

### Quiz on Income Taxation Computations

Mr. PDUTZ reported the following data during 2017:

<b>Sales</b>	<b>P1,000,000</b>
Cost of Sales	600,000
Gain on sale of equipment	60,000
Deductible expenses	300,000
Non-deductible expenses	200,000

- Optional standard deduction?
  - P440,000
  - P424,000
  - P400,000
  - P160,000
- Taxable income of Mr. PDUTZ before exemption applying OSD?
  - P700,000
  - P660,000
  - P340,000
  - P300,000
- Assuming that PDUTZ is a corporate taxpayer, compute the OSD.
  - P440,000
  - P424,000
  - P184,000
  - P160,000
- Assuming that PDUTZ is a corporate taxpayer, compute the taxable income applying OSD.
  - P240,000
  - P216,000
  - P300,000
  - P200,000

Sarah Dutz has the following items of income:

	<b>Philippines</b>	<b>Abroad</b>
Business Income	P200,000	P100,000
Professional Fees	100,000	50,000
Compensation Income	400,000	-
Rent Income	300,000	200,000
Interest Income	30,000	40,000

- Assuming Sarah is a resident citizen; compute the total income subject to Philippine Income tax.
  - P1,420,000
  - P1,180,000
  - P1,030,000
  - P390,000
- Assuming Sarah is a resident alien, compute the total income subject to Philippine income tax.
  - P1,420,000
  - P1,180,000
  - P1,030,000
  - P390,000
- Assuming Sarah is a resident foreign corporation; and all items are considered gross income, compute the TAX DUE applying OSD.
  - P185,400
  - P255,600
  - P1,000,000
  - P300,000
- Assuming Sarah is a domestic corporation, and all items are considered gross income, compute the TAX DUE applying OSD.
  - P185,400
  - P255,600
  - P1,030,000

d. P300,000

9. An alien received P300,000 compensation income in the Philippines and P200,000 rental income from abroad. How much will be subject to Philippine income tax?

- a. None
- b. P200,000
- c. P300,000
- d. P500,00

10. A non-resident citizen is an international financier who earned P300,000 interest income from resident debtors and P400,000 from foreign debtors. How much is subject to Philippine income tax?

- a. None
- b. P300,000
- c. P400,000
- d. P700,000

### Answer Key and Solutions

1. Optional standard deduction?
  - a. P440,000
  - b. P424,000
  - c. **P400,000 ( $1M \times 0.4$ )**
  - d. P160,000
2. Taxable income of Mr. PDUTZ before exemption applying OSD?
  - a. P700,000
  - b. **P660,000 ( $1M - 400K + 60K$ )**
  - c. P340,000
  - d. P300,000
3. If PDUTZ is a corporate taxpayer, compute the OSD.
  - a. P440,000
  - b. P424,000
  - c. P184,000
  - d. **P160,000 ( $((1M - 600K) \times 0.4)$ )**
4. If PDUTZ is a corporate taxpayer, compute the taxable income applying OSD.
  - a. P240,000
  - b. P216,000
  - c. **P300,000 ( $1M - 600K - 160K + 60K$ )**
  - d. P200,000
5. Assuming Sarah is a resident citizen; compute the total income subject to Philippine Income tax.
  - a. **P1,420,000**  
**( $200K + 100K + 100K + 50K + 400K + 300K + 30K + 40K + 200K$ )**
  - b. P1,180,000
  - c. P1,030,000
  - d. P390,000
6. Assuming Sarah is a resident alien, compute the total income subject to Philippine income tax.
  - a. P1,420,000
  - b. P1,180,000
  - c. **P1,030,000 ( $1.42M - 100K - 50K - 200K - 40K$ )**
  - d. P390,000
7. Assuming Sarah is a resident foreign corporation; and all items are considered gross income, compute the TAX DUE applying OSD.
  - a. **P185,400 ( $1.03M \times 0.6 \times 0.3$ )**
  - b. P255,600
  - c. P1,000,000
  - d. P300,000
8. Assuming Sarah is a domestic corporation, and all items are considered gross income, compute the TAX DUE applying OSD.
  - a. P185,400
  - b. **P255,600 ( $1.42M \times 0.6 \times 0.3$ )**
  - c. P1,030,000
  - d. P300,000
9. An alien received P300,000 compensation income in the Philippines and P200,000 rental income from abroad. How much will be subject to Philippine income tax?
  - a. None
  - b. P200,000
  - c. **P300,000**
  - d. P500,00
10. A non-resident citizen is an international financier who earned P300,000 interest income from resident debtors and P400,000 from foreign debtors. How much is subject to Philippine income tax?
  - a. None
  - b. **P300,000**
  - c. P400,000
  - d. P700,000

**PROBLEM SOLVING**  
**RATES OF INDIVIDUAL INCOME TAX**

ANNUAL INCOME	TAX RATE
P250,000 and below	None
>P250,000 – P400,000	20% excess of P250,000
>P400,000 – P800,000	P30,000 + 25% of excess over P400,000
>P800,000 – P2,000,000	P130,000 + 30% of excess over P800,000
>P2,000,000 – P8,000,000	P490,000 + 32% of excess over P2,000,000
Above P8,000,000	P2.41 million + 35% of excess over P8 million

1. A resident citizen employee provided the following data for the current taxable year:

<b>Compensation Income</b>	<b>P450,000</b>
Deductions:	
SSS contributions	6,000
Philhealth contributions	8400
Pag-ibig contributions	2,400
Union dues	1,200
Income tax withheld	89,600

How much is the income tax payable of the employee?

2. A resident citizen single taxpayer provided the following information:

<b>Compensation Income</b>	<b>P1,000,000</b>
Business Income, Philippines	2,000,000
Business Income, Canada	3,000,000
Business expenses, Philippines	1,400,000
Business expenses, Canada	2,050,000
Tax withheld by employer	285,000
Tax withheld by payors	100,000
Income tax payments	300,000

Determine income tax payable of the taxpayer.

3. A taxpayer married without qualified dependent child, had the following data for taxable year 2017:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a resident citizen, married, his taxable income is?

4. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a non-resident citizen, married, his taxable income is?

5. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a resident alien, married, his taxable income is?

6. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a non-resident alien engage in trade or business in the Philippines, married and his country grants P35,000 as a personal exemption for married individuals, his taxable income is?

7. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000



If the taxpayer is a non-resident alien not engaged in trade or business in the Philippines, married and his country grants P35,000 as a personal exemption for married individuals, his taxable income is?

8. Kim Chiu a citizen of the Philippines had a gross income from the practice of her profession of P400,000. Her expenses in the practice was P150,000. If there was a withholding income tax of P37,500 on her gross income, how much is the income tax due from her, or (refundable) to him?

9. Assuming the same data on Kim Chiu having a gross income from the practice of her profession of P400,000 and a withholding on income tax of P37,500 on her gross income, except that she used Optional Standard Deduction (OSD), how much is the income tax due?

10. Ms. Isabelle Daza is a businesswoman, a resident citizen of the Philippines. She had a gross income from business of P882,000 and business expenses of P382,000. In addition, she had rental properties which gave her a gross rent income of P300,000 and expenses thereon of P160,000. Quarterly income tax already paid on the year's income was P110,250 and income tax withheld on the rent was P15,000. How much is the income tax still due, or refundable, at the end of the year?

11. Assuming the same data on Isabelle Daza having a gross income from business of P882,000 and business expenses of P382,000. In addition, she had rental properties which gave her a gross rent income of P300,000 and expenses thereon of P160,000, except that she used Optional Standard Deduction (OSD). How much is the income tax still due if quarterly income tax already paid on the year's income was P110,250 and income tax withheld on the rent was P15,000?

### ANSWERS AND SOLUTIONS

1. A resident citizen employee provided the following data for the current taxable year:

Compensation Income	P450,000
Deductions:	
SSS contributions	6,000
Philhealth contributions	8,400
Pag-ibig contributions	2,400
Union dues	1,200
Income tax withheld	89,600

How much is the income tax payable of the employee?

Compensation Income	450K
Less: Deductibles	
SSS	6K
Phil Health	8.4K
Pag-ibig	2.4K
Union Dues	1.2K
Taxable Income	432K
Less:	400K
Tax Base	32K
Tax Rate (%)	0.25
Add:	30K
Tax Payable	38K
Less: Income Tax Withheld	89.6K
Tax Credit or Refundable	51.6K

2. A resident citizen single taxpayer provided the following information:

<b>Compensation Income</b>	<b>P1,000,000</b>
Business Income, Philippines	2,000,000
Business Income, Canada	3,000,000
Business expenses, Philippines	1,400,000
Business expenses, Canada	2,050,000
Tax withheld by employer	285,000
Tax withheld by payors	100,000
Income tax payments	300,000

Determine income tax payable of the taxpayer.

Compensation	1,000K
Philippines	2,000K
Canada	3,000K
Total Income	6,000K
Less: Expenses	
Philippines	1,400K
Canada	2,050K
Taxable Income	2,550K
Less:	2,000K
Tax Base	550K
Tax Rate (%)	0.32
Add:	490K
Tax Payable	666K
Less: Tax Withheld	
Employers	285K
Payors	100K
Payments	300K
Tax Credit or Refundable	115K

3. A taxpayer married without qualified dependent child, had the following data for taxable year 2017:

Gross income, Philippines P400,000

Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a resident citizen, married, his taxable income is?

Philippines	400K
USA	300K
Total Income	700K
Less: Expenses	200K
Philippines	
USA	150K
Taxable Income	350K
Less:	250K
Tax Base	100K
Tax Rate (%)	0.2
Tax Payable	20K

4. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a non-resident citizen, married, his taxable income is?

Income Philippines	400K
Less: Expenses	200K
Taxable Income	200K

Tax Due	0
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5. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a resident alien, married, his taxable income is?

Income Philippines	400K
Less: Expenses	200K
<u>Taxable Income</u>	<u>200K</u>

Tax Due 0

\*if engaged in trade or business

<u>Taxable Income</u>	<u>400K</u>
<u>Tax Rate (%)</u>	<u>0.25</u>
<u>Tax Due</u>	<u>100K</u>

\*if not engaged in trade or business

6. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a non-resident alien engage in trade or business in the Philippines, married and his country grants P35,000 as a personal exemption for married individuals, his taxable income is?

Income Philippines	400K
Less: Expenses	200K
<u>Taxable Income</u>	<u>200K</u>

Tax Due 0

7. A taxpayer married without qualified dependent child, had the following data for taxable year 2013:

Gross income, Philippines	P400,000
Gross income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

If the taxpayer is a non-resident alien not engage in trade or business in the Philippines, married and his country grants P35,000 as a personal exemption for married individuals, his taxable income is?

<u>Taxable Income</u>	<u>400K</u>
<u>Tax Rate (%)</u>	<u>0.25</u>
<u>Tax Payable</u>	<u>100K</u>

8. Kim Chiu a citizen of the Philippines had a gross income from the practice of her profession of P400,000. Her expenses in the practice was P150,000. If there was a withholding income tax of P37,500 on her gross income, how much is the income tax due from her, or (refundable) to him?

Professional Income	400K
Less: Expenses	150K
<u>Taxable Income</u>	<u>250K</u>
<u>Tax Rate (%)</u>	<u>0</u>
<u>Less: Withholding Income Tax</u>	<u>37.5K</u>
<u>Tax Credit or Refundable</u>	<u>37.5K</u>

9. Assuming the same data on Kim Chiu having a gross income from the practice of her profession of P400,000 and a withholding on income tax of P37,500 on her gross income, except that she used Optional Standard Deduction (OSD), how much is the income tax due?

Professional Income	400K
Less: OSD	160K (400K*0.4)
<u>Taxable Income</u>	<u>240K</u>
<u>Tax Rate (%)</u>	<u>0</u>
<u>Less: Withholding Income Tax</u>	<u>37.5K</u>
<u>Tax Credit or Refundable</u>	<u>37.5K</u>

10. Ms. Isabelle Daza is a businesswoman, a resident citizen of the Philippines. She had a gross income from business of P882,000 and business expenses of P382,000. In addition, she had rental properties which gave her a gross rent income of P300,000 and expenses thereon of P160,000. Quarterly income tax already paid on

the year's income was P110,250 and income tax withheld on the rent was P15,000. How much is the income tax still due, or refundable, at the end of the year?

Gross Income	882K
Rent Income	300K
Total Income	1182K
Less: Expenses	
Business Expenses	382K
Rent Expenses	160K
Taxable Income	640K
Less:	400K
Tax Base	240K
Tax Rate (%)	0.25
Add:	30K
Tax Payable	90K
Less:	
Tax Payment	110.25K
Income Tax Withheld from Rent	15K
Tax Credit or Refundable	35.25K

Tax Payable	107.3K
Less:	
Tax Payment	110.25K
Income Tax Withheld from Rent	15K
Tax Credit or Refundable	17.95K

11. Assuming the same data on Isabelle Daza having a gross income from business of P882,000 and business expenses of P382,000. In addition, she had rental properties which gave her a gross rent income of P300,000 and expenses thereon of P160,000, except that she used Optional Standard Deduction (OSD). How much is the income tax still due if quarterly income tax already paid on the year's income was P110,250 and income tax withheld on the rent was P15,000?

Gross Income	882K
Rent Income	300K
Total Income	1182K
Less: OSD	472.8K (1182K*0.4)
Taxable Income	709.2K
Less:	400K
Tax Base	309.2K
Tax Rate (%)	0.25
Add:	30K