

**ReSA****The Review School of Accountancy****Tel. No. 735-9807 & 734-3989****TX 003 (A) PREWEEK: SUMMARY OF LOCAL TAXES****LOCAL TRANSFER TAX**

Tax rate	Must not exceed 50% of 1% (1/2 of 1%)
Tax base	Total consideration or the fair market value, whichever is higher
Accrual of tax	From the effective date of transfer of ownership of title over real property
Period of payment of tax	60 days from the accrual of the tax
Situs of tax	Province where the property is located

TAX ON BUSINESS OF PRINTING AND PUBLICATION

Tax rate	Must not exceed 50% of 1% (1/2 of 1%)
Tax base	Gross annual receipts for the preceding calendar year
Accrual of tax	January 1
Period of payment of tax	Within the first 20 days of January or of each subsequent quarter, as the case may be
Situs of tax	Ordinary rules of situs prescribed under the Local Government Code Rule 1: If the taxpayer maintains or operates a branch of sales outlet where the sale or transaction is made and recorded, the tax on such sale or transaction should be paid to the province where such branch or sales outlet is located. Rule 2: In case where there is no branch or sales outlet in the province where the sale or transaction is made and recorded, the tax on such sale or transaction should be paid to the province where the principal office is located.

LOCAL FRANCHISE TAX

Tax rate	Must not exceed 50% of 1% (1/2 of 1%)
Tax base	Gross annual receipts for the preceding calendar year
Accrual of tax	January 1
Period of payment of tax	Within the first 20 days of January or of each subsequent quarter, as the case may be subject to extension for a maximum period of 6 months
Situs of tax	Ordinary rules of situs prescribed under the Local Government Code Rule 1: If the taxpayer maintains or operates a branch of sales outlet where the sale or transaction is made and recorded, the tax on such sale or transaction should be paid to the province where such branch or sales outlet is located. Rule 2: In case where there is no branch or sales outlet in the province where the sale or transaction is made and recorded, the tax on such sale or transaction should be paid to the province where the principal office is located.

TAX ON EXTRACTION OF SAND, GRAVEL AND OTHER QUARRY RESOURCES

Tax rate	Must not exceed 10%
Tax base	Fair market value in the locality per cubic meter of the extracted quarry resources
Accrual of tax	January 1
Period of payment of tax	Within the first 20 days of January or of each subsequent quarter, as the case may be subject to extension for a maximum period of 6 months
Situs of tax	Province where the quarry resources are extracted

PROFESSIONAL TAX

Amount of tax	Must not exceed P300.00
Accrual of tax	January 1
Period of payment of tax	On or before January 31 (a person beginning to practice a profession after the month of January must pay the full tax before engaging in such profession)
Situs of tax	Province where the professional practices his profession or where he maintains his principal office

LOCAL AMUSEMENT TAX

Tax rate	Must not exceed 10%
Tax base	Gross receipts from admission fees
Accrual of tax	As prescribed by the Sangguniang Panlalawigan
Period of payment of tax	As prescribed by the Sangguniang Panlalawigan
Situs of tax	Province where the amusement activity is held or the amusement is located

FIXED TAX ON DELIVERY TRUCKS AND VANS

Amount of tax	Must not exceed P500.00 for every delivery vehicle
Accrual of tax	January 1
Period of payment of tax	Within the first 20 days of January or of each subsequent quarter, as the case may be subject to extension for a maximum period of 6 months
Situs of tax	Province where the sales outlets or consumers to whom the taxpayer makes the delivery are located

COMMUNITY TAX

	<u>Individuals</u>	<u>Corporations</u>
Annual community tax	Five pesos (P5.00)	Five hundred pesos (P500.00)
Additional community tax	One peso (P1.00) for every P1,000	Two pesos (P2.00) for every P5,000
Basis of additional community tax	Income regardless of whether from business, exercise of profession or from property	Worth of real property in the Philippines owned by it during the preceding year based on the valuation used for the payment of the real property tax under existing laws, found in the assessment rolls of the city or municipality where the real property is situated Gross receipts or earnings derived by it from its business in the Philippines during the preceding year. The dividends received by a corporation from another corporation however shall, for the purpose of the additional tax, be considered as part of the gross receipts or earnings of said corporation.
Maximum annual additional community tax	Five thousand pesos (P5,000.00)	Ten thousand pesos (P10,000.00)
Accrual of tax	First (1st) day of January of each year	First (1st) day of January of each year
Period of payment of tax	Not later than the last day of February of each year	Not later than the last day of February of each year
Situs of tax	Residence of the individual	Principal office of the corporation is located

END



ReSA

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TAXATION

TX 003 ANS: PRE-WEEK LECTURE (CASES ON LOCAL TAXES)

TAMAYO/LIM/GARCIA

Multiple Choice: Choose the best possible answer.

Tax on Transfer of Real Property Ownership

1. Which of the following is not subject to tax on transfer of real property ownership?
 - a. Sale or donation of real properties
 - b. Transfer of real properties through testate and intestate succession
 - c. Transfer of real property in complete liquidation by a corporation of its real properties to its stockholder
 - d. Transfer of ownership of real property pursuant to the Comprehensive Agrarian Reform Law (CARP Law)
2. The tax base of the local tax on transfer of real property ownership is:
 - a. total consideration involved in the acquisition of the property.
 - b. fair market value in case the monetary consideration involved in the transfer is not substantial.
 - c. total consideration involved in the acquisition of the property or fair market value in case the monetary consideration involved in the transfer is not substantial, whichever is lower.
 - d. total consideration involved in the acquisition of the property or fair market value in case the monetary consideration involved in the transfer is not substantial, whichever is higher.

There is a view that fair market value shall refer to the FMV reflected or indicated in the prevailing Schedule of Market Value prepared by the Assessor and duly-enacted by the concerned Sanggunian. The Supreme Court has not yet affirmed this view.

3. When does the local tax on transfer of real property ownership accrue?
 - a. From the effective date of transfer of ownership of title over real property
 - b. Date of registration of the corresponding Deed of Conveyance
 - c. Any time within six (6) months after the transfer of real property
 - d. Any time the taxpayer signifies his desire to pay the local tax

Effective date of transfer of ownership or title over real property (e.g. from the date of execution and notarization of the Deed of Sale or from the date of decedent's death.)

Section 135 allows a period of 60 days from the accrual of the tax for transferor to pay the same. The transferor need not wait for the issuance by the BIR of the Certificate Authorizing Registration (CAR) before he can pay the local transfer tax.

4. Who shall have authority to collect the local transfer tax?
 - a. Province where the property is located.
 - b. Residence of the transferor where the property is located
 - c. Principal office of the transferor where the property is located
 - d. Residence of the transferee where the property is located

While the Local Government Code is silent on the situs where the property is located of this tax, it should be understood that the province where the real property is located (and not the residence or the principal office of the transferor is located) shall have the authority to collect.

5. An individual taxpayer sold his residential house and lot for P5,000,000 (fair market value was P4,000,000).

Question 1 - How much is the capital gains tax?

- a. P300,000
- b. P200,000
- c. P75,000
- d. None of the choices

* FMV, Assessor's
vs
Zonal Value, BIR
↓
Local Tax - follow
Assessed
Value

Selling price (higher)	P5,000,000
Tax rate	6%
Capital gains tax	P 300,000

Question 2 - How much is the documentary stamp tax?

- a. P300,000
- b. P200,000
- c. P75,000
- d. None of the choices

Selling price (higher)	P5,000,000
Tax rate	1.5%
Capital gains tax	P 75,000

Question 3 - How much is the local transfer tax?

- a. P75,000
- b. P50,000
- c. P25,000
- d. None of the choices

Selling price (higher)	P5,000,000
Tax rate (50% of 1%)	.005
Capital gains tax	P 25,000

Tax on Business of Printing and Publication

6. Which of the following is not subject to tax on business of printing and publication?
 - a. Printing and/or publication of books
 - b. Printing and/or publication of cards, posters, leaflets and handbills
 - c. Printing and/or publication of certificates, receipts, pamphlets and others of similar nature
 - d. Printing and/or publication of books and other reading materials prescribed by the Department of Education as school texts or references
7. The rate of the tax on business or printing and publication must be fixed by a revenue ordinance and:
 - a. should not be more than 50% of 1%.
 - b. should be more than 50% of 1%.
 - c. should be 1/20 of 1%.
 - d. should not more than 5%.

In the case of newly started business, the tax shall be 1/20 of 1% of the capital investment. In the succeeding calendar year, regardless of when the business started to operate, the tax shall be based on the gross receipts for the preceding calendar year.

Any advertising revenue is merely incidental to the taxpayer's main business of publication, hence, it is not subject to a separate tax or fee.

8. Statement I: The tax on business of printing and publication shall accrue on the first day of January of each year.

Statement II: The tax on business of printing and publication shall be paid within the first 20 days of January or of each subsequent quarter, as the case may be.

Statement III: The Sanggunian concerned may, for a justifiable reason or cause, extend the time for payment of this tax, without surcharges or penalties, but only for a period not exceeding 6 months.

- a. Only I and II are true
- b. Only II and III are true
- c. I, II and III are true
- d. I, II and III are not true

9. Considering that the tax on business of printing and publication is in the nature of a business tax, which of the following rules shall apply as far as the situs of the tax is concerned?

Rule 1: If the taxpayer maintains, operates a branch or sales outlet where the sale or transaction is made and recorded, the tax on such sale or transaction should be paid to the province where such branch or sales outlet is located.

Rule 2: In case where there is no branch or sales outlet in the province where the sale or transaction is made and recorded, the tax on such sale or transaction should be paid to the province where the principal office is located.

- a. Only Rule 1 applies
- b. Only Rule 2 applies
- c. Rule 1 and Rule 2 apply
- d. Rule 1 and Rule 2 do not apply

Principal office refers to the head or main office of the business appearing in the pertinent documents submitted to the Securities and Exchange Commission (SEC), or the Department of Trade and Industry (DTI), or other appropriate agencies, as the case may be.

10. The following data are taken from the books of your client, single, in preceding calendar year:

Gross receipts from printing of books prescribed by the Department of Education as school texts or references	P 500,000
Gross receipts, printing of other books	200,000
Gross receipts, printing of cards, posters, leaflets and handbills	300,000
Cost of services	250,000
Deductible expenses	100,000

Question 1 - How much is the tax on business of printing and publication?

- a. P5,000
b. P2,500
c. P2,000
d. None of the choices

Gross receipts, printing of other books	P200,000
Gross receipts, printing of cards, posters, leaflets and handbills	300,000
Total	500,000
Tax rate (50% of 1%)	.005
Tax on business of printing and publication	P 2,500

Question 2 - How much was taxable net income in the preceding year?

- a. P600,000
b. P100,000
c. Exempt from income tax
d. None of the choices

Gross receipts from printing of books prescribed by the Department of Education as school texts or references		P 500,000
Gross receipts, printing of other books		200,000
Gross receipts, printing of cards, posters, leaflets and handbills		300,000
Total		1,000,000
Less: Cost of services		250,000
Gross income		750,000
Less: Deductible expenses	100,000	
Basic personal exemption	50,000	150,000
Taxable net income		P 600,000

Franchise Tax

11. The rate of local franchise tax must be fixed by a revenue ordinance and:

- a. should not be more than 50% of 1%.
b. should be more than 50% of 1%.
c. should be 6%.
d. should be 10%.

In the case of newly started business, the tax shall be 1/20 of 1% of the capital investment which shall be determined in the following manner:

- 1) In the locality where the principal office of the business is located - paid-up capital stated in the Articles of Incorporation, in case of corporation, or in any similar documents, in case of other types of business organizations or
- 2) Where there is branch or sales office commencing business operation within the same year - paid-up capital in no. 1) reduced by the amount of capital investment made for the branch
- 3) Where the newly started business is a branch or sales office commencing business operations - total funds invested in the branch or sales office

In succeeding calendar year, the tax shall be based on the gross receipts for the preceding year.

Tax on the Extraction of Sand, Gravel and Other Quarry Resources

- (Executive) 12. The permit to extract sand, gravel and other quarry resources may only be issued pursuant to the revenue ordinance of the Sangguniang Panlalawigan by the:

- a. Provincial Governor.
b. Provincial Assessor.
c. Provincial Engineer.
d. Provincial Director of PNP.

- (Legislative) 13. Considering the nature of the quarrying activity, who may prescribe the time, manner, terms and conditions for the payment of tax?

- a. Provincial Governor
b. Provincial Assessor
c. Provincial Engineer
d. Sangguniang Panlalawigan

14. The situs of the tax on extraction of sand, gravel and other quarry resources is:
- Province where the principal place of office of the taxpayer is located.
 - Province where the residence of the taxpayer is located.
 - Province where the quarry resources are extracted.**
 - Any of the three provinces mentioned above.

The tax on extraction of sand, gravel and other quarry resources shall be distributed as follows:

- Province - 30%
- Component city or municipality where the sand, gravel and other quarry resources are extracted - 30%
- Barangay where the sand, gravel and other quarry resources are extracted - 40%

15. Hakotbato Company is engaged in quarrying business. It extracts sand and gravel in the Barangay Nabangig, Municipality of Palanas, Province of Masbate. During a particular quarter, it extracted 500,000 cubic meters of sand from a public land the fair market of which is P750,000. It also extracted 200,000 cubic meters with fair market value of P250,000 from a quarry it privately owns. How much tax on extraction will it be liable?
- P100,000
 - P 75,000
 - P50,000
 - None of the choices

Fair market value of cubic meters extracted from public land	P750,000
Tax rate	10%
Tax on extraction of quarry resources	P75,000

The grant of the taxing power to provinces and cities is limited to those quarry resources extracted from public land but not those extracted from private land.

16. Continuing with the preceding number, how shall the tax on extraction be distributed?
- Nabangig, P30,000; Palanas, P22,500; Masbate, P22,500**
 - Nabangig, P25,000; Palanas, P25,000; Masbate, P25,000
 - Nabangig, P40,000; Palanas, P17,500; Masbate, P17,500
 - Nabangig, P0; Palanas, P0; Masbate, P75,000

	Amount of tax	Percentage	Share
Nabangig	P75,000	40%	P30,000
Palanas	P75,000	30%	P22,500
Masbate	P75,000	30%	P22,500

Professional Tax

17. Who among the following shall not be required to pay professional tax?
- Person engaged in the exercise or practice of his profession
 - Persons whose practice require government examination prior to their exercise or practice
 - Professionals exclusively employed by the government**
 - None of the choices

Local Amusement Tax

18. Which among the following shall be subject both Value-Added Tax and the local Amusement Tax?

- Theaters and cinemas**
- Cockpits
- Concert halls
- Circuses

The following are subject to local amusement tax:

- Theaters and cinemas (also subject to the 12% VAT)
- Concert halls
- Circuses
- Boxing stadia/boxing exhibitions (also subject to 10% Amusement Tax imposed by the national government)

Community Tax

19. Mr. and Mrs. Jose Lee, resident citizens, had the following data for the calendar year:

Mr. Jose Lee	P 500,750
Salaries and bonuses	1,000,000
Assessed value of land in Manila	
Mrs. Jose Lee	P 725,700
Gross receipts from business	1,500,000
Assessed value of apartment house	600,000
Income from apartment house	

How much would be the total additional community tax due in the succeeding year aside from the P5 basic community tax of each spouse?

- P4,236
- P2,500
- P1,826**
- P1,226

Mr. Jose Lee - salaries and bonuses		P	500,750
Mrs. Jose Lee			
Gross receipts from business	P 725,700		
Income from apartment house	600,000		1,325,700
Total		P	1,826,450
Divided by			1,000
Basis of additional community tax	P		1,826
Multiply by			1
Additional community tax	P		1,826

20. Kapatidz Corporation, domestic, had the following selected data in the preceding year:

Cash sales	P 3,390,000
Cost of sales	1,400,000
Operating expenses	900,000
Dividend received from a domestic corporation	50,000
Assessed value of land	500,000
Assessed value of building	700,000
Assessed value of machinery	1,500,000

How much would be the total basic and additional community taxes in the current year?

- a. P2,956 c. P1,376
b. P2,456 d. P1,080

Basic community tax	P	500
Additional community tax		
Cash sales (3,390,000/5,000) X 2	P 1,356	
Dividend (50,000/5,000) X 2	20	
Assessed value, land		
(500,000/5,000) X 2	200	
Assessed value, building		
(700,000/5,000) X 2	280	
Assessed value, machinery		
(1,500,000/5,000) X 2	600	2,456
Total community tax		<u>P2,956</u>

Assessed values of Real Prop.
↓
included in the Corp.

END OF LECTURE

THOT: "When seeking God's best for us becomes our focus- contentment, joy and peace replace anxiety." -Tamthewise

PRAYER: Lord we offer all our labor for Your greater glory alone. May You grant special favor to the hard work our CPA Licensure examinees put into their review. Help them remember the things we taught them. Please keep them composed during the examinations. Amen.