

CPA REVIEW SCHOOL OF THE PHILIPPINES
Manila

DONOR'S TAX

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1. For donor's tax purposes before the effectivity of the TRAIN, who among the following is/are stranger(s) to you?
 - I. The grandson of the daughter of your grandson
 - II. The grandfather of the mother of your grandmother
 - III. The brother of the father of your grandfather
 - IV. The grandson of the sister of your mother

a. I and II b. III and IV c. III only d. IV only
2. A. The gift is perfected from the moment the donor effects the delivery either actually or constructively of the property donated.
 B. Donor's tax is a property tax imposed on the property transferred by way of gift inter-vivos.

a. True, true b. True, false c. False, true d. False, false
3. A. For purposes of the donor's tax before the effectivity of the TRAIN, second degree cousins are strangers to each other.
 B. Encumbrance on the property donated, if assumed by the donor is deductible for donor's tax purposes.

a. True, true b. True, false c. False, true d. False, false
4. A. In general, where real property is transferred during lifetime for less than adequate and full consideration in money or money's worth, then the amount by which the value of the property exceeds the value of the consideration shall, for the purpose of the donor's tax, be deemed a gift.
 B. Gifts of conjugal property made by both spouses shall be considered as having been made one-half by the husband and the other half by the wife, and is taxable $\frac{1}{2}$ to each donor spouse.

a. True, true b. True, false c. False, true d. False, false
5. A. If the value of the movable property donated is P5,000 or more, the donation and the acceptance shall be made in writing, otherwise the donation shall be void.
 B. Regardless of the value of the immovable property donated, the donation and the acceptance shall be made in writing, otherwise the donation shall be void.

a. True, true b. True, false c. False, true d. False, false
6. The donation of a movable property may be made

a. Orally b. In writing c. Either A or B d. Neither A nor B
7. Using the preceding number, the donation and acceptance should be in writing if the value of the property donated is

a. Less than P5,000 b. P5,000 or less c. P5,000,000 or more d. More than P5,000
8. A donation which takes effect upon the death of the donor

a. Donation mortis causa

b. Partakes of the nature of a testamentary disposition

c. Shall be governed by the law on succession

d. A, B and C
9. A donation which is intended by the donor to take effect during his lifetime

a. Shall be subject to the 6% donor's tax if more than ₱250,000

b. Shall be in writing if the value exceeds P5,000

c. Donation inter-vivos

d. A, B and C
10. The donation of an immovable property shall be made

a. In writing c. Either A or B

b. In a public instrument d. Orally

11. Using the preceding number, acceptance by the donee may be made
- In the same donee of donation
 - In a separate document
 - Either A or B
 - Neither A nor B
12. I. Beginning January 1, 2018, dowries or gifts made on account of marriage, on or before its celebration, or within one year thereafter, by parents to each of their legitimate, recognized natural or adopted children, to the extent of the first P10,000, shall be exempt from donor's tax.
 II. Donations in favour of a educational and or charitable, religious, cultural or social welfare corporations, institutions, accredited non-government organizations, trust or philanthropic organizations or research institutions or organizations, provided that no amount of said gifts shall be used by the donee for administration purposes, shall be exempt from donor's tax.
- True, true
 - True, false
 - False, true
 - False, false
13. A. As a rule, donation between husband and wife during the marriage is void.
 B. Donation can be made to conceived or unborn children.
- True, true
 - True, false
 - False, true
 - False, false
14. H made a donation of property with a FMV of P1,000,000 to his legitimate daughter I and to J on February 8, 2016 on account of I's marriage to J celebrated on February 14, 2015.
Determine the donor's tax due Answer:
15. Mr. And Mrs. K, made the following donations of conjugal funds and properties in 2018 (unless stated otherwise), as follows:
- February 14: To L, a legitimate son, a piece of land with a FMV of P400,000 on account of L's graduation from college *Answer:*
 - May 14: To M, a legitimate daughter on account of M's marriage to be celebrated on December 25, 2018, house and lot with FMV of P1,000,000 *Answer:*
 - June 14: To N, brother of Mrs. K, P200,000 *Answer:*
 - September 14: To O, the efficient and beautiful secretary of Mr. K for taking care of Mr. K while Mrs. K was vacationing in USA, jewelry worth P300,000. *Answer:*
 - October 14: To P, the honest and good looking driver of Mrs. K who accompanied Mrs. K on her trip to and from USA, a diamond ring worth P500,000 *Answer:*
 - December 14: To Q, the daughter of O on account of Q's birthday, pieces of jewelry inherited by Mr. K during marriage, with a FMV of P400,000 *Answer:*
 - December 25: To R, a legitimate son, a residential house and lot with FMV of P1,200,000 but subject to the condition that R would assume the mortgage indebtedness in the amount of P400,000 *Answer:*
- Determine the total donor's tax payable on each date of donation.*
16. Mr. A, a Filipino citizen made the following gifts to his children for the year 2018:
- | | <u>Phil.</u> | <u>USA</u> | <u>Canada</u> | <u>Australia</u> |
|--|--------------|------------|---------------|------------------|
| Net gift (before the P250,000 exemption) | P350,000 | P300,000 | P250,000 | P100,000 |
| Donor's tax paid | | 15,000 | 10,000 | 5,000 |
- Required: Compute the donor's tax still due after tax credit*
Answer:
17. With regard to campaign contributions, which of the following is not correct?
- Unutilized or excess campaign funds shall be considered as subject to donor's tax.
 - Campaign contributions, to be considered as exempt from income tax, must have been utilized to cover a candidate's expenditure for his electoral campaign

- c. Any winning candidate, who fails to file with the COMELEC the appropriate Statement of Expenditures required under the Omnibus Election Code, shall be automatically precluded from claiming such expenditures as deductions from his campaign contributions.
- d. Campaign contributions, net of a candidate's campaign expenditures must be included in the candidate's taxable income as stated in his ITR filed for the subject taxable year.

18. In January 2, 2017, Nadine (not a dealer in securities) bought 100 shares of stock in Y Corporation, a privately-owned domestic corporation, for ₱500 per share.

She sold on November 19, 2018 the same 100 shares of stock in Y Corporation to her best friend, Kathryn, for ₱1,000 per share.

At the time of sale, the book value as well as the current market values of the Y Corporation's assets and liabilities are as follows:

	Book Value per FS	FMV	FMV For Real Property Assets		
			Assessor's Value	Zonal Value	Independent Appraiser
Current Assets	14,500,000	13,000,000			
Fixed Assets:					
Land 1	2,000,000		2,500,000	7,000,000	6,000,000
Land 2	2,000,000		2,200,000	4,000,000	4,500,000
Building 1	1,000,000		4,000,000		3,000,000
Building 2	500,000		2,000,000		2,300,000
Current Liabilities	(2,500,000)	(3,000,000)			
Long-Term Liabilities	(2,500,000)	(2,200,000)			
Net Equity	<u>15,000,000</u>				

At the time of sale, the corporation had total outstanding shares of 10,000 shares. What are the tax consequences of such sale?

- a. The net gain of ₱50,000 from the sale shall be subject to the 15% CGT.
- b. The difference of ₱156,000 between the FMV of the shares and the ₱100,000 received as consideration shall be deemed a donation.
- c. Both (a) and (b).
- d. None of the above.

(19) A domestic corporation received a donation from its affiliate abroad. The BIR assessed and demanded from the donee payment of the donor's tax relative to this donation. The BIR reasoned that since the donor is located abroad while the donee is in the Philippines, it is more practical, convenient, and expedient to collect the donor's tax from the donee. Should the donee be liable to pay the donor's tax?

- (a) Yes. The parties cannot escape the donor's tax by the mere expedient of locating the donor abroad.
- (b) No. The person or entity liable to pay the donor's tax is the donor.
- (c) Yes, if by agreement among the parties, it is the donee that shall have the burden of paying the donor's tax.
- (d) None of the above.

The End!!!