

**CPA REVIEW SCHOOL OF THE PHILIPPINES**  
**Manila**

**FRINGE BENEFITS TAX**

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1. The fringe benefit tax is
  - A. Imposed on the employer    B. Withheld at source    C. Deductible expense by the employee
  - a. Only A and B    c. Only B and C
  - b. Only A and C    d. A, B, and C
2. Which of the following is subject to the fringe benefit tax?
  - a. Compensation income of the rank and file employees
  - b. Fringe benefit of the rank and file employees
  - c. Compensation income of the managerial employees
  - d. Fringe benefit of the managerial employees
3. The following concepts denotes exemption from the fringe benefits tax, except
  - a. Convenience of the employer    c. Welfare and benefit of the employees
  - b. Necessity to the business or trade    d. De minimis benefits
4. With regard to the amount on which the fringe benefit tax rate is applied, which statement is wrong?  
 The tax benefit rate is applied on
  - a. The monetary value of the fringe benefit
  - b. The grossed-up monetary value of the fringe benefit
  - c. The amount deductible by the employer from gross income
  - d. Both amounts of the fringe benefit and the fringe benefit tax
5. The following fringe benefits are not subject to fringe benefit tax, except
  - a. If required by the nature of or necessary to the trade, business or profession of the employer
  - b. Contribution of the employer for the benefit of the employee to retirement, insurance and hospitalization benefit plans
  - c. Benefits given to rank and file employees
  - d. If given for the convenience or advantage of a managerial/supervisory employee
6. Basic rules on fringe benefits tax, except
  - a. Fringe benefits given to rank and file employees are not subject to fringe benefit tax
  - b. Fringe benefits given to a supervisory or managerial employee are subject to fringe benefit tax
  - c. De minimis benefits whether given to rank and file employee or to a supervisory or managerial employee are not subject to fringe benefit tax
  - d. The fringe benefit tax is a tax imposed on the managerial or supervisory employee
7. Which of the following statements is correct?
  - a. Fringe benefit given to employees is subject to fringe benefit tax.
  - b. Fringe benefit given to employees is exempt from fringe benefit tax.
  - c. If the fringe benefits is taxable, the tax will be paid by the employer.
  - d. Fringe benefits may be given to managerial, supervisory and rank and file employees.
8. Daily meal allowance for overtime work is a de minimis benefit if not exceeding what percent of the basic minimum wage?
  - a. 10%    b. 15%    c. 20%    d. 25%
9. Facilities or privileges furnished or offered by an employer to his employees that are of relatively small value and are offered or furnished by the employer merely as a means of promoting the health, goodwill, contentment, or efficiency of his employees.
  - a. Fringe benefit
  - b. Fringe benefit tax
  - c. De minimis fringe benefit
  - d. Grossed-up monetary value

10. Which statement is wrong? The fringe benefit tax is
- Imposed on the employer
  - Imposed on the rank and file employee if the amount of the benefit exceeds the ceiling allowed by the tax code
  - Withheld at source
  - Deductible by the employer

11. The following are considered as de minimis benefits granted to each employee except,
- Monetized unused sick leave credits of private employees not exceeding 10 days during the year
  - Monetized unused vacation leave credits of private employees not exceeding 10 days during the year
  - Monetized value of vacation leave credits paid to government officials and employees
  - Monetized value of sick leave credits paid to government officials and employees

12. Which of the following is not considered as "de minimis" benefits?
- Employees achievement award for length of service or safety achievement in the form of cash or gift certificate not exceeding P10,000 per year
  - Medical cash allowance to dependents of employees not exceeding P3,000 per year
  - Gifts given during Christmas and major anniversary celebrations not exceeding P5,000 per year
  - Medical allowance to cover medical and healthcare needs, annual medical/executive check-up, maternity assistance and routine consultations not exceeding P10,000 per year

13. In 2018, A Corporation allowed its Sales Manager to incur expenses subject to reimbursement, as follows:

Electricity (Meralco) – 70% in the name of A Corporation	20,000
Water (Maynilad) – 70% in the name of A Corporation	2,000
Grocery (SM)	10,000
Gasoline of Company car	12,000
Representation and Transportation – business trip	4,000

The amount subject to fringe benefits tax is

- P48,000
  - P25,400
  - P15,400
  - P16,600
14. The grossed-up monetary value of fringe benefit subject to fringe benefit tax received by a non-resident alien individual not engaged in trade or business in the Philippines is computed by dividing the monetary value of the fringe benefit by
- 75%
  - 68%
  - 85%
  - 15%

15. The following data belong to A Corp. for the year 2018

a. Educational assistance to supervisors and their children	P100,000
b. Employer's contribution for the benefit of the employees to retirement, insurance and hospitalization benefit plans	80,000
c. Year's rental for an apartment paid by the corporation for the use of its comptroller	120,000

The fringe benefits tax due in 2018 is:

- P 75,294
- P103,529
- P86,154
- None

16. A Corp., a regional operating headquarter of a MNC in the Philippines provided its employees cash and non-cash fringe benefits in 2017 and 2018 as follows:

Total amount of fringe benefits	P1,000,000
60% of said amount was given to rank and file employees	
40% of said amount was given to corporate officers as follows:	
a. to resident citizens (taxed at regular rates)	45%
b. to non-resident aliens not engaged in business in the Phils.	35%
c. to special aliens and Filipino employees	20%

Tax 85-06

The fringe benefits taxes due in 2017 and 2018 are:

- a. P145,491; P186,667                      c. P84,706; P34,456  
b. P188,235; P123,345                      d. None of the above

17. B Co., owns a condominium unit which is being used by the President of the corp.. It has a fair market value per Real Property Tax Declaration of P2,100,000 and a zonal value of P3,000,000.

Determine the fringe benefit taxes due in 2017 and 2018. Answer:

18. Mr. A is a mining engineer employed by B Co., a mining firm. The company's mine is in Mindanao. Mr. A was provided by the company with living quarters at the mine site. The fair rental value of the living quarters is P15,000 a month.

Determine the fringe benefit taxes due in 2017 and 2018. Answer:

19. In addition to other fringe benefits in 2018, Mr. B, a Chief Accountant, availed of the car plan of his employer, C Company. Under the plan, Mr. B shouldered only (50%) of the cost of the car, with the company shouldering the other 50%. Mr. B paid P340,000 for the car. The car was registered in the name of Mr. B.

Determine:

- a. The fringe benefit tax due. Answer:  
b. The deductible expense of the employer Answer:

20. In 2018, A company purchased a second hand car for its Chief Accountant as a fringe benefit. The cash purchase price of the car was P120,000. The company paid P30,000 as down payment plus four equal annual installment of P30,000 (120,000 plus P30,000 interest). The ownership was transferred to the chief accountant.

Determine the fringe benefit tax due in 2018. Answer:

21. In 2018, A, the sales manager, purchased a brand new car amounting to P500,000 of which P200,000 was contributed by the company as his fringe benefit.

Determine the fringe benefit tax due. Answer:

22. In 2018, ABC Corp. hired Miss A as sales manager for cosmetics. She was given the following compensation and fringe benefits:

Salary	P200,000/month
Three maids	4,000 per maid/month
Personal driver	8,000/month
Home owner's Association dues	1,200/year

Determine the annual fringe benefit tax due. Answer:

23. In 2018, A, the owner of Victory Supermarket lent P100,000 to B, the supermarket manager. It was stipulated in their agreement that the amount should be paid in one year with an annual interest of 3%.

Determine the fringe tax due. Answer:

24. In 2018, Mr. A, the Vice President for Finance of X Corporation incurred the following expenses in attending a three-day foreign business convention:

Plane tickets (USA travel)	
First class	\$1,000
Economy	500

Hotel accommodation (USA)	2,700
Inland travel	600

Assume \$1.00 = P50

Determine the fringe benefit tax due assuming that the business convention was:

- a. With documentary evidence      b. Without documentary evidence

Answer:

Answer:

25. In 2018 ABC Corporation paid for the annual rental of a residential house used by its general manager amounting to P136,000. The entry to record the benefit is

a.	Fringe Benefit Expense	P136,000	
	Fringe Benefit Tax Expense	73,230	
	Cash		P209,230
b.	Fringe Benefit Expense	P136,000	
	Fringe Benefit Tax Expense	36,615	
	Cash		P172,615
c.	Fringe Benefit Expense	P68,000	
	Fringe Benefit Tax Expense	36,615	
	Cash		P104,615
d.	Fringe Benefit Expense	P68,000	
	Fringe Benefit Tax Expense	64,000	
	Cash		P132,000

26. As a means of promoting the health, goodwill, contentment, and efficiency of his employees, employer A gave rank and file employee B the following fringe benefits in 2018:

a.	Monetized unused vacation leave of 15 days	P24,000
b.	Rice subsidy	36,000
c.	Uniform and clothing allowance	12,000
d.	Achievement award for length of service in the form of tangible personal property	20,000
e.	Gifts given during Christmas and major anniversary celebrations	15,000
f.	Medical benefits	20,000
g.	Laundry allowance	12,000
h.	13 <sup>th</sup> month pay	30,000
i.	Mid year bonus	30,000
j.	Productivity bonus	15,000

Determine the amount of:

- a. Deductible expense of A

- b. Taxable benefits of B

Answer:

Answer:

27. Enrique Gil, Filipino, is a manager of a PEZA-registered enterprise. He receives fringe benefits which normally are subject to the FBT. Is the PEZA-registered enterprise still liable to pay the FBT?

- a) No, if the PEZA-registered enterprise is under ITH. The FBT is considered an income tax from which the PEZA-registered enterprise is exempt under the ITH.
- b) No, if the PEZA-registered enterprise is under the 5% GIT. After paying the 5% GIT, such enterprise is exempt from the payment of all other taxes, national or local, including the FBT.
- c) Yes. If the PEZA-registered enterprise is under the 5% GIT, the monetary value of the fringe benefits of Enrique will first be grossed up by dividing it by 95%, and the FBT is computed by multiplying the GUMV by 5%.
- d) Yes. The monetary value of the fringe benefits of Enrique will first be grossed up by dividing it by 65%, and the FBT is computed by multiplying the GUMV by 35%.

**The End!!!**