,000 shall pay VAT even if he is not VAT registered; consequently, he is also entitled to input taxes.
Statement 2- Importer of goods for personal use is not subject to VAT if he is not-VAT registered.
 - a. Both statements are true
 - b. Both statements are false
 - c. Only statement 1 is true
 - d. Only statement 2 is true

5. Which statement is correct?
 - a. Zero rated sales are exempt from the VAT.
 - b. A person whose sales or receipts do not exceed P250,000 is exempt from VAT and OPT.
 - c. A person who issues a VAT invoice on a VAT exempt transaction is nevertheless subject to VAT on the said transaction.
 - d. Entities which are exempt from income tax are also exempt from VAT.

6. Which of the following importation is subject to VAT?
 - a. Importation of frozen meat
 - b. Importation of bamboo poles
 - c. Importation of apples for personal consumption
 - d. Importation of grapes for sale

7. Which of the following is subject to VAT?
 - a. Sale of smoked fish
 - b. Sale of lechon
 - c. Sale of shells and coral products by a dealer
 - d. Sale of newspaper

8. One of the following is not a major business internal revenue tax in the Tax Code
 - a. VAT
 - b. Excise Tax
 - c. Income Tax
 - d. Percentage Tax
9. The allowable transitional input tax is
 - a. The lower between 2% of the value of beginning inventory or actual VAT paid on such inventory
 - b. The higher between 2% of the value of beginning inventory or actual VAT paid on such inventory
 - c. The actual VAT paid on the beginning inventory
 - d. 2% of the value of beginning inventory
10. The VAT due on the sale of taxable goods, property and services by any person whether or not he has taken the necessary steps to be registered
 - a. Input tax
 - b. Output tax
 - c. Excise tax
 - d. Sales tax
11. One of the following is not a transaction *deemed sale*:
 - a. Transfer, use or consumption not in the ordinary course of business, of goods or properties originally intended for sale or for use in the course of business
 - b. Distribution or transfer to shareholders or investors of goods or properties as share in the profits of a VAT-registered person or to creditors in payment of debt
 - c. Retirement from or cessation of business, with respect to inventories of taxable goods on hand as of the date of such retirement or cessation
 - d. Consignment of goods if actual sale is made within 60 days following the date such goods were consigned
12. One of the following is not an activity subject to VAT
 - a. Sale in retail of goods by a dealer
 - b. Sale of bamboo poles by a dealer
 - c. Sublease of real property in the course of business
 - d. Importation of ordinary feeds for poultry chicken
13. Which of the following is not correct?
 - I. Any person who is not subject to mandatory registration because his actual or expected gross sales/receipts from non-exempt businesses for the past 12 months do not exceed ₱3,000,000, may opt to register under the VAT system, but shall not be allowed to cancel his VAT registration for the next three years.
 - II. Any person who is VAT-registered but enters into transactions which are exempt from VAT may opt that the VAT apply to his transactions which would have been exempt but shall not be allowed to cancel his VAT registration for the next three years.
 - III. Franchise grantees of radio and/or television broadcasting whose annual gross receipts of the preceding year do not exceed ₱10M may opt for VAT registration, but shall not be allowed to cancel his VAT registration for the next three years.
 - a. III only
 - b. II only
 - c. I only
 - d. I, II and III
14. Which of the following sales of real properties held primarily for sale to customers shall be subject to VAT?
 - a. Sale of parking lot where the selling price is ₱1,800,000

- b. Sale of 2 adjacent residential lots in favor of one buyer from the same seller at P725,000 per lot.
- c. Sale of 2 adjacent residential dwellings in favor of one buyer from the same seller at P1,225,000 per residential dwelling.
- d. Sale to one buyer from the same seller of 2 condominium units which are combined and utilized as one residential unit where the aggregate value of the adjacent units exceeds P1,500,000.

15. ABC Restaurant recorded the following sales during the month (based on menu prices)

To regular customers	P 560,000
To senior citizen	224,000
To person with disability	112,000

The output VAT is

- a. P 60,000
- b. P 72,000
- c. P 69,600
- d. P 79,200

16. The taxpayer is a VAT registered real estate dealer:

Selling Price (net of VAT)	P 6,000,000
Zonal Value	6,300,000
FMV, in the assessment rolls	5,800,000

Payments made by the buyer

March 15, 2017	P 750,000
October 15, 2017	750,000
March 15, 2018	2,250,000
October 15, 2018	2,250,000

- I. The output tax on March 15, 2017 collection is
 - a. P 90,000
 - b. P 756,000
 - c. P 283,500
 - d. P 94,500

- II. The output tax on March 15, 2018 collection is
 - a. P 94,500
 - b. P 270,000
 - c. P 756,000
 - d. P 283,500

17. Using the preceding number, but the FMV in the assessment rolls is P6,500,000

- I. The output tax on October 15, 2017 collection is
 - a. P 780,000
 - b. P 90,000
 - c. P 97,500
 - d. P 270,000

- II. The output tax on October 15, 2018 collection is
 - a. P 780,000
 - b. P 135,000
 - c. P 270,000
 - d. P 292,500

18. A is engaged in two (2) lines of businesses, one with VAT and the other is Non-VAT. His records show the following (VAT not included)

Sales:

From VAT business	P 4,000,000
From Non-VAT business	6,000,000

Purchases of goods from VAT suppliers:	
For VAT business	2,000,000
For Non-VAT business	3,000,000
Purchases from VAT suppliers of supplies used for both VAT and Non-VAT businesses	20,000
Operating expenses	1,800,000

- I. The VAT payable is
 - a. P 600,000
 - b. P 240,000
 - c. P 237,600
 - d. P 239,040
- II. The net income is
 - a. P 3,180,000
 - b. P 2,840,000
 - c. P 2,818,560
 - d. P 2,820,000
19. Monthly VAT declaration is filed on or before the
 - a. 10th day from the end of each month
 - b. 20th day from the end of each month
 - c. 25th day from the end of each month
 - d. 30th day from the end of each month
20. Quarterly VAT return shall be filed on or before the
 - a. The 10th day from the end of each quarter
 - b. The 20th day from the end of each quarter
 - c. The 15th day from the end of each quarter
 - d. The 25th day from the end of each quarter
21. An individual taxpayer operates a Grocery Store and is not VAT-registered. His annual gross sales amounted to P2,900,000 for the year although his operations resulted to a net loss for the year 2018. He is subject to
 - a. 3% OPT
 - b. VAT
 - c. MCIT – 2%
 - d. None, because operation resulted in a loss.

If he was qualified and chose to be taxed under the 8% income tax rate, he shall be subject to:

- a. 3% OPT
 - b. VAT
 - c. MCIT – 2%
 - d. None of the above.
22. Which of the following lessors of residential units is/are subject to VAT?
- | | A | B | C | D |
|------------------------|---------|---------|---------|---------|
| No. of apartment units | 100 | 20 | 16 | 18 |
| Monthly rent/unit | P14,800 | P15,000 | P15,400 | P15,100 |
- a. B and D
 - b. C and D
 - c. B, C and D
 - d. D only
23. A imported an article from the US. The invoice value of the imported article was \$7,000 (\$1 – P50). The following were incurred in relation with the importation

Insurance	P15,000
Freight	10,000
Postage	5,000
Wharfage	7,000
Arrastre charges	8,000
Brokerage fee	25,000
Facilitation fee	3,000

The imported article is subject to P50,000 custom duty and P30,000 excise tax. A spent P5,600 (inclusive of vat) for trucking from the customs warehouse to its warehouse in Quezon City. The VAT on importation is:

- P 60,600
- P 35,000
- P 50,500
- P 60,000

24. Assuming that the imported article above was sold for P600,000, VAT exclusive. The VAT payable is

- P 11,400
- P 12,000
- P 9,500
- P 9,200

25. The A Bakers sells cakes and pastry to well known hotels in the Metro Manila area. The hotels are allowed credit based on the track record of the hotels. The sale by the store in April 2018 was P224,000 including the VAT. 75% of the sales are normally on account. How much is the output tax for the month of April 2018?

- P 22,000
- P 20,000
- P 16,500
- P 24,000

26. A, trader, made the following sales of goods during the month of June 2018, exclusive of VAT:

Cash Sales	P 200,000
Open Account Sales	100,000
Installment Sales	100,000
Note: Receipt from installment sales	40,000
Consignment made (net of vat):	
June 15, 2018	100,000
May 15, 2018	100,000
April 15, 2018	100,000

Output tax is

- P 50,000
- P 34,000
- P 60,000
- P 72,000

27. A, VAT-registered, made the following purchases during the month of January 2018

Goods for sale, inclusive of VAT	P 224,000
Supplies, exclusive of VAT	20,000
Office air conditioner, total invoice amount	56,000
Home appliances for residence, gross of VAT	17,600
Repair of store, total invoice amount evidenced by ordinary receipt of the contractor	4,400

Creditable input taxes are

- a. P 26,400 c. P 24,000
b. P 29,400 d. P 32,400

28. A taxpayer registered under the VAT system on January 1, 2018. His records during the month show:

Value of inventory as of Dec. 31, 2017 purchased from VAT registered persons	P 50,000
VAT paid on inventory as of Dec. 31, 2017	6,000
Value of inventory as of Dec. 31, 2017, VAT exempt goods	60,000
Sales, net of VAT	140,000
Sales, gross of VAT	45,000
Purchases, net of VAT	70,000

VAT payable is

- a. P 11,100
b. P 7,221
c. P 3,100
d. None of the above.

29. A VAT taxpayer purchased the following machineries for the second quarter of 2018 (VAT not included):

Asset	Life	Cost
Asset 1 April 10	4 years	P 800,000
Asset 2 April 20	5 years	1,000,000
Asset 3 May 14	3 years	600,000
Asset 4 May 20	2 years	400,000
Asset 5 June 10	3 years	600,000
Asset 6 June 15	6 years	1,200,000

I. The input tax for April 2018 is

- a. P 216,000
b. P 4,000
c. P 98,000
d. P 122,000

II. The input tax for May 2018 is

- a. P 124,000
b. P 120,000
c. P 8,000
d. P 4,000

III. The input tax for June 2018 is

- a. P 4,400
b. P 8,400
c. P 216,000
d. P 146,000

IV. The input tax for the quarter ending June 2018 is

- a. P 126,400
b. P 134,400
c. P 136,400
d. P 12,400

V. On January 2022, how much unutilized VAT may the taxpayer apply against any output VAT until it is fully utilized?

- a) P 65,000

- b) P 70,500
- c) P 76,800
- d) None of the above.

30. The following are the data of City Appliance Marketing Corporation, for the last quarter of 2017.

Sales up to December 15, total invoice value	P 336,000
Purchases up to December 15, net of input tax	215,000

Additional information:

On December 16, 2017, City Appliance Marketing Corporation retired from its business and the inventory valued at P190,000 was taken and transferred to New City Appliance Corporation. There is a deferred input tax from the third quarter of P3,500.

How much is the total VAT due and payable by City Appliance Marketing Corporation in its operations in the last quarter and its retirement from business?

- a. P 22,500
- b. P 3,500
- c. P 6,350
- d. P 29,500

31. Assuming that New City Appliance Corporation has the following data for the first quarter of 2018:

Sales, total invoice value	P 448,000
Purchases, total invoice value	224,000

How much is the VAT payable of New City Appliance Corporation for the first quarter of 2018?

- a. P 28,000
- b. P 1,200
- c. P 30,000
- d. P 24,000

32. ABC, a VAT-registered taxpayer, had the following cumulative data for the 1st quarter of 2018 (VAT not included):

	January	February	March
Sales	P 1,000,000	P 2,400,000	P 3,800,000
Purchases from VAT suppliers	400,000	900,000	1,400,000
Purchase of machinery from VAT suppliers (3 years life)		1,200,000	

There was an excess of input taxes over output taxes of P50,000 for the quarter ending December 2017.

I. The VAT payable for January 2018 is

- a. P 72,000
- b. P 60,000
- c. P 22,000
- d. P - 0 -

II. The VAT payable for February 2018 is

- a. P 176,000
- b. P 104,000
- c. P 32,000
- d. P 16,000

III. The VAT payable for March 2018 is

- a. P 104,000
- b. P 108,000
- c. P 288,000
- d. P 280,000

33. A Refining Company manufactures refined sugar. It had the following data during the first quarter of 2018:

Sales of refined sugar, net of VAT	P 2,000,000
Purchases from farmers of sugar cane used in manufacture of refined sugar	500,000
Purchases of Packaging materials, gross of VAT	784,000
Purchases of labels, gross of VAT	112,000

The VAT payable is

- a. P 124,000
- b. P 112,500
- c. P 70,000
- d. P 62,000

34. A, is a VAT-registered dealer of appliances. The following data are for the last quarter of 2018:

Sales, net of output tax	P 6,800,000
Purchases, net of input tax	5,500,000
Sales returns	200,000
Purchase returns	300,000
Deferred input tax	9,500

The VAT payable for the last quarter of 2018 by A is

- a. P 120,500
- b. P 70,500
- c. P 80,000
- d. P 158,500

35. A VAT registered person is engaged in the sale of VAT taxable goods and at the same time is also engaged in a non-VAT business, in the same business establishment. During the year, total sales of the VAT business amounted to P336,000, inclusive of VAT. The sales of the non-VAT business amounted to P200,000 with a separate percentage tax of P6,000 for a total of P206,000. During the same quarter, repairs on the building amounted to P50,000 plus VAT of P6,000. Supplies purchased for common use amounted to P10,000 plus P1,200 VAT. The creditable input tax is

- a. P 6,000
- b. P 7,200
- c. P 1,000
- d. P 4,320

36. Using the above data, the VAT payable is

- a. P 24,000
- b. P 25,000
- c. P 31,680
- d. P 26,400

37. M, building contractor, showed to you the following data

Contract price, net	P 5,000,000
Cash received for labor (VAT included)	3,000,000
Cash received for materials (VAT included)	360,000
Receivables	2,000,000
	1,000,000

Advances on other contracts still unearned (w/o VAT)
Cash received and held in trust, to be paid to one of his

suppliers, Acme Warehouse, gross of VAT 560,000

Payments:

For materials, net of VAT	500,000
For supplies, net of VAT	100,000
For services of sub-contractors (VAT included)	1,680,000

The VAT payable of M is

- P 228,000
- P 348,000
- P 350,000
- None of the above.

38. A, a VAT taxpayer billed his customer:

Selling Price	P 500,000
Value Added Tax	<u>70,000</u>
Total	P 570,000

The output tax is

- P 70,000
- P 60,000
- P 61,071
- P 68,400

39. A PEZA-registered enterprise is paying the 5% preferential tax in lieu of all other taxes. Can the same enterprise claim a TCC or refund from any VAT that it pays on its purchases?

- Yes, because it should not be paying the VAT as it is exempt from all taxes whether direct or indirect.
- No. Since it is VAT-exempt, it is not allowed to claim input tax credits.
- Yes, because the issuance of a VAT invoice to the PEZA-registered enterprise was erroneous.
- None of the above.

40. JL went out on a date with Ceil, and her uncle, Tito Chris (senior citizen), in Mike's Bistro for Ceil's birthday. They ordered food which they all shared, and the total bill amounted to P6,000, gross of VAT.

How much will Mike's Bistro bill JL?

- P1,785.71
- P 357.14
- P5,428.57
- None of the above

41. M Corporation made total sales of P200,000 to the government. Purchases of supplies directly attributable to such sales amounted to P120,000, net of VAT. Unattributed input tax allocated to such sales amounted to P4,800. The government withheld a 1% EWT on such purchases.

How much will M Corporation receive from the government? **P212,000**

- P210,000
- P200,000
- P212,000
- None of the above

42. In number 41, aside from the supplies of P120,000, what can M Corporation deduct in computing its taxable income?

- a) P19,200
- b) P14,000
- c) P5,200
- d) None of the above

43. In January 2018, J. Reyes started a car repair business. He did not expect his gross receipts to exceed P3.0 Million a year, and thus did not register for purposes of the VAT. He also signified in his first quarter ITR his intention to be taxed under the 8% income tax rate option. However, by mid-June 2018, his receipts had already reached the amount of P3,000,050.00.

When should J. Reyes register for VAT, and when will he start to become liable for VAT? Will he still pay OPT under Section 116 of the Tax Code?

- a) He should register in the month that the gross receipts exceeded P3,000,000. He will become liable for VAT starting July 2018. He will be liable for OPT for the months January to June 2018.
- b) He should register within 10 days after the end of June or from July 1 to July 10, 2017. He shall be liable for VAT on August 1, 2018. He will no longer be liable to OPT.
- c) He should register within 10 days after the end of December (the last month of the 12 month period) or from January 1 to 10, 2019. He shall be liable for VAT beginning on the 1st day of the month following his registration, or February 1, 2019. He will be liable for OPT from January to December, 2018.
- d) None of the above.

44. A Company, VAT-registered, engaged in stockbrokerage and dealership in securities, provided the following data for the 2nd quarter of 2018

Commission received (net)	P150,000
Commission uncollected but earned	250,000

Stock transactions are (VAT excluded):

	Price	Cost
A Stock	P500,000	P 350,000
B Stock	600,000	500,000
C Stock	800,000	650,000

All 3 stocks were traded in the stock exchange.

Supplies bought P88,000, VAT included

- a. The percentage tax due is:
- b. The VAT of A is:

45. The Bureau of Internal Revenue may use "Oplan Kandado" against the following taxpayer, except?

- a. VAT registered person who fails to issue receipts.
- b. VAT registered person who fails to file VAT returns.
- c. VAT registered person who understates its taxable sales by 30%.
- d. VAT registered person who understates its purchase by 30%.

46. LoLa & LoLeng Insurance Brokerage, Inc. ("L&L") is an insurance broker which liaises between clients and insurance companies. For this service, it charges commissions and for which it is also charges output VAT.

However, for 6 months in 2018, L&L had been issuing VAT official receipts not only for the commissions earned but also for the premiums it received from clients in behalf of the insurance companies.

The BIR is now assessing L&L for alleged deficiency VAT arising from the premiums it collected from the clients. L&L is arguing that since it is just an insurance broker, it should be liable for VAT only on the commission, and not on the premiums it collected. Is L&L correct?

- a) No. L&L became liable for VAT on the gross amount of premiums when it issued VAT official receipts for the premiums it received.
- b) Yes. As a broker, it should be liable for VAT only for the commissions earned.
- c) Who cares?
- d) None of the above.

47. A 3rd party, in behalf of a borrower, transfers his VATable land to a bank in settlement of a non-performing loan of ₱100,000. The land had a book value of ₱70,000 and a FMV of ₱120,000 at the time of the dation in payment. The 3rd party received from the borrower the amount of ₱80,000 for the dation. What are the tax consequences of the dation in payment, if any?

- a) The *dacion* or transfer shall be subject to VAT equivalent to 12% of the highest of ₱80,000, the zonal value, or assessor's value;
- b) The 3rd party shall be liable for income tax on his gain of ₱10,000 (₱80,000 - ₱70,000);
- c) The 3rd Party is liable for donor's tax on the transfer for insufficient consideration where the insufficiency in the consideration amounts to ₱40,000 (₱120,000 - ₱80,000).
- d) All of the above.

The End