TEST BANK – BUS. & TRANS. TX.

**Estate tax**

**Prelims**

1. Gross estate includes all his property, real or personal, tangible or intangible wherever situated, except
2. Resident citizen
3. Non-resident citizen
4. Resident alien
5. **Non- resident alien**
6. Written notice shall be given to the CIR if the gross estate exceeds
7. **P20, 000**
8. P50, 000
9. P100, 000
10. P150, 000
11. From the time of death, notice of death should be given within
12. One month
13. **2 months**
14. 3 months
15. 6 months
16. As a rule, estate tax return should be filed under oath if the gross estate exceeds
17. P100, 000
18. **P200, 000**
19. P500, 000
20. P1, 000, 000
21. If the estate consists of registrable property, such as real property, motor vehicle,

shares of stock or other similar property from which a clearance from the BIR is required as a condition for the transfer of ownership, an estate tax return should be filed under oath

1. If the gross estate exceeds P200, 000
2. If the gross estate exceeds P500, 000
3. If the gross estate exceeds P1, 000, 000
4. **Regardless of the value of the gross estate**
5. The estate tax return shall be supported with a statement duly certified by a CPA if the gross estate exceeds
6. P1, 000, 000
7. **P2, 000, 000**
8. P5, 000, 000
9. P10, 000, 000
10. From the decedents’ death, the estate tax return shall be filed within
11. 2 months
12. 3 months
13. **6 months**
14. 18 months
15. The CIR, in meritorious cases may grant a reasonable extension to file the return, not exceeding
16. **30 days**
17. 60 days
18. 3 months
19. 6 month

Items 9 through 12 pertain to the following information:

Proceeds of life insurance shall be included in the gross estate if the beneficiary designated is

1. The estate and the designation is
2. Revocable
3. Irrevocable
4. **Whether revocable or irrevocable**
5. Partly revocable, partly irrevocable
6. The executor and the designation is
7. Revocable
8. Irrevocable
9. **Whether revocable or irrevocable**
10. Partly revocable, partly irrevocable
11. The administrator and the designations is
12. Revocable
13. Irrevocable
14. **Whether revocable or irrevocable**
15. Partly revocable or irrevocable
16. A person other than the estate, executor or administrator and the designation is
17. **Revocable**
18. Irrevocable
19. Whether revocable or irrevocable
20. Partly evocable or irrevocable

Items 13 and 14 pertain to the following information:

If it will cause undue hardship on the part of the estate, the estate tax may be paid within

1. In case the estate is settled through the courts
2. 2 years
3. 3 years
4. 4 years
5. **5 years**
6. In case the estate is settled without court’s intervention
7. **2 years**
8. 3 years
9. 4 years
10. 5 years
11. This is not part of the gross estate of the decedent
12. Conjugal property
13. Community property
14. Share of the surviving spouse
15. **Exclusive property of the surviving spouse**
16. This is not part of the conjugal property
17. Those acquired by onerous title during the marriage at the expense of the common fund
18. Those acquired by industry or work of either of them
19. The fruits, rents or interests received or due during the marriage coming from the conjugal property or from the exclusive properties of the spouses
20. **Those acquired during the marriage by gratuitous title**
21. Under the absolute community of property, jewelry for personal and exclusive, the wife shall belong to the
22. Wife
23. Husband
24. **Husband and wife**
25. Children
26. A died leaving a farm land. In his will, he transferred the ownership thereof to B but subject to the condition that C will have the right to use the land for a period of ten years (usufruct).In the seventh year however, C died and in C’s will he surrendered his right over the land to B.
27. The transfer is subject to donor’s tax.
28. The transfer is subject to estate tax.
29. The transfer is both an inclusion from the gross estate.
30. **The above is tax exempt transfer.**
31. One of the following is not an exemption or inclusion from gross estate
32. Capital or exclusive property of the surviving spouse
33. Properties outside the Philippines of a non-resident Chinese decedent
34. **Shares of stock of San Miguel Corporation of a non- resident Mexican**
35. The owner of usufruct in the owner of a naked title
36. Which of the following statements is not correct in succession?
37. Legitimate children share equally in their legitimate of ½ the net distributable estate.
38. When the spouse survives with one legitimate child, the legitimate of the spouse is ¼ of the net distributable estate.
39. When the spouse survives with two legitimate children, the legitimate of the spouse is ¼ of the net distributable net estate.
40. **The legitimates of the legitimate and illegitimate children takes precedence over the legitimate of the surviving spouse.**
41. A made the following inter- vivos:

To B To C To D To E

Cost P100, 000 P100, 000 P100, 000 P100, 000

FMV, at the time of transfer 140, 000 140, 000 80, 000 80, 000

Consideration received 100, 000 100, 000 100, 000 0

FMV time death of A

one year after his death 120, 000 70, 000 120, 000 90, 000

The amount included to be included in the gross estate of A

1. P410, 000
2. P100, 000
3. P130, 000
4. **P110, 000**
5. The estate should be valued at the time
6. The heirs are ascertained
7. The estate tax is paid
8. The estate is ready for distribution to the heirs
9. **Of death of the decedent**
10. Medical expenses, to be deductible , must be incurred by the decedent within
11. **One year prior to his death**
12. One year after his death
13. Two years prior to his death
14. Three years prior to his death
15. The medical expense shall in no case exceed
16. P200, 000
17. P400, 000
18. **P500, 000**
19. P1, 000, 000
20. The amount of funeral expense that may be deducted from the gross estate is
21. 5% of the gross estate or P200, 000 whichever is lower
22. Actual funeral expense of P20, 000 whichever is lower
23. 5% of the gross estate or the actual funeral expenses whichever is lower
24. **5% of the gross estate or the actual funeral expenses of P200, 000 whichever is the lowest**
25. - Taxation of the estate shall be governed by the statue or law in force at the time of distribution of the estate to the heirs.

* Succession takes place upon the determination of the respective share of the heirs in the estate of the decedent
  1. True, true
  2. True, false
  3. False, true
  4. **False, false**

1. - The family home includes the house and the lot where the house stands

* The value of the house and the lot where it stands, if a Family Home is deductible from the estate of the decedent.
  1. True, true
  2. **True, false**
  3. False, True
  4. False, false

1. – Property brought to the marriage by either spouse shall belong to both spouses

* The share of the surviving spouse in the conjugal property is part of the gross estate of the decedent
  1. **True, true**
  2. True, false
  3. False, true
  4. False, false

1. – Fruits and income of exclusive property shall belong the spouses

* Donations made by the decedent during lifetime but to take effect upon his death shall be exempt from estate tax
  1. True, true
  2. True, False
  3. False, true
  4. **False, false**

1. - When exclusive property is sold during the marriage, the proceeds become property of the spouses.

* The legal heirs of the decedent must be determined first before the correct estate tax can be ascertained.
  1. True, true
  2. True, false
  3. False, true
  4. **False, false**

1. - Under the absolute community of property, property acquired before marriage by either spouse including fruits and income, if any belong to both spouses

* The cost of burial plot, tombstone, monument or mausoleum, mourning apparel, expenses of the wake and notices are deductible from gross estate as funeral expenses
  1. True, true
  2. True, false
  3. False, true
  4. **False, false**

1. – Expenses incurred for the performance of the rites and ceremonies incident to interment and those incurred after internment, such as prayers, masses and entertainment are part of the funeral expense.

* The administrator or executor shall submit a statement showing the disposition of the proceeds of the loan if the claims against the estate was contracted within five years before the death of the decedent.
  1. True, true
  2. True, false
  3. False, true
  4. **False, false**

1. If the property is inherited before marriage it will belong to both spouses while if it is inherited during marriage it is exclusive.

* Unless stipulated, the property relations shall be governed by conjugal partnership of gains for marriages celebrated on or before August 3, 1988.
  1. True, true
  2. True, false
  3. False, true
  4. **False, false**

1. Unless stipulated, the property relations shall be governed by absolute community of property for marriages celebrated on or before August 3, 1988.

* Under the regime of absolute community of property, property for personal and exclusive use of either spouses except jewelry shall belong to both spouses.
  1. True, true
  2. **True, false**
  3. False, true
  4. False, false

1. The estate may claim a standard deduction of
   1. **P1, 000, 000**
   2. P2, 000, 000
   3. P200, 000
   4. P500, 000
2. Statement 1 – The court may authorize the distribution of estate, to an heir if in its sound discretion it believes that the heir badly needs his share.

Statement 2 – The administrator or any of his heirs, may however upon authorization of BIR withdraw from the decedent’s bank deposits P20, 000 without the required certification that the estate tax has been paid.

* 1. True, true
  2. True, false
  3. **False, true**
  4. False, false

1. Statement 1 – A died giving B power to appoint a person who will inherit A’s house and lot. B, however can only choose among C, D, E and F. B decided to transfer the property to C, in B’s will when he was old already. The transfer from B to C is subject to estate tax.

Statement 2 – During A’s lifetime, he decided to give B as gift his car subject to the condition that if B does not become a CPA within three years, A shall revoke the transfer. In the second year, however, A died. The car can no longer from part of A’s gross estate.

* 1. True, true
  2. True, false
  3. False, true
  4. **False, false**

1. Statement 1 – Unpaid mortgage indebtedness is deductible from the gross estate provided the said property subject to the indebtedness in included in the gross estate, net of mortgage indebtedness.

Statement 2 – A donation inter-vivos by the decedent to the Philippine government few months before the death is a deduction from the gross estate

* 1. True, true
  2. True, false
  3. False, true
  4. **False, false**

1. A decedent left the following properties:

Land in Italy (with PIM unpaid mortgage) P2, 000, 000

Land in Laguna, Philippines 500, 000

Franchise in USA 100, 000

Receivable from debtor in Philippines 70, 000

Receivable from debtor in USA 100, 000

Bank deposits in USA 80, 000

Shares of stock of PLDT, Philippines 75, 000

Shares of stocks of ABC, foreign corporation 75% of the

business in the Philippines 125, 000

Other personal properties 300, 000

Zonal value of the land in Laguna 75, 000

If the decedent is a non resident citizen, his gross estate is

1. P3, 650, 000
2. **P3, 600, 000**
3. P2, 500, 000
4. P2, 650, 000
5. Using the above date, if the decedent is a non-resident alien, his gross estate is
   1. **P1, 195, 000**
   2. P945, 000
   3. P1, 320, 000
   4. P1, 070, 000
6. If in the preceding number reciprocity law can be applied, the gross estate is
   1. P1, 050, 000
   2. P1, 195, 000
   3. **P1, 250, 000**
   4. P1, 070, 000
7. Based on the above problem but assuming that the PLDT shares of stocks are not listed in the local stock exchange, and there are 1, 000 shares at the time of death, the company’s outstanding shares were 10, 000 shares. Its retained earnings was P2, 000, 000, par value per share was P50. The gross estate should show the said shares at
   1. Still at P75, 000
   2. **P250, 000**
   3. P200, 000
   4. P0
8. Which of the following statements is not correct?
   1. Taxes may be imposed to raise revenues or to provide disincentives to certain activities within the state.
   2. The state can have the power to taxation even if the Constitution does not expressly give it the power to tax.
   3. For the exercise of the power of taxation, the state can tax anything at any time.
   4. **The provisions of taxation in the Philippine Constitution are grants of power and not limitations on taxing powers.**
9. One of the characteristics of our internal revenue laws is that they are
   1. Political in nature
   2. Penal in nature
   3. Generally prospective in operation although the tax statute may nevertheless operate retrospectively provided it is clearly the legislative intent.
   4. **Answer not given.**
10. In case of conflict between tax laws and generally accepted accounting principles (GAAP):
    1. Both tax and GAAP shall be enforced;
    2. GAAP shall prevail over tax laws;
    3. **Tax laws shall prevail over GAAP;**
    4. The issue shall be resolved by the courts.
11. The following are similarities of the inherent power of taxation, eminent domain and police power, except one:
    1. Are necessary attributes of sovereignty;
    2. Interfere with private rights and property;
    3. **Affect all persons or the public;**
    4. Are legislative in implementation.
12. Tax as distinguished from license fee:
    1. **Non-payment does not necessarily render the business illegal;**
    2. A regulatory measure;
    3. Imposes in the exercise of police power;
    4. Limited to cover cost of regulation.
13. Which statement refers to police power as distinguished from taxation?
    1. It can be imposed on specific property or properties;
    2. **The amount imposes depends on whether the activity is useful or not;**
    3. It involves the taking of property by the government;
    4. The amount imposed has no limit.
14. The distinction of a tax from permit or license is that a tax is:
    1. Imposed for regulation;
    2. One which involves an extension of police power;
    3. **One in which there is generally no limit on the amount that may be imposed;**
    4. Answer not given
15. Which of the following is not an example of excise tax:
    1. Transfer tax
    2. Sales tax
    3. **Real property tax**
    4. Income tax
16. Value-added tax is an example of:
    1. Graduated tax;
    2. Progressive tax;
    3. Regressive tax;
    4. **Proportional tax**
17. Which statement is wrong?
    1. A tax is a demand of sovereignty;
    2. A toll is demand of ownership;
    3. **A special assessment is a tax**
    4. Customs duty is a tax
18. Which of the following is **not** a deduction from the gross estate under the National Internal Revenue Code?
    1. Taxes
    2. Losses
    3. Legacy to the government
    4. **Legacy to a charitable institution**
19. The following are the requisites in order that claims against the decedent’s estate may be deductible, **except**:
    1. They must be existing against the estate;
    2. They must be reasonably certain as to amounts;
    3. **They must have been prescribed;**
    4. They must be enforced by the claimants.
20. Which of the following is deductible from the gross estate?
    1. Income tax paid on income received after death;
    2. Property taxes not accrued prior to death;
    3. Estate tax paid to a foreign country;
    4. **Donor’s tax accrued prior to death.**

Midterm

Semi-final

1. Gross estate includes all his property, real or personal, tangible or intangible wherever situated, except
2. Resident citizen
3. Non-resident citizen
4. Resident alien
5. **No-resident alien**
6. Written notice shall be given to the CIR if the gross estate exceeds
7. **P20,000**
8. P50,000
9. P100,000
10. P150,000
11. From the time of death, notice of death should be given within
12. One month
13. **2 months**
14. 3 months
15. 6 months
16. As a rule, estate tax return should be filed under oath if the gross estate exceeds
17. P100,000
18. **P200,000**
19. P500,000
20. P1,000,000
21. If the estate consists of registrable property, such as real property, motor vehicle, shares of stock or other similar property from which a clearance from the BIR is required as a

condition for the transfer of ownership, an estate tax return should be filed under oath

1. If the gross estate exceeds P200,000
2. If the gross estate exceeds P500,000
3. If the gross estate exceeds P1,000,000
4. **Regardless of the value of the gross estate.**
5. The estate tax return shall be supported with a statement duly certified by a CPA if the gross estate exceeds
6. P1,000,000
7. **P2,000,000**
8. P5,000,000
9. P10,000,000
10. From the decedents’ death, the estate tax return shall be filed within
11. 2 months
12. 3 months
13. **6 months**
14. 18 months
15. The CIR, in meritorious cases may grant a reasonable extension to file the return, not

exceeding

1. **30 days**
2. 60 days
3. 3 months
4. 6 months

Items 9 through 12 pertain to the following information:

Proceeds of life insurance shall be included in the gross estate if the beneficiary designated is

1. The estate and the designation is
2. Revocable
3. Irrevocable
4. **Whether revocable or irrevocable**
5. Partly revocable, partly irrevocable
6. The executor and the designation is
7. Revocable
8. Irrevocable
9. **Whether revocable or irrevocable**
10. Partly revocable, partly irrevocable
11. The administrator and the designation is
12. Revocable
13. Irrevocable
14. **Whether revocable or irrevocable**
15. Partly revocable, partly irrevocable
16. A person other than the estate, executor or administrator and the designation is
17. **Revocable**
18. Irrevocable
19. Whether revocable or irrevocable
20. Partly revocable, partly irrevocable

Items 13 and 14 pertain to the following information:

1. It will cause undue hardship on the part of the estate, the estate tax may be paid within
2. 2 years
3. 3 years
4. 4 years
5. **5 years**
6. In case the estate is settled without court’s intervention
7. 2 years
8. 3 years
9. 4 years
10. **5 years**
11. This is **not** part of the gross estate of the decedent
12. Conjugal property
13. Community property
14. Share of the surviving spouse
15. **Exclusive property of the surviving spouse**
16. This is **not** part of the conjugal property
17. Those acquired by onerous title during the marriage at the expense of the common fund.
18. Those acquired by industry or work of either of them.
19. The fruits, rents or interests received or due during the marriage coming from the conjugal property or from the exclusive properties of the spouses.
20. **Those acquired during the marriage by gratuitous title.**
21. Under the absolute community of property, jewelry for personal and exclusive, the wife shall belong to the
22. Wife
23. Husband
24. **Husband and wife**
25. Children
26. A died leaving a farm land. In his will, he transferred the ownership thereof to B but subject to the condition that C will have the right to use the land for a period of ten years (usufruct). In the seventh year however, C died and in C’s will he surrendered his right over the land to
27. The transfer is subject to donor’s tax.
28. The transfer is subject to estate tax.
29. The transfer is both an inclusion from the gross estate.
30. **The above is tax exempt transfer.**
31. One of the following is **not** an exemption or inclusion from gross estate
32. Capital or exclusive property of the surviving spouse.
33. Properties outside the Philippines of a non-resident Chinese decedent.
34. **Shares of stock of San Miguel Corporation of a non-resident Mexican.**
35. The owner of usufruct in the owner of a naked title.
36. Which of the following statements is **not** correct in succession?
37. Legitimate children share equally in their legitimate of ½ the net distributable estate.
38. When the spouse survives with one legitimate child, the legitimate of spouse is ¼ of the net distributable estate.
39. When the spouse survives with two legitimate child, the legitimate of spouse is ¼ of the net distributable net estate.
40. **The legitimates of the legitimate and illegitimate children takes precedence over the legitimate of the surviving spouse.**
41. Ana made the following inter-vivos:

To Ben To Cel To Dan To Ed

Cost P100,000 P100,000 P100,000 P100,000

FMV, at the time of transfer 140,000 140,000 80,000 80,000

Consideration received 100,000 100,000 100,000 0

FMV at the time of death of Ana one year after his death.

120,000 70,000 120,000 90,000

The amount to be included in the gross estate of Ana

1. P410,000
2. P100,000
3. P130,000
4. **P110,000**
5. The estate should be valued at the time
6. The heirs are ascertained
7. The estate tax is paid
8. The estate is ready for distribution to the heirs
9. **Of death of the decedent**
10. Medical expenses, to be deductible, must be incurred by the decedent within
11. **One year prior to his death.**
12. One year after his death
13. Two years prior to his death.
14. Three years prior to his death.
15. The medical expense shall in no case exceed
16. P200,000
17. P400,000
18. **P500,000**
19. P1,000,000
20. The amount of funeral expense that may be deducted from the gross estate is
21. 5%of the gross estate or P200,000 whichever is lower
22. Actual funeral expense of P20,000 whichever is lower
23. 5% of the gross estate or the actual funeral expenses whichever is lower
24. **5% of the gross estate or the actual funeral expenses of P200,000 whichever is lower**
25. – Taxation of the estate shall be governed by the statue or law in force at the time of

distribution of the estate to the heirs.

* Succession takes place upon the determination of the respective share of the heirs in the estate of the decedent.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. – The family home includes the house and the lot where the house stands.

- The value of the house and the lot where it stands, if a family home is deductible from

the estate of the decedent

1. True; True
2. **True; False**
3. False; True
4. False; False
5. – Property brought to the marriage by either spouse shall belong to both spouses.

* The share of the surviving spouse in the conjugal property is part of the gross estate of the decedent.

1. **True; True**
2. True; False
3. False; True
4. False; False
5. – Fruits and income of exclusive property shall belong to the spouses.

* Donations made by the decedent during lifetime but to take effect upon his death shall be exempt from estate tax.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. – When exclusive property is sold during the marriage, the proceeds become the property

of the spouses.

* The legal heirs of the decedent must be determined first before the correct estate tax can be ascertained.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. – Under the absolute community of property, property acquired before marriage by

either spouse including fruits and income, if any belong to both spouses.

* The cost of burial plot, tombstone, monument or mausoleum, mourning apparel, expenses at the wake and notices are deductible from gross estate as funeral expenses.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. – Expenses incurred for the performance of the rites and ceremonies incident to interment

and those incurred after interment, such as prayers, masses and entertainment are part

of the funeral expenses.

* The administrator or executor shall submit a statement showing the disposition of the proceeds of the loan if the claims against the estate was contracted within five years before the death of the decedent.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. – If the property is inherited before marriage it will belong to both spouses while if it is

inherited during marriage it is exclusive.

* Unless stipulated, the property relations shall be governed by conjugal partnership of gains for marriages celebrated on or before August 3, 1988.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. – Unless stipulated, the property relations shall be governed by absolute community of

property for marriages celebrated on or before August 3, 1988.

* Under the regime of absolute community of property, property for personal and exclusive use of either spouses except jewelry shall belong to both spouses.

1. True; True
2. **True; False**
3. False; True
4. False; False
5. The estate may claim a standard deduction of
6. **P1,000,000**
7. P2,000,000
8. P200,000
9. P500,000
10. – The court may authorize the distribution of estate, to an heir if in its sound discretion it

believes that the heir badly needs his share.

* The administrator or any of his heirs, may however upon authorization of BIR withdraw from the decedent’s bank deposits P20,000 without the required certification that the estate tax has been paid.

1. True; True
2. True; False
3. **False; True**
4. False; False
5. - A died giving B power to appoint a person who will inherit A’s house and lot. B,

however can only choose among C, D, E and F. B decided to transfer the property to C,

in B’s will when he was old already. The transfer from B to C is subject to estate tax.

* During A’s lifetime, he decided to give B as gift his car subject to the condition that if B does not become a CPA within three, A shall revoke the transfer. In the second year, however, A died. The car can no longer form part of A’s gross estate.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. – Unpaid mortgage indebtedness is deductible from the gross estate provided the said

property is subject to the indebtedness is included in the gross estate, net of mortgage

indebtedness.

* A donation inter-vivos by the decedent to the Philippine government few months before the death is a deduction from the gross estate.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. One of the statement is wrong. Which is it? Vanishing deduction is allowed if the decedent is:
6. A resident citizen, and on property located in the Philippines.
7. **A resident citizen, and on property located outside the Philippines.**
8. A non- resident citizen, and on property in the Philippines.
9. A resident alien, and on property in the Philippines.
10. - For a vanishing deduction, there should always be two deaths within five years from

receipt of property.

* For two acquisitions by lucrative title at different dates, but both within five years from present death, there may be one consolidated computation only for the vanishing deduction

1. Both statements are true.
2. Both statements are false.
3. The first statement is true, but the second statement is false.
4. **The first statement is false, but the second statement is true.**
5. – If the decedent was married and under the system of absolute community of property, the vanishing deduction may be a deduction from the community properties.

* If a claim arises out of a debt instrument, a claim for deduction must be in all cases require that the debt instrument be notarized.

1. Both statements are true.
2. Both statements are false.
3. **The first statement is true, but the second statement is false.**
4. The first statement is false, but the second statement is true.
5. – No vanishing deduction shall be allowed where the property was, in prior estate, previously subject to vanishing deduction.

* Property outside the Philippines when the previous decedent (citizen of the Philippines) died, and in the Philippines at the time of the present decedent’s (non-resident, not citizen) death, may have a vanishing deduction.

1. Both statement are true
2. Both statements are false.
3. The first statement is true, but the second statement is false.
4. **The first statement is false, but the second statement is true.**
5. The decedent, during the lifetime, was under the conjugal partnership of gains. Among his allowable deductions from the gross estate is vanishing deduction and the following:

Funeral expenses P 80,000

Judicial expenses 100,000

Claims against conjugal properties 120,000

Mortgage on exclusive property 40,000

Bequest to charitable institution 5,000

Bequest to the Philippine Government 60,000

Medical expenses 300,000

Amount received under R.A. 4917 60,000

In the formula for vanishing deduction where:

Initial basis of property x Deductions

Gross estate

The multiplier “deductions” is:

1. **P400,000**
2. P405,000
3. P40,000
4. P100,000
5. Mr. Ramon Asuncion, citizen and resident of the Philippines, married, died, leaving the following properties:

Real and personal properties acquired during the marriage P3,000,000

Land and building inherited from the father 1 ½ years ago

(with a fair market value at that time of P1,500,000), and

Used at the time of his death as home for his family 2,000,000

Car, purchased with cash received as gift from the mother

During the year 500,000

Cash (including P500,000 received by inheritance from the

Father) 1,500,000

Claims against conjugal properties 600,000

Unpaid mortgage on the land and building inherited

(from an original of P600,000 when inherited) 100,000

The vanishing deductions is:

1. **P1,530,000**
2. P1,080,000
3. P 450,000
4. P1,130,000
5. Which is wrong? Deduction for transfers for public purposes:
6. Means legacy in a last will and testament to the government.
7. Means device in a last will and testament to the government.
8. **Includes any kind to the government for public purposes.**
9. Will not include legacies to charitable institutions.
10. Statement 1: Vanishing deduction for the estate of a non-resident, not citizen of the

Philippines, is allowed only if the property is located in the Philippines.

Statement 2: Deduction for transfers for public purposes for the estate of a non-resident,

not citizen of the Philippines, is allowed only if the property is located in the

Philippines.

1. **Both statement are true**
2. Both statements are false.
3. The first statement is true, but the second statement is false.
4. The first statement is false, but the second statement is true.
5. Statement 1: The standard deduction from the gross estate is always P1,000,000, whether

the decedent is married or not.

Statement 2: For a married person with exclusive and conjugal/community properties, the

standard deduction need not be classified as exclusive or conjugal deduction.

1. **Both statement are true**
2. Both statements are false.
3. The first statement is true, but the second statement is false.
4. The first statement is false, but the second statement is true.
5. One of the following statements is wrong. Identify. Medical expense deductible from the

gross estate:

1. Is only if the decedent was a citizen or resident of the Philippines at the time of death.
2. Is actual medical expenses or P500,000, whichever is lower.
3. Need not be on the illness resulting in death.
4. **Must be unpaid at the time of death.**
5. Only one statement is correct. Deduction for family income:
6. **Shall be allowed if the family home is in the Philippines.**
7. Shall be at a maximum of P1,000,000, based on cost.
8. May be allowed for two family homes (one in the city and another in the province), both in the Philippines and with certifications of the barangay captains.
9. Shall be deducted at lesser than P1,000,000. If, with vanishing deduction and unpaid mortgage or indebtedness, the value of the family home is reduced to zero.
10. Estate tax credit for foreign tax paid is available to the estate of:
11. **Resident or citizen of the Philippines.**
12. Non-resident alien.
13. All kinds of decedents.
14. All of the above.
15. An executor or administrator, after paying the estate tax, and to escape a future liability for a deficiency estate tax, must secure a written discharge from personal liability from:
16. The heirs
17. **The commissioner of Internal Revenue**
18. The court where the estate was being settled.
19. Need not secure a written discharge as long as he has a receipt on payment of the estate tax.
20. The estate tax return should be accompanied by a certificate of an independent CPA if the

gross estate is:

1. P2,000,000
2. P2,000,000 or over
3. **Over P2,000,000**
4. P50,000 or over.
5. Which statement is wrong? An estate tax return is required to be filed:
6. When the estate is subject to estate tax.
7. When the estate is not subject to estate tax but the gross estate exceeds P200,000.
8. Where the gross estate includes registered real property.
9. **In all cases where there is a gross estate.**
10. Which of the following statements is **not** correct?
11. No judge shall order a distribution of any part of the estate to an heir without a certification from the Bureau of Internal Revenue that the tax has been paid.
12. A bank shall not allow the co-depositor of a deceased to withdraw from the joint bank account without a certifications from the Bureau of Internal Revenue that the tax has been paid.
13. No Register of Deeds shall transfer to any heir the title of a decedent to real property without certifications from the Bureau of Internal Revenue that the tax has been paid.
14. **None of the above.**
15. When an estate is settled extra-judicially, the estate tax return may be filed and the estate tax paid:
16. **By any of the heirs, with a right of reimbursement from the other heirs.**
17. Only be the heir with written authority from the other heirs.
18. By each of the heirs, the payment being for his distributive share in the estate tax.
19. The eldest of the heirs and closest in relationship to the decedent.

**Business & percentage tax**

1. One of the following is not a major business internal revenue tax in the Tax Code.
2. VAT
3. Excise Tax
4. **Income Tax**
5. Percentage Tax
6. Which of the following statements is true?
7. Those who are not in paragraphs (a) to (u) exempt transactions of Section 109 of the NIRC whose annual gross sales or receipts exceed P1.5M shall be subject to the 12% VAT.
8. Those who are in paragraphs (a) to (u) exempt transactions of Section 109 of the NIRC regardless of annual gross sales or receipts shall be exempt form the VAT, hence are the subject to the 3% percentage tax.
9. Those who are not in paragraphs (a) to (u) exempt transactions of Section 109 of the NIRC whose annual gross sales or receipts do not exceed P100,000 shall be exempt from the VAT, but are subject to the 3% percentage tax.
10. **Those who are in paragraphs (a) to (u) of Section 109 of the NIRC regardless of annual gross sales or receipts shall be exempt form the VAT.**
11. One of the following is **not** a transaction deemed sale.
12. Transfer, use or consumption not in the ordinary course of the business of goods or properties originally intended for sale or for use in the course of business.
13. Distribution or transfer to shareholders or investors of goods or properties as share in the profits of a vat-registered person or to creditors in payment of debt.
14. Retirement from or cessation of business with respect to inventories of taxable goods on hand s of the date of such retirement or cessation.
15. **Consignment of goods if actual sale is made within 60 days following the date such goods was consigned.**
16. The allowable transitional input tax is
17. The lower between 2% of the value of beginning inventory or actual vat paid on such inventory.
18. **The higher between 2% of the value of beginning inventory or actual vat paid on such inventory.**
19. The actual vat paid on beginning inventory.
20. 2% of the value of beginning inventory.
21. Which of the following input taxes can be refunded, converted into tax credit certificates or carried over to the next quarter at the option of the vat registered taxpayer?
22. Input tax on purchase of raw materials.
23. Input tax on importation of supplies.
24. **Input tax on zero-rated sales of goods or services.**
25. Input tax on purchase of services.
26. The value added tax due on the sale of taxable goods, property and services by any person whether or not he has taken the necessary steps to be registered
27. Input tax
28. **Output tax**
29. Excise tax
30. Sales tax
31. Monthly VAT declaration is filed on or before the
32. 10th day from the end of each quarter
33. **20th day from the end of each quarter**
34. 25th day from the end of each quarter
35. 30th day from the end of each quarter
36. Quarterly VAT return shall be filed on or before the
37. 10th day from the end of each quarter
38. 20th day from the end of each quarter
39. 15th day from the end of each quarter
40. **25th day from the end of each quarter**
41. Value Added Tax is a / an
42. **Indirect tax**
43. Direct tax
44. Local tax
45. Personal tax
46. Statement 1 – A taxpayer whose gross sales or receipts exceeded the amount of

P1,500,000 shall pay the VAT even if he is not a VAT registered;

consequently, he is also entitled to input taxes.

Statement 2 – Importers for personal use is not subject to VAT if he is not VAT

registered.

1. Both statement are true
2. **Both statements are false.**
3. The first statement is true, but the second statement is false.
4. The first statement is false, but the second statement is true.
5. One of the statements is incorrect.
6. **Imported goods which are subject to excise tax are no longer subject to VAT.**
7. VAT on importation is paid to the Bureau of Customs before the imported goods are released from its custody.
8. Expenses incurred after the goods are released from Customs custody are disregarded in computing the VAT on importation.
9. When a person who enjoys a tax-exemption on his importation subsequently sells in the Philippines such imported articles to a non-exempt person, the purchases-non exempt person shall pay the VAT on such importation.
10. One of the following is **not** an activity subject to VAT
11. Sale in retail of goods by a dealer.
12. Sale of bamboo poles by a dealer.
13. Sublease or real property in the course of business.
14. **Importation of ordinary feeds for poultry chicken.**
15. Which statement is correct?
16. Zero rated sales is exempt from the VAT.
17. A person whose sales of receipts do not exceed P250,000 is exempt from VAT and OPT.
18. **A person who issues a VAT invoice on a VAT exempt transaction is nevertheless subject to VAT on said transaction.**
19. Entities which are exempt from income tax are also exempt from VAT.
20. Which of the following importation is subject to VAT?
21. Importation of frozen meat.
22. **Importation of bamboo poles.**
23. Importation of apples from personal consumption.
24. Importation of grapes for sale.
25. Which of the following is subject to VAT?
26. Sale of smoked fish.
27. Sale of lechon.
28. **Sale of shells and coral products by a dealer.**
29. Sale of newspapers.

23. K imported a car from USA for her personal use. Total landed cost is P250,000, including

customs duties of P50,000. VAT on importation is

1. P 0
2. P20,000
3. P36,000
4. **P30,000**

24. An importer wishes to withdraw its importation from the Bureau of Customs. The

imported goods were subjected to 10% customs duty in the amount of P12,500 and other

charges in the amount of P9,500. The VAT due is

1. P12,500
2. **P17,640**
3. P13,364
4. P14,700

27. The A Bakers sells cakes and pastry to well known hotels in Metro Manila area. The

hotels are allowed credit based on the track record of the hotels. The sale by the store in

April 2011 was P224,000, including VAT. 75% of the sales are normally on account.

How much is the output tax for the month of April 2011?

A. P22,000

B. P20,000

C. P16,500

**D. P24,000**

29. A, a VAT-registered, made the following purchases during the month of January 2011:

Goods for sale, inclusive of VAT P224,000

Supplies, exclusive of VAT 20,000

Office air conditioner, total invoice amount 56,000

Home appliances for residence, gross of VAT 17,600

Repair of store, total invoice amount evidences by

ordinary receipt of the contractor 4,400

Creditable input taxes are

1. P26,400
2. P29,400
3. P24,000
4. **P32,400**

30. A taxpayer registered under the VAT system on January 1, 2010. His records during the

month show

Value of inventory as of Dec 31, 2010, purchased from VAT registered persons P50,000

VAT paid on inventory as of December 31, 2010 6,000

Value of inventory as of December 31, 2010, VAT exempt goods 60,000

Sales, net of VAT 140,000

Sales, gross of VAT 45,000

Purchases, net of VAT 70,000

VAT payable is

1. P11,100
2. **P7,221**
3. P3,100
4. P18,100

31. The following are the data of Urban Appliance Corporation, for the last quarter of 2010.

Sales up to December 15, total invoice value P336,000

Purchases up to December 15, net of input tax 215,000

Additional information:

On December 16, 2010, Urban Appliance Corporation retired from its business and the

inventory valued at P190,000 was taken and transferred to New Urban Appliance

Corporation. There is deferred input tax from the third quarter of P3,500.

How much is the total VAT due and payable by Urban Appliance Corporation in its

operations in the last quarter and its retirement from business?

1. P22,500
2. P 3,500
3. P 6,350
4. **P29,500**

32. Assuming that New Urban Appliance Corporation has the following data for the first

quarter of 2011:

Sales, total invoice value P448,000

Purchases, total invoice value 224,000

How much is the VAT payable of New Urban Appliance Corporation for the first quarter

of 2011?

1. P28,000
2. **P 1,200**
3. P30,000
4. P24,000

39. A, a VAT taxpayer billed his customer:

Selling Price P500,000

Value Added Tax 70,000

Total P570,000

The output tax is

1. P70,000
2. P60,000
3. **P61,071**
4. P68,400

**Donation (CPAR)**

1. The donation of a movable property may be made
2. Orally
3. In writing
4. **Either A or B**
5. Neither A nor B
6. Using the preceding number, the donation and acceptance should be in writing if the value of the property donated is
7. Less than P5,000
8. P5,000 or less
9. P5,000 or more
10. **More than P5,000**
11. The donation of an immovable property shall be made
12. In writing
13. **In a public instrument**
14. Either A or B
15. Orally
16. Using the preceding number, acceptance by the donee may be made
17. In the same deed of donation.
18. In a separate document.
19. **Either A or B.**
20. Neither A nor B.
21. A donation which takes effect upon the death of the donor
22. Donation mortis causa.
23. Partakes of the nature of a testamentary disposition.
24. Shall be governed by the law on succession.
25. **A, B and C**
26. A donation which is intended by the donor to take effect during the lifetime
27. Shall be subject to donor’s tax using the tax table for donation.
28. Shall be in writing if the value exceeds P5,000.
29. **Donation inter-vivos.**
30. A, B and C.
31. For donor’s tax purposes, who among the following is/are stranger(s) to you?
32. The grandson of the daughter of your grandson.
33. The grandfather of the mother of your grandmother.
34. The brother of the father of your grandfather.
35. The grandson of the sister of your mother.
36. I and II
37. II and IV
38. III only
39. **IV only**
40. I – Dowries or gifts made on account of a family celebration, on or before its celebration,

or within one year thereafter, by parents to each of their legitimate, recognized natural

or adopted children, to the extent of the first P10,000 shall be exempt from donor’s

tax.

II – Donations in favor of an educational and/ or charitable, religious, cultural or social

welfare corporation, institution, accredited non-government organization, trust or

philanthropic organization or research institution, or organization provided that no

amount of said gifts shall be used by the done for administration purposes shall be

exempt from donor’s tax.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. I. If the value of the movable property donated is P5,000 or more , the donation and the

acceptance shall be made in writing, otherwise the donation shall be void.

II. Regardless of the value of the immovable property donated, the donation and the

acceptance shall be made in writing; otherwise the donation shall be void.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. I. The gift is perfected from the moment the donor effects the delivery either actually or

constructively of the property donated.

II. Donor’s tax is a property tax imposed on the property transferred by way of gift inter-

vivos.

1. True; True
2. True; False
3. False; True
4. **False; False**
5. I. Where the property is transferred during lifetime or less than adequate and full

consideration in money or money’s worth, then the amount by which the value of the

property exceeded the value of the consideration shall be for the purpose of the

donor’s tax, be deemed a gift.

II. Gifts of conjugal property made by both spouses shall be considered as having been

made one-half by the husband and the other half by the wife and is taxable ½ to each

donor spouse.

1. True; True
2. True; False
3. **False; True**
4. False; False
5. I. For purpose of the donor’s tax, second degree cousins are strangers to each other.

II. Encumbrance on the property donated, if assumed by the donor is deductible for

donor’s tax purposes.

1. True; True
2. True; False
3. **False; True**
4. False; False
5. I. As a rule, donation between husband and wife during the marriage is void.

II. Donation can be made to conceived or unborn children.

1. **True; True**
2. True; False
3. False; True
4. False; False
5. The property, rights and obligations of a person which are not extinguished by his death and those which accrued thereto since the opening of succession.
6. Assets
7. Capital
8. **Estate**
9. Income
10. The term applied to the person whose property is transmitted through succession, whether or not he left a will
11. **Decedent**
12. Transferor
13. Transferee
14. Grantor
15. The term applied to the answer in no. 30 if he left a will.
16. Transferor
17. Grantor
18. Donor
19. **Testator**
20. The person called to the succession either by the provision of a will or by operation of law.
21. **Heir**
22. Devisee
23. Legatee
24. Trustor
25. The person to whom a gift of real property is given by virtue of a will.
26. Heir
27. Devisee
28. **Legatee**
29. Trustor

**Other Percentage Tax**

5. One of the following is subject to common carrier’s tax

A. Owners of banca

B. Owners of animal-drawn two wheeled vehicles

C. Common carriers by land for transport of goods or cargoes

**D. Common carriers by land for transport of passengers**

6. A person whose business is to keep automobile for hire or keep them stored for use or

order

1. **Keepers of garage**
2. Common carrier
3. Taxicab operators
4. Tourist bus operator

7. The franchise tax of grantees of radio and television broadcasting whose annual gross

receipts of the preceding year do not exceed P10,000,000 shall be

1. 2% of the gross receipts
2. **3% of the gross receipts**
3. 4% of the gross receipts
4. 5% of the gross receipts

8. In the third quarter of 2010, a taxpayer engaged in the sale of services whose annual

gross receipts do not exceed P1,500,000 has the following data

Accounts receivable, beginning of the quarter P 50,000

Sales during the quarter 100,000

Accounts receivable, end of the quarter 75,000

Purchase of supplies, total invoice amount 11,200

The percentage tax due for the quarter is

1. **P2,250**
2. P3,000
3. P7,500
4. P6,500

9. One of the following is not subject to the 3% percentage tax

A. International air carrier doing business in the Philippines

B. International shipping carrier doing business in the Philippines

C. Domestic carriers and keepers of garage

**D. Franchise grantee of electric utilities**

10. Franchise grantees of city gas and water utilities are subject to franchise tax of

**A. 2%**

B. 3%

C. 4%

D. 5%

11. Amounts received for overseas dispatch, message or conversations originating from the

Philippines are subject to

1. 3% franchise tax
2. **10% overseas communication tax**
3. 2% franchise tax
4. 10% VAT

12. A tax on the right or privilege to enter places of amusement

A. VAT

B. Franchise tax

**C. Amusement tax**

D. Income tax

13. One of the following is not subject to amusement tax on gross receipts

A. Disco houses

B. Cockpits

C. Professional basketball

**D. Bowling alleys**

14. All of the following except one are liable to ½ of 1% stock transaction tax. Which one is

not?

1. Individual taxpayers, whether citizens or alien
2. Corporate taxpayers, whether domestic or foreign
3. Estates and trust
4. **Dealers in securities**

15. One of the following statements is **incorrect**?

A. The ½ of 1% tax shall be collected by the brokers who made the sale and shall be

remitted within 5 banking days from the date of collection.

B. The tax paid on sale of shares through local stock exchange and initial public offering

and secondary offering shall not be allowable deduction for income tax purposes.

**C. The ½ of 1% tax stock transaction is a final withholding tax on income.**

D. The ½ of 1% tax stock transaction is collected whether there is an income or loss and

is a percentage tax.

16. A, operates a ferryboat. During a particular quarter, its receipts consist of the following:

Gross receipts: (without VAT)

Transport of passengers P1,000,000

Transport of goods 1,500,000

Transport of cargoes 500,000

The common carrier’s tax payable is

1. P 30,000
2. P 90,000
3. P100,000
4. **None**

17. Using the data above, the output VAT is

**A. P360,000**

B. P 90,000

C. P100,000

D. P240,000

18. A is the owner of a small variety store. His gross sales in any one year do not exceed

P1,500,000. He is not vat-registered. The following data are taken from the books of the

variety store for the quarter ending March 31, 2011:

Merchandise inventory, December 31, 2010 P100,000

Gross sales 450,000

Purchase from VAT-registered supplies 350,000

The percentage tax due is

1. P10,000
2. **P13,500**
3. P16,500
4. None

19. A, is a holder of franchise to sell electricity. In a particular quarter, its gross receipts

amounted to P2,000,000 from sale of electricity. It has also receipts from lease of its

auditorium and theater amounting to P600,000. The percentage tax due for the quarter is

A. P 40,000

B. P 60,000

C. P100,000

**D. None**

20. A operates a cockpit. Inside the cockpit, he also operates a restaurant. Data for the

particular quarter follow:

Gross receipts:

Cockpit operations P500,000

Restaurant operations:

Sale of goods 100,000

Sale of liquor 150,000

The amusement tax due from A is

1. P 90,000
2. **P135,000**
3. P225,000
4. P 75,000

21. Using the above data, except that the restaurant is not owned by A but is owned by

another person, B, no VAT registered and whose annual gross sales never exceeded

P1,500,000. The amusement tax due from A is

1. **P 90,000**
2. P135,000
3. P225,000
4. P 7,500

22. Continuing the preceding number, the percentage tax due from B is

1. P 90,000
2. P135,000
3. P225,000
4. **P 7,500**

23. A promoted a world boxing championship in Manila featuring B, a Filipino champion.

Gate receipts amounted to P3,000,000 and additional receipts from television coverage

was P2,000,000. The amusement tax due is

1. **None**
2. P500,000
3. P300,000
4. P900,000

24. Assuming that the above data is not a world championship but a Philippine national

boxing championship, how much is the amusement tax?

1. None
2. **P500,000**
3. P300,000
4. P900,000

28. Which of the following statements is correct?

A. A taxpayer whose annual gross receipts/sales exceed P1,500,000 shall pay VAT even

if he is not VAT registered.

B. A taxpayer whose annual gross receipts/sales do not exceed P1,500 but who is VAT-

registered shall pay VAT.

C. Percentage tax maybe imposed together with VAT.

**D. Percentage tax maybe imposed together with excise tax.**