

Taxation

INSTRUCTIONS: Select the best answer for each of the following questions. Mark only one answer for each item on the answer sheet provided. Strictly NO ERASURES ALLOWED. Erasures will render your examination answer sheet INVALID. Use PENCIL NO. 2 only. GOODLUCK! ☺

1. Statement 1: Amounts received by reason of involuntary separation remain exempt from income tax even if the official or employee at the time of separation has rendered less than ten (10) years of service and/or below fifty (50) years of age. ☒ Statement 2: Any amount received by an official or employee or by his heirs from the employer due to death, sickness or other physical disability or for any cause beyond the control of the said official or employee, such as retrenchment, redundancy, or cessation of business are exempt from income tax. ☒
 - a. Both statements are correct
 - b. Both statements are not correct
 - c. Only the first statement is correct
 - d. Only the second statement is correct ☒
2. To be allowed as a valid deduction, charitable and other contribution must not exceed:
 - a. 5% of taxable income after charitable contribution, in case of individuals ☒
 - b. 10% of taxable income after charitable contribution, in case of individuals
 - c. 5% of taxable income before charitable contribution, in case of individuals.
 - d. 10% of taxable income before charitable contribution, in case of individuals.

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3. Which of the following statements regarding discounts allowed to PWDs is incorrect?
 - a. In case the seller provides promotional discounts, the PWD will have the option to choose either the promotional discount or the PWD discount.
 - b. Only the PWD discount is exempted from vat.
 - c. In cases where the PWD is also a senior citizen (SC), the PWD shall also be entitled to SC discount in order to maximize the discounts granted under Magna Carta for PWDs and SCs.
 - d. None of the above. ☒
4. DMCI is a non-vat registered real estate dealer and lessor. If its monthly rental of residential units in 2017 taxable year exceeds P12,800 per unit, the same shall be subject to 12% vat
 - a. True, regardless of the amount of annual gross receipts. ☒
 - b. True, only if the total annual gross receipts from rentals exceed P1,919,500.
 - c. True, only if the total annual gross receipts from rentals and other operations exceed P1,919,500.
 - d. False, DMCI is a non-vat registered entity.

Use the following data for the next three (3) questions:

1) Sugar Inc. is a vat-registered trader of sugar. It has the following data for the 1st quarter of the current taxable year:

Sales:

Local sales of refined sugar to private entities	P 3,000,000
Local sales of refined sugar to Government	1,000,000
Export sales of refined sugar	1,000,000
Local sales of muscovado	1,000,000

Purchases common to all activities:

Purchases of sugar cane ^{sugar} from ^{from} vat exempt ^{vat exempt} supp. ^{supp.}	3,000,000
Purchases packaging materials from VAT suppliers	500,000
Purchases of capital goods, useful life is 6 years	1,500,000

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5. Determine the correct amount of the following:

	Final Vat	Refundable Vat	Vat Payable
a.	P20,000	P10,000	P250,000
b.	P70,000	P57,500	320,000
c.	P50,000	P40,000	P200,000
d.	P0	P40,000	P350,000

6. One of your new clients for the current taxable year is engaged in selling roasted chicken and canned fish. Gross sales during the year amounted to P1,480,000 and P1,950,000, respectively. How much is the correct business tax due based on the above data?

- a. P0
b. P58,400
c. P234,000
d. P411,600

7. Tubigan ni Juan Inc. is authorized to engaged in the business of a water utility pursuant to a franchise duly issued by the Government. Its gross receipts of the preceding year exceeded the 10 million pesos' threshold. What business tax will apply to Tubigan ni Juan Inc. in the present year?

- a. Value-added tax
b. Percentage tax
c. Value-added tax or percentage tax at the option of Tubigan ni Juan Inc.
d. Value-added tax or percentage tax at the option of the Bureau of Internal Revenue (BIR)

Use the following data for the next two (2) questions:

Mabuhay Services Corporation (MSC) provides 20% discount to senior citizens. It recorded the following during the year:

	Customers		
	Regular	Senior Citizen	Total
Receipts	P8,000,000	P1,000,000	P9,000,000
Cost of services			5,000,000
Other deductible expenses			2,000,000

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8. The amount of gross receipts to be reported is
a. P1,000,000
b. P1,250,000
c. P9,000,000
d. P9,250,000
9. The regular and special itemized deductions deductible from gross income of MSC is:
a. P2,000,000
b. P2,250,000
c. P5,250,000
d. P7,000,000

10. Manny Pacquiao fought Floyd Mayweather Jr. in Legazpi City, Philippines for the vacant World Boxing Council Welterweight Title. The showdown was titled Lindol sa Bicol wherein Manny sent Floyd to the canvass on the 12th round, the latter's first defeat in his entire career. The fight was promoted by Top Rank Promotions, 60% owned by Bob Arum and other americans, while the remaining 40% is owned by Manny Pacquiao. The event generated the following staggering revenues:

Admission Fees	10,000,000
Pay per view	100,000,000

How much percentage tax is due on the above revenues?

- a. P0
b. P1,000,000
c. P10,000,000
d. P11,000,000

11. Josart is a professional entertainer who frequents town fiestas throughout the Philippines as his usual gig. His annual gross receipts for 2017 taxable year never exceeded P1,919,500. He is liable to pay the following taxes:

1. Income Tax
2. 3% Other percentage Tax
3. 12% VAT
a. 1 only?
b. 1 and 2
c. 1 and 3
d. 1, 2 and 3

12. Which of the following is not a remedy against double taxation?

- a. Estate tax credit
- b. Vanishing deduction
- c. Transfer for public use
- d. All of the above

13. Juan died with the following properties and obligations:
Land, inherited from his father fifteen (15) P1,500,000
months ago

Personal Properties	200,000
Apartment building	280,000
Unpaid mortgage on building	50,000
Unpaid mortgage on land	100,000
Claims against insolvent person	20,000

How much is the total vanishing deductions?

- a. P1,000,000
- b. P998,000
- c. P1,096,970
- d. P1,098,000

14. Taxable gift includes

- I. Debt by husband from wife before their marriage condoned on account of marriage.
- II. Transfer for insufficient consideration constituting bonafide sale.

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

15. Which of the following transfer would free the giver from paying gift tax?

- I. Transfer of property in trust.
- II. Donation to a minor.
- III. Donating house and lot in the form of a wedding gift to an adopted child.

- a. I only
- b. I and II only
- c. All of the above
- d. None of the above

16. One of the properties left by a decedent was gutted by fire during the settlement of the estate. The executor decided to claim the losses in computing income tax of the estate. One of the heirs objected to the executor since even before deducting the said losses, the taxable income of the estate is already zero. However, the executor stood his ground and insisted on claiming the losses as deduction in computing income tax. Which of the following statements is correct?
- a. The losses can no longer be deducted in computing the estate tax.
 - b. The losses can still be claimed as deduction in computing the estate tax since there is no prohibition against it under the tax laws, rules and regulations.
 - c. The losses can still be claimed as deduction in computing the estate tax since there was no tax benefit resulted in the deduction in the computation of income tax.
 - d. The losses cannot be claimed as deduction both in the computation of estate tax and income tax since it occurred during the settlement of the estate.

17. Orland, married resident citizen, died on August 20, 2014. The estate reported the following assets and deductions:

Conjugal Properties:

Fishpond, Bulacan	P1,500,000
Family Home, Makati	1,500,000
Cash in bank	900,000

Exclusive Properties of Orland:

Land, inherited from his father who died on July 20, 2010. The value of land at the time of inheritance was P210,000. The land was mortgaged for P30,000 which was unpaid at the time of death of his father, P10,000 of which was paid by Orland before he died.	P400,000
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Land, donated on February 14, 2011 by his mother who died on November 2, 2012. The value of the land when donated was P500,000 while upon death of his mother was P400,000.

600,000

Exclusive Properties of Wife:

Farm in Laguna, acquired before marriage

2,000,000

Deductions claimed:

Funeral expenses

250,000

Fire loss of apartment (occurred 4 months after death)

80,000

Bad debts (represents unpaid receivable from Bert, an insolvent)

100,000

Mortgage on inherited land

30,000

Vanishing deduction on inherited land

40,000

Vanishing deduction on donated land

20,000

Standard deduction

2,000,000

The net taxable estate of Orland is:

a. P819,200

c. P829,200

b. P804,200

d. P579,200

18. In 2017, Jaime (resident citizen) is employed by an offshore banking unit holding managerial position. His compensation income is subject to a preferential tax rate of 15%. Assume that Jaime likewise earned interest income from a depository bank under the Expanded Foreign Currency Deposit System in the Philippines, the applicable tax on such income shall be:

a. 7.5% FWT

c. basic tax

b. 20% FWT

d. exempt

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19. Statement 1: Fringe benefit tax is imposed on the employer. Statement 2: The employer is the one liable for the payment of fringe benefit tax.

- a. Both statements are correct
- b. Both statements are not correct
- c. Only the first statement is correct
- d. Only the second statement is correct

20. For BMBE purposes, the Certificate of Authority shall be effective for a period of _____ and renewable for the same period. The concerned officer shall indicate in the certificate the date when the registration of the BMBE commences

- a. 1 year
- b. 2 years
- c. 3 years
- d. 4 years

21. Receipt of the following by a minimum wage earner does not have an effect on the latter's exemption from income tax, except:

- a. Holiday pay
- b. Hazard pay
- c. Night-shift differential pay
- d. Fixed transportation allowance of 600/day

22. Cabarles Corporation declared and distributed to its stockholders shares of Soliman Corporation. One of its stockholders, Brianne, who is a Filipino, received 100 shares of Soliman Corporation as dividends. At the date of dividend declaration, the fair market value of shares of Soliman Corporation was P120 per share and by the time Brianne received the dividend, the fair market value per share was P180. Which of the following is correct? The dividend is...

- a. A stock dividend, hence, exempt from income taxation
- b. A property dividend, hence, taxable subject to the graduated tax rate.

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- c. A property dividend, hence, taxable and subject to the final tax rate of 10%.
 d. A property dividend, hence, taxable and subject to the final tax rate of 20%.
23. Which of the following is not correct? The optional gross income tax...
- Is optional to a qualified corporation.
 - Is available if the ratio of cost of sales to gross sales or receipts from all sources do not exceed 55%.
 - Shall be irrevocable for three consecutive taxable years that the corporation is qualified under the scheme.
 - Is compared with the normal income tax and minimum corporate income tax.
24. Statement 1: Gain on sale of all kinds of capital assets are subject to the final tax on capital gains. ✓
 Statement 2: Gain from sale of real property classified as capital asset and located in Miami, Florida is not subject to the final tax on capital gain. ✓
- Both statements are correct
 - Both statements are not correct
 - Only the first statement is correct
 - Only the second statement is correct ✓
25. H Hospital is a 100-bed hospital organized for patients. However, out of 100-bed capacity, 40-beds are allotted for paying patients, while the rest are intended for charity patients. The revenues generated from these paying patients, however, are being used to improve the facilities of the hospital. Which of the following statement is correct?
- H Hospital can claim exemption from real property tax. As a general principle, a charitable institution does not lose its character as such and its exemption from taxes simply because it derives income from paying patients,

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- whether out-patient, or confined in the hospital, or receives subsidies from the government, so long as the money received is devoted or used altogether to the charitable object which it is intended to achieve; and no money inures to the private benefit of the persons managing or operating the institution. ✓
- II. H Hospital is subject to 10% on its net income, subject to compliance with the "predominance test". ✗
- I only
 - II only
 - I and II
 - Neither I nor II
26. Saint Mary's University (SMU) is a non-stock, non-profit educational institution registered with Securities and Exchange Commission (SEC) as a corporation. For the year ended December 31, 2015, it reported rental income amounting to P150M from various tenants leasing portions of the said corporation. The Bureau of Internal Revenue (BIR) assessed SMU P45M deficiency income tax for rental income earned. Is the action of the BIR proper?
- No, because a proprietary educational institution shall be subject only to 10% preferential corporate income tax.
 - No, because all revenues of non-stock, non-profit educational institution shall be exempt from taxes and duties as long as they are used actually, directly and exclusively for educational purposes.
 - Yes, because leasing of property is not actually, directly and exclusively related to educational purposes. ✓
 - Yes, because taxes are the lifeblood of the government and tax exemptions are construed strictly against the taxpayer and liberally in favor of the government.

27. Lessor, had the following information for the given taxable year.

Cost of leasehold improvement	P1,000,000
Annual rent	100,000

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The estimated life of leasehold improvement is 50 years. The term of the lease is 40 years. At the end of the twentieth (20th) year, the lease was terminated for valid causes done by the lessee.

What is the income to be reported by the lessor at the end of the 20th year?

- a. P100,000
- b. P125,000
- c. P605,000
- d. P700,000

28. How much is the allowable deduction of lessee on the 20th year?

- a. P600,000
- b. P625,000
- c. P100,000
- d. P500,000

Use the following data for the next two (2) questions:

Mike Lee sold a painting (capital asset) which he purchased in 2012 at a cost of P300,000. He sold the painting to JJ on the following terms:

June 1, 2016 down payment	P100,000
August 1, 2016 installment due	100,000
October 1, 2016 installment due	200,000
October 1, 2017 installment due	400,000
October 1, 2017 installment due	400,000

29. For the year 2016, Mike will report a gross income of:

- a. P900,000
- b. P450,000
- c. P300,000
- d. P150,000

30. Using the same data in the preceding number, assuming Mike is a dealer of paintings, how much will he report as gross income for 2016?

- a. P150,000
- b. P300,000
- c. P450,000
- d. P900,000

Use the following data for the next two (2) questions:

Garcia, Ramos, Toribio and Co., CPAs (GRT & Co.), are partners of an accounting firm. The 2017 financial records of the firm disclosed the following:

Service Revenue	P6,000,000
Cost of Services	2,800,000
Operating expenses	800,000
Interest income from bank deposit	200,000
Interest income from from FCDS deposit	125,000

Garcia is also engaged in a separate business of his own with the following data for the year:

Sales	P2,500,000
Cost of Sales	1,250,000
Operating expenses	550,000

31. Determine the correct amount of the following:

	GPP's Distributable Income	Garcia's taxable income
a.	P2,675,625	P1,450,000
b.	P2,675,625	P1,541,875
c.	P2,725,000	P1,500,000
d.	P2,725,000	P1,608,333

32. Determine the correct amount of the following assuming the GPP opted to use OSD in computing its net income:

	GPP's Distributable Income	Garcia's taxable income
a.	P2,231,875	P2,140,000
b.	P2,195,625	P2,090,000
c.	P2,675,625	P1,500,000
d.	P2,195,625	P1,340,000

33. The Improperly Accumulated Earnings Tax shall apply to the following:

	Banks and other financial institutions	Insurance companies	Closely-held corporations	Publicly-held corporations
a.	Yes	Yes	No	Yes
b.	Yes	No	Yes	No
c.	No	No	Yes	Yes
d.	No	No	Yes	Yes

34. Pedro died testate on March 1, 2016, leaving behind 2 minor children and a very beautiful wife. 2 months from his death, the probate court declared Pedro's brother, Juan, as administrator of his estate. By the end of 2016, Pedro's estate earned income necessitating the filing of income tax return and paying the income tax thereon. Find the incorrect statement.

- For the year ending 2016, the estate of Pedro may claim a deduction, as personal exemption amounting to P20,000.
- For the year ending 2016, the estate of Pedro may claim a deduction, as basic personal exemption, amounting to P50,000.
- For the year ending 2017, assuming the estate is not yet fully settled and distributed to the heirs, the estate may claim a deduction of P20,000, as personal exemption.
- For the year ending 2016, the estate of Pedro may claim a deduction, as basic personal exemption and additional exemption, a total amount of P100,000.

35. *Statement 1:* A Partner of a GPP is not required to include in his personal gross income his share in the distributable income of the GPP. ☒

Statement 2: Corporations may form a taxable partnership but not GPP. ☒

- Both statements are correct
- Both statements are not correct
- Only the first statement is correct
- Only the second statement is correct ☒

36. Which of the following is not subject to income tax?
- Moral damages awarded to litigant for mental anguish on account of libelous articles written about him. ☒
 - P5,000 received by a person from a raffle.
 - Excess remittance of dollar from a sister in the United States due to bank's error whereby the originally intended remittance was USD1,000 instead of the remitted USD1,000,000. ?
 - Interest income on P360,000 PCSO lotto winning.

37. On the first quarter of 2015, Real Estate Co. sold a real property which had a cost of P5,200,000 for P10,000,000. The sale resulted to a payment of P2,750,000 and the balance, evidenced by a promissory note for P7,250,000, payable at P5,000,000 on the first quarter of 2016 and P2,500,000 on the first quarter of 2017. The income in 2016 under the deferred payment method of reporting income is:
- P4,800,000
 - P2,400,000 ?
 - P1,320,000
 - P0

38. Maharlika Residences, Inc. is a domestic corporation engaged in real estate business. It has the following data for the *last quarter* of the current taxable year:

<i>Installment Sale of a Townhouse:</i>	
Realized gross profit (GPR is 30%)	P300,000 IM
Gross selling price	4,000,000
Zonal value	5,000,000
<i>Deferred Sale of a Parking Lot:</i>	
Gross selling price	P1,000,000
Fair market value	1,500,000
Rental income	800,000

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Rent receivable, beg.	300,000
Rent receivable, end	100,000
Importation of materials used in the construction	2,625,000

How much is the vat payable?

- a. P285,000
- b. P135,000
- c. P261,000
- d. P111,000

39. On January 1, 2017, the Congress enacted a law increasing the corporate income tax from 30% to 50%. The law provides retroactive effect starting January 1, 2014. The Philippine Chamber of Commerce questions the validity of the law. Is the law constitutional?
- a. No, because the retroactive effect of the law constitutes deprivation of right to property of corporation without due process of law.
 - b. No, because the 40% interest rate is violation of due process of law for being excessive and unreasonable.
 - c. Yes, because the power of taxation is an inherent power of a sovereign State and it is based on the lifeblood doctrine and necessity theory.
 - d. Yes because the power of taxation is essentially legislative power within the exclusive prerogative of the Congress that its wisdom is beyond the reach of the Supreme Court.
40. Which of the following statements is correct? The additional community tax of the individual considers:
- a. Data of the preceding year.
 - b. Data in the Philippines.
 - c. Income from business, the practice of profession or pursuit of an occupation.
 - d. All of the above?

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41. Who among the following taxpayers may not claim a tax credit or deduction on income tax paid to foreign countries?
- a. Resident citizens
 - b. Resident aliens
 - c. Domestic corporations
 - d. General Co-Partnerships

42. *Statement 1:* A tax due from the taxpayer whose amount does not justify the expenses to be incurred in collecting it may be compromised.

Statement 2: In case of false or fraudulent return with intent to evade the tax, assessment may be validly made on the 10th year from discovery thereof and collection may be effected within five (5) years thereafter.

- a. Both statements are correct.
- b. Both statements are not correct
- c. Only the first statement is correct
- d. Only the second statement is correct

43. The following are the requisites of a taxpayer's suit, except:
- a. That public money, earned from taxes, are being spent on any improper purpose.
 - b. That the petitioner should assume the personality of a taxpayer to gain personality to file the suit.
 - c. That the petitioner must be a citizen of the Philippines.
 - d. That the petitioner seeks to restrain the respondent from wasting public funds.

44. Pedro, a vat registered person, bought garments from Makabayan Corporation, likewise a vat registered entity. Pedro bought the goods from Mabini for P900,000 and he was able to export the said goods at a sale price of P1,000,000. Both amounts given are exclusive of the VAT. The output VAT on Pedro's export sale is:
- a. P12,000
 - b. P120,000

- c. P0, because it is subject to 0% VAT
 d. P0, because it is vat exempt
45. If the depreciable capital good is sold or transferred a period of five years or prior to the exhaustion of the amortizable input tax thereon, the unamortized input vat on capital goods sold can be:
- Claimed as input tax credit in its entirety during the month or quarter when the sale or transfer was made.
 - Expensed outright in the month or quarter the sale was made.
 - Amortized over the remaining life of the capital good.
 - Claimed as input tax credit in its entirety or amortized over the remaining life of the capital good at the option of the taxpayer.
46. The 30% corporate income tax is increased to 35% by the Congress for the purpose of raising revenue to be used for national road expansion project near Bonifacio Global City, a private corporation. Is the exercised of the taxing power unconstitutional?
- Yes, because taxing power must be exercised exclusively for public purpose without any incidental benefit to any private entity.
 - No, because the it is exercised directly for public purpose and the benefit to a private entity is only incidental.
 - Yes, because the increase in tax rate constitutes deprivation of right to property of corporation without due process of law for being excessive and unreasonable.
 - No, because the constitution does not expressly state that the power of taxation must be used only for public purpose, thus, it may be used to benefit a private entity.

47. Statement 1: Co-ownership and partnership are similar as to taxability.
 Statement 2: Corporation and ordinary partnerships are similar as to taxability.
- Both statements are correct
 - Both statements are not correct
 - Only the first statement is correct
 - Only the second statement is correct
48. A mother corporation is abroad, with business in the Philippines through its branch in the Philippines. Which of the following statements is wrong?
- In a year, the branch in the Philippines is subject to branch remittance tax on its remittance of profits to the mother company abroad, even if the profits from which the remittance was made was a prior year's profits.
 - The branch remittance tax is fifteen percent (15%) of the total amount or profit for remittance, as applied with the bank.
 - The bank, with which the application for remittance was filed would be the withholding agent of the Bureau of Internal Revenue.
 - Even activities registered with Philippine Economic Zone Authority (PEZA), from the profits from which the remittance is applied for, will be subject to branch remittance tax.
49. Statement 1: For PEZA purposes, the 5% gross income tax is in lieu of all taxes, excluding local taxes.
 Statement 2: PEZA registered enterprises paying the 5% tax on gross income are not liable for local business taxes and other charges normally due to the local government unit.
- Both statements are correct
 - Both statements are not correct
 - Only the first statement is correct
 - Only the second statement is correct

50. **Statement 1:** Banks are subject to the VAT on its interest income. ✓

Statement 2: Resident international carriers are subject to the 0% VAT on its gross Philippine billings on flight originating from the Philippines to a foreign destination.

- Both statements are correct
- Both statements are not correct
- Only the first statement is correct
- Only the second statement is correct ✓

51. Mr. Mapalad, an executive of Mapagbigay Corporation was given a car by his employer. The cost of the car given to him was P900,000. Assuming the vehicle was purchased by the Company for Mr. Mapalad and the Company will shoulder only P550,000 of the value of the car.

Determine the correct amount of the following:

	FBI that Mr. Mapalad is required to pay	The value of the benefit given to Mr. Mapagpala
a.	P0	P550,000 ✓
b.	P0	P900,000
c.	P258,824	P550,000
d.	P258,824	P900,000

52. **Statement 1:** PEZA income tax holiday incentives imply exemption from income tax. ✓

Statement 2: PEZA income tax holiday would mean that an entity entitled to it enjoys exemption from income tax only, unless expressly exempted from other taxes. ✓

- Both statements are correct
- Both statements are not correct
- Only the first statement is correct
- Only the second statement is correct ✓

53. Prior to 2018 taxable year, benefactors of PWDs shall be granted the incentive of additional personal exemption under the Tax Code under the following conditions, except:

- PWD is a relative within the fourth civil degree of consanguinity or affinity to the taxpayer. ✓
- Not more than twenty-one (21) years of age ✓
- Not gainfully employed ✓
- Chiefly dependent upon the taxpayer for full support ✓

54. Queenie Ripot operates a convenience store whose gross receipts during the taxable year was P3,500,000. She opted not to register under the VAT system.

Statement 1: Her sales are subject to the 12% output VAT. ✓

Statement 2: She can claim input VAT credit arising from her purchases from VAT suppliers. ✗

- Both statements are correct
- Both statements are not correct
- Only the first statement is correct ✓
- Only the second statement is correct

55. Dondie, resident citizen, made the following donations on April 28 of the current year:

- To his sister, Donna, P175,000 worth of property situated in Paris, France. The donor's tax paid is P40,000.
- To Dara, his girlfriend in the Philippines, jewelry valued at P225,000.
- To International Rice Research Institute, cash amounting to P50,000.

The donor's tax due after tax credit is -

- P69,000
- P38,813
- P29,000
- P5,625 ✓

15
21

56. Which of the following statements is correct?

- The amount of sales to PWDs and SCs to be reported by a private establishment shall be the gross selling price and the applicable discount.

- b. The amount of discount granted to PWDs and SCs must not be reflected as a deduction from gross income of the seller but as a deduction from gross sales to arrive at the correct amount of net sales.
- c. The input vat attributable to sales made to PWDs and SCs shall be reflected in the income statement of the seller as a deduction from gross income
- d. All of the above ?

57. Which of the following taxes may be deducted from gross income?

- a. Percentage tax on sale of listed stock
- b. Business permit fee paid to the city government ?
- c. Income tax
- d. Tax on interest income on bank deposit

58. If the taxpayer is unable to make his own return, the return may be made by his duly authorized representative or by the guardian or other person charged with the care of his person or property, the principal and his representative or guardian assuming the responsibility of making the return and incurring penalties provided for erroneous, false or fraudulent returns.

Statement 1: This privilege and transfer of responsibility is available to a senior citizen.

Statement 2: This privilege and transfer of responsibility is available to a PWD.

- a. Both statements are correct ?
- b. Both statements are not correct
- c. Only the first statement is correct
- d. Only the second statement is correct

59. The _____ of each City or Municipality shall register BMBEs and issue Certificate of Authority to enable BMBE to avail of incentives under the BMBE Act

- a. Office of the Mayor
- b. Office of the Treasurer ?
- c. Office of the Barangay Chairman
- d. BIR Revenue District Office

60. One can register as a BMBE if it is a business entity or enterprise, whether operated as a sole proprietorship or a corporation, partnership, cooperative or association, organized/incorporated and existing under Philippine laws, engaged in, which activities are barangay-based and micro-business in nature and scope, except

- a. Production of products/commodities
- b. Agro-processing
- c. Trading and services
- d. Professional services ✓

61. The Bureau of Customs shall exercise the following duties and functions, except

- a. Assessment and collection of customs revenues from imported goods and other dues, fees, charges, fines and penalties under the tariff and customs code ✓
- b. Simplification and harmonization of customs procedures to facilitate movement of goods in international trade. ✓
- c. Border control to prevent entry of smuggled goods. ✓
- d. Prosecute persons illegally importing goods. ?

62. Which of the following statements is NOT a test of a valid ordinance?

- a. It must not contravene the Constitution or any statute.
- b. It must not be unfair or oppressive.
- c. It must not be partial or discriminatory.
- d. It may prohibit or regulate trade. ?

63. Pedro's residential land is located in Santiago City measuring 500 square meters with the following additional information:

- Fair market value in the tax declaration - P10,000/sq. m.
- Zonal value - P8,000/sq. m.
- Assessment level - 20%

The taxable value of the land and the total real property tax due, respectively is

- a. P1M; P30,000?
- b. P1M; P20,000
- c. P5M; P30,000
- d. P5M; P20,000

64. In case a taxpayer opted to use instalment method of recognizing income and part of the consideration is that the buyer will assume the unpaid mortgage of the property being sold. The unpaid mortgage assumed is higher than the cost of the property. Which of the following statements is correct?

- a. Contract price is equivalent to selling price.
- b. Contract price is equivalent to cost.
- c. Contract price is equivalent to gross profit.
- d. Contract price is equivalent to initial payment.

65. A PEZA registered enterprise has a registered and an unregistered activity. The MCIT shall apply to:

- a. Registered activity
- b. Unregistered activity
- c. Both activities
- d. Neither registered or unregistered activity

66. Preliminary assessment notice is not required in the following cases, except:

- a. Tax deficiency is due to mathematical error?
- b. Tax deficiency is due to unpaid VAT
- c. Tax deficiency is due to unpaid excise taxes
- d. Tax deficiency is due to withholding tax?

67. Taxpayer Andy received on January 3, 2017 a preliminary assessment notice (PAN) from the BIR, stating that he had fifteen (15) days from its receipt to comment or to file a protest. Eight (8) days later (or on January 11, 2017), before he could comment or file a protest, Andy received the final assessment notice (FAN). Decide on the validity of the FAN.

- a. The FAN is invalid; Andy was not given the chance to respond to the PAN, in violation of his due process rights.
- b. The FAN is invalid for being premature.
- c. The FAN is valid since it was issued before the right to assess prescribed.
- d. The FAN is valid. There is no legal requirement that the FAN should await the protest to the PAN because protest to the PAN is not mandatory. ✓

68. Based on the information provided below, determine the correct amount of allowable medical expenses for estate tax purposes:

<u>Date Incurred</u>	<u>Amount</u>
November to December 2015	P200,000
July to September 2016	350,000
May 15, 2017 to Oct. 30, 2017	400,000
Date of Death: November 1, 2017	

- a. P0 ✓
- b. P750,000
- c. P500,000
- d. P400,000

69. One of the following statements is not correct, which is it?

- a. For domestic corporations, the capital gain tax on sale of shares of stock are the same as the capital gain tax on such assets of resident citizens of the Philippines.
- b. Prior to 2018, the final tax on interest on foreign currency deposit under the expanded foreign currency deposit system for domestic corporations is the same as that of

resident citizens of the Philippines at seven and one-half percent (7 ½ %).

- c. Dividend income received by a domestic corporation from a domestic corporation subject to tax is exempt from income tax of the corporation receiving the dividend.
- d. Prizes exceeding P10,000 received by a domestic corporation is subject to a final tax of twenty percent (20%).

70. Ana's income tax for 2016 was P75,000, as shown in her income tax return (ITR). She filed her return only on July 15, 2017 and paid the total amount upon filing the return. The total amount payable is:

- a. P113,750 c. P98,750
b. P112,500 d. P97,500

- end of examination -
Please submit your answer sheet
Keep the questionnaire.

Thank you
for taking the PRTC Open Pre-Board Examinations! ☺

DONOR'S TAX TABLE

Over	But not over	The tax shall be	Plus	Of the excess over
	P100T	Exempt		
	200T	0	2%	P100T
P100T	500T	2,000	4%	200T
200T	1M	14,000	6%	500T
500T	3M	44,000	8%	1M
1M	5M	204,000	10%	3M
3M	10M	404,000	12%	5M
5M		1,004,000	15%	10M
10M				

ESTATE TAX TABLE

Over	But Not Over	The Tax Shall be	Plus	Of the Excess Over
	P 200,000	Exempt		
	500,000	0	5%	P 200,000
P 200,000	2,000,000	P 15,000	8%	500,000
500,000	5,000,000	135,000	11%	2,000,000
2,000,000	10,000,000	465,000	15%	5,000,000
5,000,000	And Over	1,215,000	20%	10,000,000
10,000,000				

INCOME TAX TABLE FOR INDIVIDUALS for Income Earned Prior to 2018 Taxable Year

Over	But not over	The Tax Shall be	Plus	Of excess over
	10,000	-	5%	-
	30,000	500	10%	10,000
10,000	70,000	2,500	15%	30,000
30,000	140,000	8,500	20%	70,000
70,000	250,000	22,500	25%	140,000
140,000	500,000	50,000	30%	250,000
250,000	-	125,000	32%	500,000
500,000				