

**ReSA****Review School of Accountancy**

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**TAXATION****Final Pre-Board Examination****April 15, 2018 (Sunday)****8:00 AM to 11:00 A.M.****MULTIPLE CHOICE**

**INSTRUCTIONS:** Select the correct answer for each of the following questions. Mark only one answer for each item by shading the box corresponding to the letter of your choice on the sheet provided. **STRICTLY NO ERASURES ARE ALLOWED.** Use pencil no. 2 only.

1. The power to impose a tax, fee, or charge or to generate revenue under this Code shall be exercised by the:
- ☒ a. Sanggunian of the local government unit concerned through an appropriate ordinance.
  - b. Provincial Governor of the local government unit concerned through an appropriate executive order.
  - c. Provincial Assessor of the local government unit concerned through an appropriate issuance.
  - d. Provincial Engineer of the local government unit concerned through an appropriate plan.
2. Which of the following taxes shall not be imposed on sale real property classified as capital asset in the Philippines?
- a. Capital gains tax
  - b. Documentary stamp tax
  - c. Tax on Transfer of Real Property Ownership
  - ☒ d. Value-Added Tax
3. Unless otherwise provided in the Local Government Code, all local taxes, fees, and charges shall be paid within:
- ☒ a. the first twenty (20) days of January or of each subsequent quarter, as the case may be.
  - b. the first twenty (20) days of January only.
  - c. the first fifteen (15) days of January or of each subsequent quarter, as the case may be.
  - d. the first ten (10) days of January or of each subsequent quarter, as the case may be.
4. A senior citizen transferred property *inter vivos* valued at P500,000 to his child who is getting married. For Philippine tax purposes:
- a. he will be exempt from donor's tax.
  - ☒ b. he will be subject donor's tax.
  - c. he will be subject to income tax
  - d. he will be exempt from all taxes.
5. The 20% discount on sales of goods and services to senior citizens and PWDs shall be:
- a. Deducted from gross sales for income tax purposes.
  - ☒ b. Deducted from gross income for income tax purposes.
  - c. Shall be claimed as input tax credit for VAT purposes.
  - d. Shall either deducted from gross sales for income tax purposes or claimed as input tax for VAT purposes.
6. The Income Tax Holiday (ITH) of newly registered pioneer firms shall be:
- ☒ a. six (6) years from commercial operations.
  - b. four (4) years from commercial operations.
  - c. three (3) years from commercial operations.
  - d. two (2) Six (6) years from commercial operations.
7. Subject to the Regulations to be issued by the Secretary of Finance, upon the recommendation of the Commissioner of the Bureau of Internal Revenue, the 5% special income tax on gross income earned, in lieu of all taxes (except real property tax on land owned by developer), pursuant to Section 24 of R.A. No. 7916, as amended, shall be directly paid and remitted by registered ECOZONE enterprises as follows:
38. To the national government





15. As a general rule, campaign contributions to candidates or political parties are:

- a. not included in the taxable income of the candidates.
- b. included in the taxable income of the candidates.
- c. subject to donor's tax.
- ☒ d. either subject to income tax or donor's tax.

16. An individual citizen of the Philippines who is working and deriving income from abroad as an overseas contract worker (OCW) is considered as a nonresident citizen and taxable on:

- a. all income derived from sources within and without the Philippines.
- ☒ b. all income derived from all sources within the Philippines.
- c. all income derived from all sources outside the Philippines.
- d. neither income within nor income without the Philippines.

17. If a BOI-registered enterprise has a "registered" and an "unregistered" activity, the Minimum Corporate Income Tax (MCIT) shall apply to:

- a. both registered and unregistered activities.
- b. registered activity only.
- ☒ c. unregistered activity only
- d. neither registered nor unregistered activity.

18. A domestic corporation has the following data for three (3) years:

Year	Normal income tax	Minimum corporate income tax
2016	P 75,000 ✓	P 50,000
2017	P 60,000	P100,000 ✓
2018	P100,000 ✓	P 60,000

How much is the amount of tax payable for the year 2018:

(491) 2018 MCIT  
100,000

- a. P100,000
- ☒ b. P60,000
- c. P45,000
- d. P35,000

19. Emirates Airlines, an international air carrier, lifted passengers, excess baggage, cargo and/or mail from Manila. It had a stopover in Dubai. The passengers were transferred to another plane belonging to Etihad which brought the passengers to Rome. In computing the Gross Philippine billings, it:

- I - shall include the gross of revenue on its flight from Manila to Rome. ✓
- II - shall include the gross of revenue on its flight from Manila to Dubai.

- ☒ a. Only I is correct
- b. Only II is correct
- c. Both I and II are correct.
- d. Either I or II is correct.

20. International carriers that do not have flight to and from the Philippines but nonetheless earn income from other activities in the country:

- a. will be subject to 2 % special rate.
- ☒ b. will be subject to 30% regular rate.
- c. will be subject to both 2 % special rate and 30% regular rate.
- d. will not be subject to Philippine income tax.

21. A non-stock, non-profit organization that enjoys exemption from income tax is required:

- ☒ a. to file an annual information return under oath on or before April 15.
- b. to file quarterly and annual return just like any other corporations.
- c. not to file any return whatsoever.
- d. to file annual return only.

22. In which of the following cases shall the monetary value be the entire value of the benefit?

- ☒ I - If the employer purchases a residential property and transfers ownership of the said property in the name of the employee

II - If the employer purchases a residential property and transfers ownership of the said property to his employee for the latter's residential use, at a price greater than the employer's acquisition cost

- ☒ a. Both I and II
- b. I only
- c. Neither I nor II
- d. II only

23. Interest income from long-term deposit or investment certificate shall be subject to final withholding income tax if received by:

- ☒ a. Resident citizen.
- b. Resident alien.
- c. Resident foreign corporation.
- d. Non-resident foreign corporation.





31. On October 15, 2016, Gemma "Baby" Cruz invested P300,000 in Samson Corporation common shares. The following year, on July 15, 2017, Samson Corporation common shares became worthless. How much was the capital loss to be recognized by Gemma "Baby" Cruz?
- a. P300,000  
b. P150,000  
c. P75,000  
d. None of the choices
32. Which of the following statements is incorrect?
- a. For income tax purposes, the accounting period of a taxpayer is a period of 12 months.  
b. Calendar year is a period of 12 months starting from January 1 and ending on December 31.  
c. Fiscal year is a period of 12 months ending on the last day of any month other than December.  
d. A taxpayer may not have a taxable period of less than 12 months.
33. The accrual of income and expense is permitted when the all-events test has been met. The all-events test requires:
- I - fixing of a right to income or liability to pay  
II - the availability of the reasonable accurate determination of such income or liability
- a. Only I is correct  
b. Only II is correct  
c. Both I and II are correct  
d. Neither I nor II is correct
34. The following individuals shall not be required to file an income tax return except:
- a. An individual whose gross income does not exceed his total personal and additional exemptions for dependents  
b. A minimum wage earner (MWE) or an individual who is exempt from income tax pursuant to the provisions of the Tax Code  
c. A marginal income earner the gross sales or gross receipts of whom do not exceed P100,000 during any 12-month period.  
d. An individual earning purely compensation income but who is concurrently employed by two or more employers at any time during the taxable year.
35. LYZA sold her residential land in Isabela for P5,000,000 (FMV was P6,000,000). The proceeds were used to build a principal residence in Manila. She informed the BIR within 30 days from the date of sale that she intended to use the proceeds to build a new principal residence. What was the tax consequence of the sale?
- a. Lyza would be exempt from capital gains tax.  
b. Lyza should pay a capital gains tax of P300,000.  
c. Lyza should pay a capital gains tax of P360,000.  
d. Lyza should deposit in escrow the amount of P300,000.
36. In 2017, Christian Macariola, a self-employed resident citizen, paid the following national and local taxes:
- |   |            |
|---|------------|
| Philippine income tax for 2017                | P1,000,000 |
| Surcharge for late payment of 2016 income tax | 125,000    |
| Interest for late payment of 2016 income tax  | 100,000    |
| Professional tax                              | 300        |
| Gravel and sand tax                           | 20,000     |
| U.S.A income tax for 2017                     | 500,000    |
| Real property tax on his house                | 3,000      |
| Road user's tax on his delivery vans          | 50,000     |
| Local annual fixed tax for his delivery vans  | 10,000     |
- If Christian Macariola had signified in his return to claim foreign income tax paid as tax credit, how much deduction for taxes may he claim on his 2017 income?
- a. P1,583,300  
b. P 583,300  
c. P580,300  
d. P 80,300
37. The transfer for insufficient consideration falls under any of the following except which one?
- a. Transfer in contemplation of death  
b. Revocable transfer  
c. Transfer of property passing a general power of appointment  
d. Transfer with retention or reservation of certain rights
38. Mr. Tongpaki Tongkitong, a Thai citizen, met an accident and died while visiting the Philippines. Which among the following properties are to be excluded from his gross estate for Philippine tax purposes?
- a. His house and lot in Thailand  
b. A condominium unit in California, USA  
c. Accident insurance issued by a Philippine insurance company payable to his wife  
d. All the choices





49. The taxpayer seasonably filed his request for reinvestigation together with all the supporting documents. It is already July 31, 2011, or 180 days from submission of the protest but the BIR Commissioner has not yet decided his protest. Desirous of an early resolution of his protested assessment, the taxpayer should file his appeal to the Court of Tax Appeals not later than
- August 31, 2011.
  - August 30, 2011.
  - August 15, 2011.
  - August 1, 2011.
50. As a general rule, within what period must a taxpayer elevate to the Court of Tax Appeals a denial of his application for refund of income tax overpayment?
- Within 30 days from receipt of the Commissioner's denial of his application for refund.
  - Within 30 days from receipt of the denial which must not exceed 2 years from payment of income tax.
  - Within 2 years from payment of the income taxes sought to be refunded.
  - Within 30 days from receipt of the denial or within two years from payment
51. Mr. Tony Dee created a trust in favor of his son, Tony II. He appointed Atty. Mars Bona as a trustee. Mr. Conrad Oh also created a trust in favor of his mother, Connie. Mr. Oh appointed Mr. Ging Aye as trustee. Atty. Mars Bona sold his business car to Mr. Ging Aye at a loss. Can Atty. Bona deduct the loss from the sale of the car?
- No, because both Atty. Bona and Mr. Aye were both fiduciaries of trusts.
  - Yes, because Atty. Bona and Mr. Aye are fiduciaries not of the same grantor.
  - No, because Atty. Bona does not have a capital gain.
  - Yes, because losses as a rule are always deductible.
52. This refers to the control number issued by the EPFS to acknowledge that a tax return, including attachments, has been successfully filed electronically. This shall serve as evidence of filing and the date of filing of the return.
- Filing Reference Number
  - Confirmation Number
  - Acknowledgment Number
  - Taxpayer's Information Number
53. A taxpayer is complaining of harassment because the BIR pursues both summary and judicial proceedings simultaneously. Is his complaint valid?
- Yes. Because the BIR can only pursue summary proceedings after judicial proceedings are finally resolved.
  - Yes. Because the BIR can only pursue judicial proceedings after summary proceedings are finally resolved.
  - No. Because either of the summary or judicial proceedings or both simultaneously may be pursued in the discretion of the authorities charged with the collection of such taxes.
  - No. Because the BIR is presumed to have acted in good faith when it pursues both summary and judicial proceedings.
54. Which of the following is not a local tax?
- Business tax
  - Community tax
  - Fees for sealing and licensing of weights
  - Excise tax on cigar and cigarettes
55. This pertains to impositions which are incidental to the exercise by the local government units of their power to regulate.
- Fees
  - Charges
  - Taxes
  - None of the choices
- 56 and 58 are based on the following: In 2016, Ian Caiga, CPA, is a widower who supports the following dependents living with him:
- Andrea - Mother of deceased wife, 65 years old, unemployed;
  - Beatriz - Legitimate child of deceased wife with her first husband, 20 years old;
  - Czarina - Legitimate child, 18 years old;
  - Dianne - Legitimate new born child;
  - Efren - Brother, 24 years old, physically disabled, gainfully employed;
  - Faith - niece, 2 years old with hearing disability, illegitimate daughter of his deceased sister;
  - Grace - Sister, 26 years old, widow, with speech impairment, unemployed;
  - Heleen - Legitimate daughter of his widowed sister, 3 years old;
  - Isaiah - Foster child, 5 years old.





