

CPAR
CPA Review School of the Philippines

97/78

Saturday, April 22, 2017
1:30PM to 4:00PM

FINAL PRE-BOARD EXAMINATION
Taxation

Instructions: Choose the BEST answer for each of the following items. Mark only one answer for each item on the Special Answer Sheet provided. Strictly no erasure allowed.

1. The following are the requisites of a valid assessment, except
C
a. It must be made within the prescriptive period to assess
b. The taxpayer must be informed in writing about the law and facts on which the assessment is based
c. There must be a preliminary assessment previously issued
d. It must be served upon the taxpayer or any of his authorized representative
2. **Statement A** – In civil cases involving the collection of internal revenue taxes, prescription is construed strictly against the government and liberally in favor of the taxpayer
C
Statement B – In criminal cases involving tax offenses punishable under the NIRC, prescription is construed strictly against the government and liberally in favor of the taxpayer.
a. Both statements are true
b. Both statements are false
c. Only Statement A is true
d. Only Statement B is true
3. The following are the requirements that must be complied to be entitled to informer's reward, except
A
a. The informer should not be a government employee or a relative of a government employee
b. The informer should voluntarily file a confidential information under oath with the Law Division of the BIR alleging therein the specific violation constituting fraud
c. The information must not yet be in the possession of the BIR, or refers to a case already pending or previously investigated by the BIR
d. The information must result to collections of revenues and/or fines and penalties
4. To start a business of their own, employees A and B opted for an early retirement. A retired after 15 years of service while B retired after 8 years of service. At the time of retirement, A was 55 years old while B was 60 years old. In the absence of a retirement plan or agreement providing for retirement benefits, the retirement benefits they received, may be qualified (no taxable)
X
a. Shall be taxable income of A and B
b. Shall be taxable income of A
c. Shall be taxable income of B
d. Shall not be taxable income of A and B
5. In case of sale of shares of stock held as capital asset, issued by a domestic corporation and listed and traded in a local stock exchange, which of the following is not correct?
BD
a. The transaction is exempt from income tax
b. The transaction is subject to 1/2 of 1% stock transaction tax based on the gross selling price
c. The stock transaction tax is required to be withheld and deducted by the stockbroker handling the transaction
d. The tax withheld must be remitted to the BIR within 30 days from the date of sale
6. Using the preceding number, except that the shares are not listed or not traded in the local stock exchange, which of the following is not correct?
B
a. The transaction is subject to 5% capital gains tax if the capital gain is not more than Php 100,000
b. The transaction is subject to 10% capital gains tax if the capital gain is more than Php 100,000
c. An annual capital gains tax return covering all transactions involving shares of stock not subject to stock transaction tax should be filed not later than the 15th day of the fourth month following the close of the taxable year
d. The capital gains tax return must be filed within 30 days from the date of sale
7. Motives associated with life that precludes the category of transfer in contemplation of death, except
C
a. To save income or property taxes
b. To settle family litigated and unlitigated disputes
c. To avoid the imposition of estate tax
d. To relieve the donor from the burden of management

8. ABC, a foreign multinational corporation doing 50% of its business in the Philippines donated 1,000 shares of stock of said corporation to Mr. W, its resident manager in the Philippines. As a consequence,

- a. The donation is subject to donor's tax
- b. Only 50% of the donation is subject to donor's tax
- c. Mr. W will report the donation as part of its taxable income
- d. The donation is exempt from donor's tax

9. Which of the following statements is not correct?

- a. When a compulsory heir is given by will less than his legitimate, the provisions of the will should be modified in such a way that he will receive his legitime
- b. The CIR may examine the bank deposit of a decedent for the purpose of determining his gross estate even if the estate did not request for a compromise on the ground of financial incapacity
- c. The P500,000 standard deduction for medical expenses for estate tax purposes is a legal mechanism to further exempt the less privileged estate and heirs from tax burden
- d. The sharing of heirs in testamentary succession must satisfy the rules on legitime

10. Which of the following is not correct?

- a. Rent for year 2, collected in year 1
- b. Income from year 1 sales, collected in year 2
- c. Services for year 1, collected in year 2
- d. Income from year 2 sales, collected in year 1

Taxable Income	
Year I	Year II
No	Yes
Yes	No
No	Yes
No	Yes

11. A stockbroker remitted P11,250 to the BIR representing collection of tax withheld from clients. The peso volume of his stock transactions from which the tax was withheld is

- a. P93,750
- b. P112,500
- c. P225,000
- d. P2,250,000

12. A vat taxpayer has the following data for a particular quarter during the current year:

Sale of shares of stock:	
Held as inventory	P 1,000,000
Held as investment	500,000
Cost of the shares sold:	
Held as inventory	300,000
Held as investment (thru local stock exchange)	600,000

The stock transaction tax is

- a. P0
- b. P1,500
- c. P2,500
- d. P7,500

13. An invoice issued for the sale of vat taxable goods shows the following:

Total invoice amount	P50,400
Less: trade discount of 5%	2,520
Net	P 47,880

If the vat taxpayer enjoys a partial exemption of 40% including VAT and the amount is VAT inclusive, how much is the output tax?

- a. P3,078
- b. P3,216
- c. P3,447
- d. P3,628

14. In a transfer in contemplation of death, revocable transfer and transfer under a general power of appointment, there are rules to observe to determine what amount to include in the gross estate, which is not a rule to observe?

- a. If the transfer was in the nature of a bona fide sale for an adequate and full consideration in money or money's worth, no value shall be included in the gross estate
- b. If there was no consideration received on the transfer as in donation inter-vivos, the value to include in the gross estate shall be the fair market value of the property at the time of transfer
- c. If the consideration received on the transfer was less than adequate and full, the value to include in the gross estate shall be the excess of the fair market value of the property at the time of decedent's death over the consideration received
- d. If there was no consideration received on the transfer as in donation mortis causa, the value to include in the gross estate shall be the fair market value of the property at the time of the decedent's death

15. For proceeds of life insurance not to constitute part of the gross estate must have
- a. Been taken out by the decedent upon his life
 - b. Designated the estate of the decedent as irrevocable beneficiary
 - c. Designated a third person as, the decedent's executor or administrator as the irrevocable beneficiary
 - d. Designated a third person other than the estate, the decedent's executor or administrator as irrevocable beneficiary
16. Which of the following is not true regarding a claim against insolvent person?
- a. The decedent's claim is deductible in full because the debtor's liabilities exceed his remaining assets
 - b. The decedent's claim must be included in full in the gross estate
 - c. The decedent's claim which cannot be collected is deductible according to the ratio of the debtor's assets to liabilities
 - d. Claim against insolvent person is a claim against a person whose assets are not sufficient to pay his liabilities.
17. Which of the following statements is false?
- a. Donations can be made to conceived and unborn children
 - b. The first P100,000 donation is exempted from donor's tax
 - c. Juridical persons can also make donations
 - d. Husband and wife can make moderate donations to each other on account of family celebration
18. A filed his income tax return for calendar year 2007 on March 20, 2008. When is the last day for the BIR to collect assuming A did not pay the tax due upon filing?
- April 15, 2008 (which ever is later)
- a. March 20, 2011
 - b. April 15, 2011
 - c. April 15, 2013
 - d. March 20, 2013
19. Furthermore, assuming A filed his income tax return on April 20, 2008 and the return is not fraudulent, when is the last day for the BIR to make an assessment?
- April 15, 2011
- a. April 20, 2011
 - b. April 15, 2011
 - c. April 20, 2013
 - d. April 15, 2013
20. Using the data above, if the BIR issued a deficiency income tax assessment on March 10, 2010, when is the last day for the BIR to collect?
- 5 years from the date of issuance
- a. March 10, 2013
 - b. April 15, 2013
 - c. March 10, 2015
 - d. April 15, 2015
21. Which of the following is subject to VAT?
- a. Importation of personal or household effects belonging to the residents of the Philippines returning from abroad and non-resident citizen coming to resettle in the Philippines where such goods were subjected to customs duties
 - b. Importation of passenger or cargo vessel and aircrafts, including engine, equipment and spare parts thereof for domestic or international transport operation
 - c. Importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations
 - d. Sale of real property not primarily held for sale to customers or held for lease in the ordinary course of business
22. Which of the following is exempt from VAT?
- a. Sale of passenger or cargo vessels and aircraft, including engine, equipment and spare parts thereof for domestic or international transport operations
 - b. Sale of professional instruments and implements wearing apparel, domestic animals and personal household effect
 - c. Sale of fuel, goods and supplies by persons engaged in international shipping or air transport operations
 - d. Importation by persons who are not vat registered
23. If the required documentary stamp is not affixed on a document, one of the following is correct. The document
- a. Will be notarized because the document is still valid
 - b. Will not be admitted as evidence in court because the document is void
 - c. Will not be registered in the proper registry even if the document is valid
 - d. Is still valid and if already notarized should be registered and admitted as evidence in court

24. On January 2, 2009, A died, survived by his wife B, whom he married 10 years ago, his 2 legitimate children by a former marriage and his 2 legitimate children with wife B. The eldest child was born on January 1, 1990. A's estate which is under administration shows the following on January 2, 2009:

	<u>A</u>	<u>B</u>	<u>Total</u>
A. Property owned before the marriage	P2,000,000	P3,000,000	P5,000,000
B. Income of property A – earned during marriage	500,000	750,000	1,250,000
C. Property acquired during marriage - gratuitous title	1,900,000	2,200,000	4,100,000
D. Income of property C – earned during marriage	300,000	350,000	650,000
E. Property acquired during marriage - onerous title	4,000,000	2,000,000	6,000,000
F. Income of property E – earned during marriage	800,000	200,000	1,000,000
G. Proceeds of life insurance where the designated Beneficiary is:			
1. His youngest brother – revocable			P1,200,000
2. His mother – irrevocable			800,000

The following occurred in 2009:

- The properties comprising the gross estate of A realized a gross income of 20%
- The expenses chargeable against the income of the estate is 40% of gross income
- Distribution to his 4 children in equal shares:
 - From the income of the estate (P100,000 each) – P400,000
 - from the property of the estate (P25,000 each) – P100,000
- Receipt of proceeds of insurance on property owned before the marriage which were destroyed by fire on March 31, 2009:

<u>Spouses</u>	<u>FMV – March 31, 2009</u>	<u>Insurance Recovery</u>
A	P 2,200,000	P 1,800,000
B	2,800,000	2,500,000

e. Deductions claimed by the estate:

- Funeral expenses (40% was covered by a memorial plan) P 250,000
- Unpaid mortgage on property acquired during marriage by onerous title:
 - By A (The property is used as family home) 800,000
 - By B (The property is used as rest house) 200,000
- Claims against the estate 100,000
- The property acquired during marriage - by gratuitous title were acquired thru inheritance:

	<u>FMV, time of inheritance</u>
a. By A (4 ½ years ago)	P 1,800,000
b. By B (3 ½ years ago)	2,400,000

The gross estate of A is

- a. P15,450,000 b. P16,650,000 c. P15,100,000 d. P16,750,000

25. The vanishing deduction is

- a. P 317,015 b. P316,756 c. P331,891 d. P332,059

26. The net taxable estate is

- a. P7,408,253 b. P7,357,985 c. P7,307,985 d. P7,323,029

27. C, vat-registered person, imported machines to be used in the Philippines as follows:

<u>Machines</u>	<u>Purchase Price</u>	<u>Purpose</u>
1	P100,000	Personal use
2	200,000	Business use
3	300,000	For sale

The importations were subjected to 50% excise tax based on purchase price. Machine 3 was sold for P1,000,000 (net of vat). How much is the vat paid on importation?

- a. P108,000 b. P90,000 c. P54,000 d. P36,000

28. Using the above data, the vat payable is

- a. P12,000 b. P30,000 c. P106,000 d. P84,000

29. S, a Filipino decedent, owns a property valued at P2,000,000 at the time of his death. The said property was sold during his lifetime to V for P1,300,000 when its real value was P1,700,000. It was agreed by both parties that the delivery and payment will take place after S's death. For purposes of Philippine estate tax, the amount to be included in the gross estate would be

- a. P2,000,000 b. P1,700,00 c. P700,000 d. P400,000

30. A, a VAT registered taxpayer made the following acquisition of capital goods from VAT registered suppliers (net of vat) during the quarter;

Date	Cost	Estimated Life
July 2	P1,500,000	8 years
10	500,000	2 years
August 5	400,000	3 years
20	500,000	4 years
September 10	500,000	4 years
15	600,000	6 years

The July 2 acquisition was retired in September. The input tax for July is

- a. P4,275 b. P5,500 c. P63,000 d. P240,000

31. Using the above data, the input tax for August is

- a. P2,583 b. P8,083 c. P108,000 d. P113,500

32. Using the data in number 30, the input tax for September is

- a. P2,450 b. P132,000 c. P178,950 d. P231,450

33. Tax credit for foreign tax paid is allowed on

- a. Donor's tax paid by a non-resident foreign corporation
b. Estate tax paid by a non-resident citizen
c. Estate tax paid by a non-resident alien
d. Donor's tax paid by a non-resident alien

34. Which of the following is correct?

Decedent	Gross Estate	Notice of Death	File Estate Tax Return	Needs CPA Certificate
a. Atoy	Car - P150,000	Yes	No	No
b. Boy	Jewelry - P180,000	Yes	Yes	No
c. Coy	Shares of stock (SMC) - P170,000	Yes	Yes	No
d. Doy	Agricultural land (Bulacan) - P1M	Yes	Yes	Yes

35. One of the following is not correct

- a. The estate must be valued at the time of death of the decedent
b. Real estate situated in foreign countries will be included in the gross estate of a resident alien decedent
c. The Commissioner shall have the authority to grant, in meritorious cases, a reasonable extension not exceeding 6 months for filing the estate tax return
d. Vanishing deduction is subject to limitation

36. One of the following is not within the powers of the Commissioner of Internal Revenue

- a. Compromise the payment of internal revenue tax on the ground of taxpayer's financial incapacity
b. Compromise the payment of internal revenue tax on the ground that there is reasonable doubt as to the validity of the assessment
c. Compromise criminal violation if already filed in court and those involving fraud
d. Abate or cancel a tax liability on the ground that the cost of collection is greater than that of the tax to be collected

37. The export sale of a vat registered enterprise is

- a. Exempt from the vat
b. Subject to the 0% vat
c. Subject to the 12% vat
d. Subject to percentage tax

38. On April 15, 2008, A filed his income tax return for his 2007 income and paid the tax due thereon. In 2009, A discovered that he made an overpayment in his income tax return. He filed a written claim for refund of tax erroneously collected with the CIR on October 1, 2009. On April 14, 2010, without receiving a decision on his claim for refund, A filed in the CTA a petition for review on his claim for refund of tax erroneously collected. Which of the following is correct?

- a. The CTA did not acquire jurisdiction over the petition for review because the appeal is premature, there being no decision yet on said claim for refund
- b. The CTA's jurisdiction is to review by appeal decisions of the BIR Commissioner so if there is no decision, there is nothing to review
- c. The CTA acquired jurisdiction over the petition since it is the right of a taxpayer to go to the CTA with or without decision rendered by the BIR Commissioner
- d. The CTA acquired jurisdiction over the petition as the peremptory period of 2 years within which a claim for refund is about to expire and the failure of the CIR to act on the claim is tantamount to denial of the claim

39. Donor's tax is a (an)

- a. Progressive tax
- b. Proportional tax
- c. Property tax
- d. Excise tax

40. Which of the following is a stranger to the donor? If the donee is the

- a. Grandfather of the donor's great grandfather
- b. Granddaughter of the sister of the donor's mother
- c. Grandson of the donor's half-sister
- d. Brother of the donor's grandfather

41. **Statement I** – If the estate is settled extra-judicially, the estate tax return should be filed within 2 years from date of death of decedent

Statement II – If the estate is settled judicially, the estate tax return should be filed within 5 years from death of decedent

Statement III – The value added tax return should be filed within 25 days from the close of the taxable month

Statement IV – The donor's tax return is not required if the net gift does not exceed P100,000

- a. All statements are true
- b. All statements are false
- c. Only two statements are true
- d. Only one statement is true

42. Sales during the year:

Subject to:

12%

0%

Exempt

Who is/are subject to vat?

- a. A, B, C and D
- b. Only D
- c. Only A
- d. None

A	B	C	D
P 750,000	P 800,000	P 700,000	P 800,000
750,000	700,000	800,000	800,000
1,000,000	800,000	700,000	400,000

43. Spouses A and B sold their family home, a capital asset for P5,000,000. It was acquired in 1980 at P2,000,000. The fair market value as determined by the BIR is P6,000,000 but the fair market value as shown in the schedule of values of the City Assessor is P5,500,000. Later, the spouses utilized P4,000,000 for the acquisition of their new family home. The capital gains tax due is

- a. P72,000
- b. P60,000
- c. P 300,000
- d. P360,000

44. Using the above data, the cost basis of the new family home is

- a. P4,000,000
- b. P1,600,000
- c. P1,000,000
- d. P400,000

45. A, a VAT registered person had the following data for April 2009 (vat not included):

- a. Export sale of feeds for animals
 - i. For human consumption P 1,500,000
 - ii. For race horses and fighting cocks 500,000
- b. Domestic sale of feeds for animals
 - i. For human consumption 750,000
 - ii. For race horses and fighting cocks 250,000
- c. Input tax which cannot be directly attributed to any of the above sales 100,000

The output tax for April is

- a. P30,000
- b. P90,000
- c. P60,000
- d. P120,000

46. Using the above data, the vat still due (excess input tax) is

- a. (P45,000) b. (P20,000) c. (P70,000) d. P5,000

47. Which of the following is subject to scheduler donor's tax rate?

- a. A wedding gift given to the granddaughter of the brother of donor's grandmother
b. A wedding gift given two years after the wedding celebration to the great grandson of the donor's granddaughter
c. Anniversary gift given to the brother of the donor's great grandfather
d. A birthday gift given to his mother-in-law

48. Jeanyless Sapoles, a student activist, wants to impugn the validity of a tax on text messages. Aside from claiming that the law adversely affects her since she sends messages by text, what may she allege that would strengthen her claim to the right to file a taxpayer suit?

- a. That she is entitled to the return of the taxes collected from her in case the court nullifies the tax measures
b. That tax money is being extracted and spent in violation of the constitutionally guaranteed right of freedom of communication
c. That she is filing the case in behalf of a substantial number of taxpayers
d. That text messages are an important part of the lives of the people she represents.

49. ABC Corporation did not file its annual income tax return for the calendar year 2014 on its due date, that is April 15, 2015. On May 15, 2015, the corporation advised the BIR that its income tax due for the said year amounts to P1,000,000 but, however, due to its adverse financial condition at the moment, it will be unable to pay the entire amount, inclusive of the delinquency penalties. Hence, on May 15, 2015, it made a partial payment of P400,000. The total amount due as of May 15, 2015 is (ignoring compromise penalty)

- a. P1,266,667 b. P1,160,000 c. P760,000 d. P1,516,667

50. Using the above statement, assuming that the BIR demanded payment of the unpaid balance of its tax obligation payable by June 15, 2015, the amount due on June 15, 2015 is (ignoring compromise penalty)

- a. P881,111 b. P1,027,778 c. P772,667 d. P926,667

51. Using number 50 facts, if the corporation fails to pay the tax due by June 15, 2015, how much will the corporation pay on July 15, 2015

- a. P895,796 b. P1,044,908 c. P785,548 d. P978,711

52. When no notice for audit or investigation of tax return, statement or declaration has been actually served upon the taxpayer, the tax return maybe modified, changed or amended by the taxpayer, from the date of such filing within

- a. 30 days b. 180 days c. 3 years d. 5 years

53. Which of the following statements is not correct?

- a. Compensation income of individuals that do not exceed the statutory minimum wage is exempt from the requirement of withholding tax on compensation
b. Compensation income of individuals that do not exceed ten thousand pesos per month is exempt from the requirement of withholding tax on compensation
c. Holiday pay, overtime pay, night shift differential pay and hazard pay received by individuals shall be exempt from income tax
d. Minimum wage earners who are receiving only the statutory minimum wage are not subject to withholding tax and consequently to income tax

54. A filed his ITR for 2015 on April 15, 2016 and will pay his tax liability in installment. The return shows an income tax due of P100,000 and income tax withheld of P60,000. If A pays the 2nd installment only on October 15, 2016, the amount to be paid (excluding compromise penalty) is

- a. P26,000 b. P35,000 c. P55,000 d. P52,000

55. Which of the following properties owned by a non resident alien decedent is not subject to the rule on reciprocity?

- a. Shares of stock in a Philippine domestic corporation
b. Investment in stock in a US corporation 80% of the business of which is in the Philippines
c. Investment in bonds in a US corporation that have acquired business situs in the Philippines
d. 40% share in a Philippine partnership

56. The government is said to be exempt from taxation. Which of the following is an exemption to this rule?

- a. A contract entered into by the AFP and SM where SM furnishes the AFP with combat boots
- b. A government employee buying 30 printers for office use
- c. A contractor for the government claiming exemption from contractor's tax
- d. DSWD claiming tax exemption on goods donated by the LGU of Albay

57. Mr. Bagongbahay acquired his old principal residence in 1990 at a cost of P4M. He sold the said property on January 1, 2010 for P16M, although the FMV on that date was P20M. Within the reglementary period, Bagongbahay acquired his new principal residence for P12M. Which of the following is incorrect?

- a. Bagongbahay has to pay capital gains tax of P300,000
- b. The cost basis for the new principal residence is P3.2M
- c. The utilized amount of the gross selling price is P12M
- d. If the proceeds were not used to buy a new principal residence, the capital gains tax should have been P1.2M

58. A sold a personal property held as capital asset he acquired 9 years ago with an acquisition cost of P150,000 for P270,000. The payment shall be made in the following terms. Cash down payment of P40,000 and additional P10,000 at the end of the year of sale. The property sold has been mortgaged for P160,000 which is assumed by the buyer. The buyer issued a note payable for the balance which is to be paid equally in two years following the year of sale. The contract price is

- a. P270,000
- b. P110,000
- c. P120,000
- d. P130,000

59. Which of the following is subject to VAT?

- a. Sale of residential lot valued at P2,000,000
- b. Sale of residential house and lot valued at P3,000,000
- c. Lease of residential units with a monthly rental per unit of P10,000 where the aggregate rentals received during the year was P2,500,000
- d. Lease of residential units with a monthly rental per unit of P14,000 where the aggregate rentals received during the year is P1,800,000

60. A person cannot be allowed to deduct

- a. Bad debts which have been ascertained to be worthless as it is very difficult to collect and the debtor has no more leviable properties
- b. Interest expense incurred during the taxable year
- c. Business expenses sustained in a transaction between related parties
- d. Losses incurred not compensated for by insurance.

61. ABC Corporation has the following sales during the month:

- a. Sale to private entities subject to 12% vat
- b. Sale to private entities subject to 0% vat
- c. Sale to the government subjected to 5% final withholding vat
- d. Sale of goods exempt from vat

P 1,000,000
1,000,000
1,000,000
1,000,000

The following input taxes were passed on by its vat suppliers:

- i. On taxable goods (12%)
- ii. On zero rated sales
- iii. On sale to the government
- iv. On sale of exempt goods
- v. On depreciable capital goods not attributable to any specific activity (monthly amortization)

50,000
30,000
40,000
20,000

200,000

The unrecoverable input vat which maybe recognized as cost or expense

- a. P70,000
- b. P160,000
- c. P20,000
- d. P90,000

62. Using the above data, the input vat which maybe refunded

- a. P30,000
- b. P50,000
- c. P80,000
- d. P60,000

63. The total creditable input vat

- a. P100,000
- b. P180,000
- c. P250,000
- d. P170,000

64. Which of the following is taxable on income from within and without the Philippines?
- a. Justin Bigger, a Canadian citizen, who stayed in the Philippines for 181 days - *resident alien*
 - b. Taylor Sweep, an American citizen, married to Dan Lloyd Cruz, a resident citizen. She had been living in Manila since 1999 - *non resident alien*
 - c. Dan Delacru, a native of Milan, Italy, now a naturalized Filipino citizen and living in Quezon City since 2000
 - d. Dingdan Dantes, a Filipino citizen born in Sampaloc Manila but working as overseas contract worker in Malaga, Spain

65. Which of the following is taxable only on estate from within the Philippines? *Wich + future*
- a. Manny Pasyal, a Filipino overseas contract worker residing in Saudi Arabia
 - b. Antonio Barreta, a Mexican, married to a Filipina and living in Puerto Rico since 2005
 - c. Yao Ming Soo, a Taiwanese, now a naturalized Filipino citizen and living in Japan since 2002
 - d. Oscar dela Hoy, an Italian professional boxer residing in the Philippines

66. **Statement 1** – Born of a poor family in 1963, A worked his way through college. After working for 20 years, A decided to retire in 2011 and avail of the benefits under a very reasonable retirement plan maintained by his employer for those who have rendered continuous service for at least 20 years. A received P1M as retirement benefits.

Statement 2 – Mrs. B, wife of a deceased employee received financial benefits voluntarily voted upon by the Board of Directors of the employer company in recognition of her husband's long, loyal and dedicated service and primarily to help her meet financial needs.

- a. Both statements are subject to income tax
- b. Both statements are exempt from income tax
- c. Only Statement 1 is taxable income
- d. Only Statement 2 is taxable income

67. This is not a purpose of taxation

- a. To expropriate property for the promotion of the general welfare
- b. To reduce inequalities of wealth
- c. As protective tariff on imported goods to protect local producers against foreign competition
- d. To encourage the growth of home industries through the proper use of tax incentives

68. During 2010, the total net amount paid for the salaries and wages amounted to P9,000,000 after effecting the following deductions for employees:

SSS premiums contributions	P 420,000
Philhealth premiums contributions	100,000
Pag-ibig premiums contributions	180,000
Creditable withholding tax	300,000

In addition, the corporation provided its vice-president for operations P340,000 cash as fringe benefit. The allowable deduction for salaries and benefits is

- a. P9,340,000
- b. P10,500,000
- c. P10,340,000
- d. P 10,000,000

69. ABC, a domestic corporation had a net income from business operations of P200,000 before considering a capital gain of P1,000,000 on a sale of land to the National Government of the Philippines (selling price of P6M, FMV is P7M and cost of P5M). Using the best alternative available to minimize taxes, how much is the total tax liability for the year 2010?

- a. P420,000
- b. P360,000
- c. P480,000
- d. P120,000

70. On capital gains tax on real property, which of the following statements is not correct?

- a. The tax should be paid, if in one lump sum, within 30 days from the date of the sale
- b. The installment payment of the tax should be made within 30 days from receipt of each installment payment on the selling price
- c. The tax maybe paid in installment if the down payment does not exceed 25% of the selling price
- d. The initial payment maybe more than down payment

The End!