TAX. M-1401 Estate tax

Basic Terminologies

1. An act whereby a person is permitted with the formalities prescribed by law, to control to a certain degree the disposition of his estate, to take effect after his death. A. will C. legitime B. Succession D. device
2. The person whose property is transmitted through succession, whether or not he left a will. A. successor C. legatee

B. heir D. decedent

1. The person called to the succession, either by the provision of a will or by operation of law.

A. Heir C. devisee

B. legatee D. decedent

1. Succession which results from the designation of an heir, made in a will executed in the form prescribe by law. A. Testamentary C. intestate succession

B. mixed succession D. legal succession

1. Transmission of properties where there is no will, or if there is a will, the same is void or nobody succeeds in the will. A. testamentary succession C. legal succession B. mixed succession D. escheat
2. Transmission of properties which is effected partly by will and partly by operation of law. A. testamentary succession C. legal succession B. mixed succession D. intestate succession
3. An heir to a particular personal property given by virtue of will. A. Legacy C. devisee B. successor D. legatee
4. An heir to particular real property given by virtue of will. A. devise C. successor B. devisee D. legatee
5. Part of the testator’s property which he cannot dispose of because the law has reserved it for certain heirs who are called compulsory heirs. A. legitimate C. free portion B. legitime D. estate
6. A will which is entirely written, dated and signed by the testator. A. hieloglyphics C. holocaust B. holographic D. own will

**Problem 1**

Liwayway died leaving the fo;;owing properties:

1. House and lot in the Philippines (mortgaged for P300,000) 1,250,000
2. Condominium unit in Hongkong 1,000,000
3. Car in Philippines 70,000
4. Car in Hongkong 60,000
5. Franchise exercised in the Philippines 300,000
6. Franchise exercised in New York, USA 25,000
7. Domestic shares, certificate kept in New York, USA 55,000
8. Foreign shares, 90% of business in the Philippines 60,000
9. Foreign shares, 30% of business in the Philippines, with business situs in the Philippines. 15,000
10. Foreign shares, 60% of business in the Philippines 75,000
11. The gross estate if the decedent was a resident citizen, resident alien or a non-resident citizen- A. 2,910,000 C. 1,620,000 B. 1,770,000 D. 1,750,000
12. The gross estate if the decedent was a non-resident alien (no reciprocity)- A. 2,910,000 C. 1,825,000 B. 1,750,000 D. 1,320,000
13. The gross estate if the decedent was a non-resident alien (with reciprocity)- A. 2,910,000 C. 1,825,000 B. 1,750,000 D. 1,320,000

**Problem 2**

Juan, married to Juana, died. The following properties were left upon his death:

1. Durian plantation in Davao, brought into marriage by H. - 3,000,000
2. Income of plantation in Davao earned during marriage - 250,000
3. Shares of stocks with Aga corp. earned by Juana during marriage - 420,000
4. Dividends from Aga Corp. earned during marriage - 52,000
5. Bus in Cebu, inherited by Juan during the marriage - 760,000
6. Income of passenger bus earned during the marriage - 23,000
7. Riceland in Legazpi, inherited by Juana before marriage - 460,000
8. Income of Riceland in Legazpi earned during the marriage - 50,000
9. Underwear(panties, brassiere) of Juana brought into Juana - 85,000
10. Cash, unidentified when and by whom acquired - 55,000
11. Jewelries inherited by Juana during marriage from her mother - 320,000
12. The exclusive properties of Juan under conjugal partnership of gains­­­­-- A. 5,475,000 C.3,760,000 B. 3,815,000 D. 4,610,000
13. The gross estate of Juan if the spouse were under conjugal partnership of gains­­­­-- A. 5,475,000 C. 4,560,000 B. 4,610,000 D. 3,975,000
14. The community property of the spouses under absolute community of property regime-- A. 4,287,000 C. 4,560,000 B. 5,475,000 D. 3,975,000
15. The gross estate of Juan if the spouses were under the absolute community of property regime-- A.5,070,000 C. 4,287,000 B. 5,475,000 D. 4,610,000

**Problem 3**

Market value – date of

Transfer Death Consideration

1. Revocable transfer:
2. Coconut plantation P1,500,000 P1,800,000 P1,000,000
3. Mitsubishi pajero 1,200,000 1,000,000 750,000
4. Shares of stock 300,000 220,000 250,000
5. Delivery truck 400,000 450,000 420,000
6. Townhouse, in contemplation of death 2,000,000 2,300,000 1,500,00

8. The amount includible in the gross estate is-- A. 1,080,000 C. 1,050,000 B.1,850,000 D. 1,500,000

**Problem 4**

Actual Gross estate Deductible

1. P 60,000 P1,500,000 60,000
2. 175,000 5,000,000 175,000
3. 55,000 1,150,000 55,000
4. 225,000 4,750,000 200,000

**Problem 5**

Al, decedent, had the following data at the time of his death on July 20, 2013:

Prior decent – father Present decedent

Car P250,000 P 200,000 Land 500,000 900,000

The land had an unpaid mortgage of P300,000 at the time it was inherited from his father on January 5, 2010. Al was able to pay P200,000 before his death. The gross estate of Al was P4,000,000 while the expenses amount to P900,000 broken down as follows:

Actual funeral expenses P 175,000 Claims against the estate 3 0,000 Claims against insolvent persons 20,000 Transfer to City of Manila for public purpose 50,000 Medical expenses 545,000 RA 4917 80,000

Included in the gross estate is his family home. It was purchased on Feb. 2012 at P1.8M. At the time of his death, it had a value of P2,000,000

9.The amount of vanishing deduction is—

A. 77,500 C. 173,125

B. 90,625 D. 181,250

**Problem 6**

Indicate whether the following items of deduction from gross estate are deductible or not.

|  |  |  |  |
| --- | --- | --- | --- |
| Items of Deduction | Resident or Citizen Decedent | NRA Decedent | Remarks |
| ELIT |  |  |  |
| Transfer for public use |  |  |  |
| Vanishing deduction |  |  |  |
| RA 4917 |  |  |  |
| Share of surviving spouse |  |  |  |
| Medical expenses |  |  |  |
| Standard deduction |  |  |  |
| Family Home |  |  |  |

**Problem 7**

Country A: Net estate of P100,000 and estate tax paid of P3,500; Country B: Net estate of P200,000 and estate tax paid of P5,000; Philippines: Net estate of P200,000. The decedent was a citizen and resident of the Philippines.

9. The estate tax credit for foreign estate tax paid is:

A. P9,000

B. P8,500

C. P8,000

D. P7,000

10. The estate tax still due after credit for foreign estate taxes paid is:

A. P6,000 C. P7,000

B. P6,500 D. P15,000

**Problem 8**

Papa Tai died on January 3, 2013. The estate tax due and payable of P25,000 was paid on January 3, 2015.

11. The estate tax due, including increments ,if any

A. 38,750 C. 34,375

B. 36,250 D. 33,750

12. Assuming the tax was paid on January 3, 2016 and the failure to pay tax due on time was due to willful neglect, the tax due is

A. 50,000 C. 37,500

B. 45,000 D. 33,750

**MULTIPLE CHOICE QUESTIONS**

1. Which of the following statements is correct?

A. The gross estate of a resident citizen decedent would not include all properties, whether real or personal and whether within or without.

B. The gross estate of an American decedent who was a resident of the Philippines includes all properties in the Philippines only.

C. The gross estate of a Filipino decedent who was residing in Australia would include all properties regardless of location.

D. The personal property of a non-resident alien is not included in the gross estate in the Philippines if they are intangible.

2. In computing the gross estate of a decedent:

A. If he was a non-resident, but citizen of the Philippines, tangible and intangible properties, regardless of location, shall be included

B. If he was a resident who was not a citizen of the Philippines, tangible and intangible properties, regardless of location, shall be included

C. If he was a non-resident who was not a citizen of the Philippines, tangible and intangible personal properties, located in the Philippines, shall be included.

D. All above statements are correct.

3. A citizen of the Philippines, single, died a resident of Canada, leaving the following properties:

|  |  |
| --- | --- |
| Real property in Canada, inherited from father one and one-half years ago | P2,000,000 |
| Personal property in the Philippines inherited from father | 1,600,000 |
| Family home in Canada | 1,400,000 |

The gross estate subject to Philippine estate tax is:

A. P3,400,000 C. P1,600,000

B. P5,000,000 D. P3,000,000

4. Which of the following is not included in the gross estate?

A. Revocable transfer where the consideration was not sufficient

B. Revocable transfer where the power of revocation was not exercised

C. Transfer under a general power of appointment where the consideration was not sufficient

D. Transfer under a special power of appointment

5. A revocable transfer with a consideration received:

|  |  |
| --- | --- |
| Consideration received | P200,000 |
| Fair market value of property at the time of transfer | 300,000 |
| Fair market value of property at the time of death | 250,000 |

Value to include in the gross estate is:

A. 300,000 C. 100,000

B. 250,000 D. 50,000

6. Which of the following is not included in the gross estate?

A. Transfer in contemplation of death where the consideration is not sufficient

B. Revocable transfer where the power of revocation was not exercised

C. Proceeds of life insurance where the beneficiary designated is the executor and the designation is irrevocable

D. Proceeds of life insurance where the irrevocably designated beneficiary is the mother

7. A citizen of Japan, residing in Hongkong, with properties in Hongkong and the Philippines, had the following data on properties and rights at the time of his death and their values.

|  |  |
| --- | --- |
| Real estate, Hongkong | P1,000,000 |
| Real estate, Philippines | 2,000,000 |
| Shares of stock of a domestic corporation | 200,000 |
| Shares of stock of a Japanese corporation | 300,000 |
| Shares of stock of a Canadian corporation, doing business in the Philippines only | 100,000 |
| Philippine peso deposit in Metrobank | 500,000 |
| Receivable under a life insurance with an insurance company doing business in Hongkong | 250,000 |

The gross estate that should be reported in the Philippines is:

A. P4,350,000 C. P 2,800,000

B. P3,700,000 D. P4,000,000

8. Which statement is wrong? The gross estate shall be valued:

1. At its fair market value at the time of death
2. At its fair market value at the return is due
3. In real property, the zonal value, which may be higher than the assessed value
4. In the case of common shares of stock, at book value

9. Personal property with a cost of P400,000 and a fair market value at the time of death P900,000, but subject to a mortgage of P250,000

a. Shall be in the taxable net estate at P500,000

b. Shall be in the gross estate at the decedent’s equity of P650,000

c. Shall be in the gross estate at P400,000

d. Shall be in the gross estate at P900,000

10. 1st statement: For marriages on or after August 3, 1988, the property relationship between husband and wife, in the absence of a written agreement between them, is the system of absolute community of property.

2nd statement: There may be a property relationship of conjugal partnership of gains even if marriage was on or after August 3, 1988.

a. Only the first statement is true

b. Only the second statement is true

c. Both statements are true

d. Both statements are false

11. Which of the following is correct? Under the system of conjugal partnership of gains and absolute community of property:

a. Property acquired during the marriage by inheritance or gift is exclusive property under both systems

b. Property owned before the marriage is exclusive property under both systems

c. Income of property under (a) is exclusive property under both systems

d. Property under (a) may be conjugal or community when expressly declared by the benefactor as conjugal or community

12. One of the following statements is wrong:

a. Amounts receivable under RA 4917, and during the marriage, are conjugal properties

b. Income out of the labor of the husband is conjugal property

c. Income out of exclusive property of the wife is conjugal property

d. Property inherited when the fair market value was P600,000, sold for cash during the marriage when the value was P1,000,000 resulted in gain of P400,000. The gain is conjugal property

13. A citizen and resident of the Philippines died on October 5, 2010. He was a married and the property relationship during the marriage was absolute community of property. He left behind properties with market values as follows:

|  |  |
| --- | --- |
| Agricultural land | P 100,000 |
| House and lot acquired by inheritance before the marriage 4-1/2 yrs. ago, used as family home (with a FMV of P420,000and a mortgage of P120,000 when acquired: P20,000 was paid by the decedent before he died) | 500,000 |
| Jewelry of wife, acquired during the marriage with her income | 50,000 |
| Clothes acquired during the marriage , with income during the marriage: |  |
| For use of the decedent | 60,000 |
| For us of the wife | 70,000 |
| Cash on hand and in banks: |  |
| Income from unidentified sources | 300,000 |
| From a sale at a loss of exclusive property | 1,500,000 |
| Received as gift six yrs. ago and before the marriage (current account) | 40,000 |
| Other properties: |  |
| Owned before the marriage | 90,000 |
| Acquired during the marriage | 20,000 |

The gross estate is:

a. P1,560,000 c. P2,660,000

b. P1,100,000 d. P3,660,000

14. Which of the following statements is wrong? For, a decedent who was married at the time of death, there may be deductible funeral expenses:

a. Whether paid or unpaid

b. By funeral expenses incurred before internment

c. Reduces the distributable estate by the allowable 5% of the gross estate

d. At not more than P200,000

15. Which of the following deductible for the purposes of computing the net distributable estate?

a. Vanishing deduction c. unpaid medical expenses

b. standard deduction d. RA 4917

16. Which of the following statements is wrong? Deduction for funeral expenses shall be allowed:

a. Shall in no case exceed 5% of the gross estate

b. Shall in no case exceed P200,000

c. Only if paid out of the estate

d. For a non-resident alien, only that which was actually incurred in the Philippines

ITEMS 17 THROUGH 19 ARE BASED ON THE FOLLOWING INFORMATION:

A resident citizen died with properties constituting his gross estate of P5,000,000. Actual funeral expenses amounted to P220,000 and other expenses and claims which are deductions from the gross estate amounted to P1,200,000.

17. The allowable deduction for funeral expenses is:

a. 220,000 c. 200,000

b. 250,000 d. None given

18. The taxable net estate is:

a. P3,600,000 c. P 3,700,000

b. P2,600,000 d. P3,580,000

19. The distributable estate was diminished by:

a. P 1,420,000 c. P 1,200,000

b. P 1,400,000 d. Some other amount

ITEMS 20 and 21 ARE BASED ON THE FOLLOWING INFORMATION:

Properties in the Philippines – P500,000; Properties outside the Philippines – P300,000; Actual funeral expenses in the Philippines – P20,000; Actual funeral expenses outside the Philippines – P10,000.

20. If the decedent was a citizen or resident of the Philippines, the deductible funeral expenses is:

a. P30,000 c. P18,750

b. P40,000 d. P25,000

21. If the decedent was a non-resident, not citizen of the Philippines, the deductible funeral expenses is:

a. P15,625 c. P18,750

b. P40,000 d. P25,000

22. *Statement 1*: Losses can be deducted only if incurred during the settlement of the estate.

*Statement 1:* Losses can be deducted only if the property lost is included in the gross estate.

a. both statement are true.

b. both statement are false.

c. the first statement is true, but the second statement is false.

d. the first statement is false, but the second statement is true.

23. Which statement is wrong? Losses are deductible from the gross estate:

a. if arising from earthquake.

b. if not compensated by insurance or other form of indemnity.

c. if the loss arises from sale of capital assets.

d. must be incurred during the settlement of the estate.

24. A resident Filipino, died on May 5, 2012 and his estate incurred losses as follow:

1st loss: From fire on July 2, 2012 of improvement on his property not compensated by insurance.

2nd loss: From flood on July 2, 2011 of household furniture also not compensated by insurance.

a. 1st loss is not deductible and 2nd loss is deductible.

b. both losses are not deductible.

c. both losses are deductible from gross estate.

d. 1st loss is deductible and 2nd loss is not.

25. Which statement is correct? Real property with a cost of P300,000 and a fair market value at the time of death of P1,000,000, but subject to mortgage of P200,000.

a. Shall be in the taxable net estate at P800, 000.

b. Shall be in the gross estate at the decedent’s equity of P800, 000.

c. Shall be in the gross estate at P300, 000.

d. Shall be in the gross estate at the decedent’s equity of P100, 000.

26. Kenkoy inherited property on November 1, 2012, with a fair market value and a mortgage at that time of P200,000 and P100,000, respectively. He married on January 10, 2013, under the property relationship of conjugal partnership of gains. On March 5, 2014, he borrowed P200,000 from a bank and mortgaged the same property. Kenkoy died without paying any of the mortgage indebtedness. Disregarding accrued interest on the mortgage indebtedness, deduction against exclusive property is:

a. P200,000 c. P300,000

b.P100,000 d. None of these

27. A resident decedent was married under the conjugal partnership of gains. An obligation of P100,000, incurred during the marriage and secured by a mortgage of exclusive property is:

a. A deduction from the gross estate at P100,000 against conjugal property.

b. A deduction from the gross estate at P100,000 against exclusive property.

c. A deduction of P50,00 from the gross estate against conjugal property.

d. A deduction of P100,00 from the gross estate against exclusive property, but with a receivable of P50,000 from the surviving spouse.

28. Which statement is correct? Claims against the estate, as deduction from the gross estate:

a. Represents obligations enforceable during the lifetime of the decedent.

b. Should always be evidenced by a notarized document.

c. is sufficient for deductibility if a avlid obligation under the law on obligations.

d. If unpaid mortgage of a non-resident, not citizen of the Philippines, the property should be included in the Philippine gross estate.

29. Which of the following is deductible from the gross estate?

a. Income tax paid on income received after death.

b. Unpaid property taxes accrued in the year of death.

c. Donor’s tax accrued after to death.

d. Estate tax paid to a foreign country.

30. Which is wrong? Deduction for transfers for public purpose:

a. Means legacy in a last will and testament to the government.

b. Means device in a last will and testament to the government.

c. Includes properties transferred inter vivos.

d. will not include legacies to charitable institutions.

31. In determining the taxable net estate of a decedent, which of the following rules is correct?

a. Real estate abroad is not included in the gross estate of a decedent who was a resident alien.

b. Vanishing deduction must be subject to limitations.

c. Shares of stocks being intangible property shall be included in the decedent’s gross estate wherever situated.

d. Funeral expenses are deductible to the extent of 5% of the total gross estate but not exceeding P100,000.

32. Which of the following statement is correct? Property subject to vanishing deduction should be:

a. If the decedent was a not citizen nor resident of the Philippines, the property should not be located in the Philippines.

b. If the decedent was a citizen or resident of the Philippines, the property may not be located in the Philippines.

c. If the decedent was a citizen but a resident of the Philippines, the property need not be located in the Philippines.

d. If the decedent was a citizen and resident of the Philippines, the property should be located in the Philippines.

33. A resident decedent, during his 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 |
| Casualty losses | 5,000 |
| Bequest to the Philippines Government | 60,000 |
| Family Home | 600,000 |
| Amount received under R.A 4917 | 60,000 |

In the formula for vanishing deduction where:

Initial basic of property x Deduction

Gross estate

The multiplier “deduction” is:

a. P400,000 c. P40,000

b. P405,000 d. P1,005,000

34. A citizen of the Philippines and resident of Baguio City, died testate on May 10, 2013. Among his gross estate are properties inherited from his deceased father who died on April 4, 2010. What percentage of deduction will be used in computing the amount of vanishing deduction?

a. 80% of the value taken as basis for vanishing deduction.

b. 100% of the value taken as basis for vanishing deduction.

c. 60% of the value taken as basis for vanishing deduction.

d. 40% of the value taken as basis for vanishing deduction.

35. *Statement 1:* For a vanishing deduction, there should always be two deaths within five years from receipt of property.

*Statement 2:* For a vanishing deduction, there should always be two transfer of property within five years whether the first transfer be gratuitous or onerous.

a. Both statements are true.

b. Both statements are false.

c. The first statement is true, but the second statement is false.

d. The first statement is false, but second statement is true.

36. A 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 11/2 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 | 600,00 |
| Unpaid mortgage on the land and building inherited (from an original of P600,000 when inherited) | 100,000 |

The vanishing deduction is:

a. P1, 530,000 c. P450, 000

b. P1, 080,000 d. P1, 130,000

37. Which statement is wrong? For a non-resident, not citizen of the Philippines:

a. There are no special deductions from the gross estate

b. There can be no deduction for funeral expenses entirely incurred outside the Philippines.

c. There can be a vanishing deduction.

d. There can be a deduction for transfer for public use.

38. Only once statement is correct. Deduction for family home:

a. Shall be allowed if the family home is in the Philippines.

b. Shall be at a maximum of P1,000,000, based on cost.

c. May be allowed for family homes (one in the City and another in the Province), both in the Philippines and with certificates of the Barangay Captains.

d. 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 already reduced to zero.

39. Which statement is true?

a. A single person who is not a head of family may not have a deduction for family home.

b. There can be a deduction for two family homes if their aggregate value does not exceed P1,000,000.

c. Deduction may be claimed for a family home of a non-resident of the Philippines located outside the Philippines.

d. A family home is always conjugal/community property.

40. A resident decedent was married at the time of death and under the system of conjugal partnership of gains. Among the properties in the gross estate were:

Land, inherited before the marriage, fair market value P100,000

Family home built by the spouses on the inherited land 800,000

Deduction for family home is:

a. P900,000 c. P400,000

b. P500,000 d. P450,000

41. One of the statement is wrong. Identify. Medical expenses deductible from the gross estate:

a. Only if the decedent was a citizen or resident of the Philippines at the time of death.

b. Is actual medical expenses or P500,000, whichever is lower.

c. Need not be on the illness resulting in death.

d. Must not be paid before death.

42. The following expenses, except one, should be paid or take place within a certain period in order to be deductible from the gross estate of a citizen or resident decedent. Which is the exception?

a. Vanishing deduction c. Medical expenses

b. Judicial expenses d. Claims against the estate

Items 42 through 46 are based on the following information:

A citizen and resident of the Philippines, died on October 10, 2010, leaving the following properties, rights, obligations and charges:

|  |  |
| --- | --- |
| Conjugal properties (including a family home of P3,000,000 and amount receivable under RA 4917 of P200,000) | P6,000,000 |
| Exclusive properties (including cash of P500,000 inherited 41/2 years ago) | 4,000,000 |
| Medical expenses unpaid, January 2012 | 600,000 |
| Funeral expenses | 350,000 |
| Judicial expenses | 500,000 |
| Other obligations | 100,000 |

43. The deductible funeral expenses is:

a. P350,000 c. P500,000

b. P100,000 d. P200,000

44. The vanishing deduction is:

a. P460,000 c. P92,000

B.P184,000 d. P138,000

45. The deduction for family home is:

a. P3,000,000 c. P1,000,000

b. P1,500,000 d. P500,000

46. The deductible medical expenses is:

a. P600,000 c. P500,000

b. P300,000 d. 250,000

47. The taxable net estate is:

a. P4,808,000 c. P3,808,000

b. P4,908,000 d. P3,908,000

48. Estate tax credit for foreign estate tax paid is available to the estate of:

a. Resident or citizen of the Philippines

b. Non-resident alien

c. All kinds of decedents

d. None of these

49.

Philippines Foreign

Gross estate P6,000,000 P4,000,000

Claims against the estate 1,000,000 1,000,000

How much was the Philippine estate tax due if the decedent was a non-resident, not citizen of the Philippines, and there was a foreign estate tax payment of P400,000?

a. P0 c.P571,875

b. P515,000 d. P443,000

50. The estate tax return should be accompanied by a certificate of an independent CPA if the gross estate is:

a. P2,000,000 c. Over P2,000,000

b. P2,000,000 or over d. P50,000 or over

51. Which of the following statements is false? When an estate tax return had been filed and the estate tax had been paid but subsequently, because of errors in the return, a deficiency estate tax has to be paid:

a. The Bureau of Internal Revenue can ask payment from the heirs to whom the estate had been distributed.

b. The Bureau of Internal Revenue cannot ask the executor or administrator to pay because he would have been discharged from liability for the estate tax to the heirs once the estate tax had been paid.

c. The Bureau of Internal Revenue can still ask the executor or administrator to pay, even if the heirs have dissipated the inheritance, if the executor or administrator did not ask for a written discharge from liability from the Bureau of Internal Revenue .

d. The Bureau of Internal Reveneu shall have a lien on the properties of the estate once a demand for payment had been made.

52. When a donation which paid a donor’s tax was actually a donation mortis causa, as ascertained by the Bureau of Internal Revenue, which of the following is true?

a. The donation shall be required to pay the estate tax on its proper valuation at the time of death, and there can be a refund for the wrong payment of the donor’s tax.

b. The donation shall be required to pay the estate tax so that the estate tax computed shall be reduced by the donor’s tax already paid.

c. The donation shall not pay any transfer tax anymore.

d. The donation has to pay the estate tax in addition to the donor’s tax previously paid.

53. Taxpayer died February 2, 2013. No judicial proceedings were instituted for the settlement of his estate. Return was filed and tax of P20,000 was paid November 2, 2013. The estate tax due, including increments, as of November 2, 2013 is:

a. P26,000 c.P31,000

b. P26,250 d. P31,500

------------------------end-------------------------

**TAX. M- 1402 Donor’s Tax**

Problem 1

Ara gave the following properties to various donees on December 25, 2012:

House and lot in London P3,500,000

Apartment house in Naga City 8,000,000

Car in Iriga City 520,000

Car in London 900,000

Savings deposit with BPI 50,000

Time deposit in a New York Bank 120,000

Accounts receivable, debtor residing in the Philippines 140,000

Accounts receivable, debtor residing in Hongkong 35,000

Franchise exercised in New York 225,000

Franchise exercised in Philippines 120,000

Investment in Good Time Co., partnership established in Hongkong 160,000

Investment in Lovers Company, partnership established in the Phil’s. 125,000

1. The gross gift if Ara is a resident or citizen

a. P13,895,000 c. P8,520,000

b. P8,955,000 d. none

2. The gross gift if Ara is a resident and citizen of united states (without reciprocity).

a.13,895,000 c. 8,520,000

b. 8,955,000 d. None

3. The gross gift if Ara is a resident and citizen of the donor as diminution on the property donated.

a.13,895,000 c. 8,520,000

b. 8,955,000 d. None

Problem 2

Anacleto gave the following donations to:

02-14-12­­­­­­­­­­­—Azucena, legitimate daughter on account of marriage last December 31, 2010—P190 ,000.

06-01-12—Brusco, brother on account of marriage scheduled December 31, 2011—P160,000.

10-13-12—Carizosa, legitimate daughter, on account of marriage on November 12, 2011—P180,000

05-15-13—Dalmacio, father, on account of marriage, land with a fair market value of P1,000,000 but mortgage for P100,000 which was assumed by the donee.

4. The gift tax payable on February 14, 2012

a. 190,000 c. 2,000

b. 1,800 d. 200,000

5. The gift tax payable on June 1, 2012

a. 6,200 c. 1,200

b. 8,000 d. 350,000

6. The gift tax payable on October 13, 2012

a. 15,200 c. 7,800

b. 15,800 d. 7,200

7. The gift tax payable on May 15, 2013

a. 900,000 c. 44,000

b. 1,000,000 d.38,000

Problem 3

Mr. and Mrs. Alavado gave the following donations:

May 3, 2013 -Conjugal property valued at P300,000 donated to Barumbado, legitimate son who got married January 1, 2013.

July 14, 2013 -Capital property donated to Carlota, legitimate daughter who got married June 1, 2013. Value –P500,000.

Dec. 30, 2013 -Conjugal property donated to Carlota. The dowry has fair market value of P800,000

8. The gift tax due of Mrs. Alavado on May 3, 2013

a. 1,000 c. 800

b. 5,600 d. 6,000

9. The gift tax due of Mr. Alavado on July 14, 2013.

a. 21,800 c. 12,600

b. 21,000 d. 6,400

10. The gift tax due of Mrs. Alavado on December 30, 2013

a. 15,000 c. 8,200

b. 9,000 d. 15,800

Problem 4

Anaconda, resident, gave the following donations:

Donee **January 22, 2013**

Barbado Legitimate son, on account of graduation – P140,000.

Naga City A parcel of land to be used for public purposed – P200,000.

Coronado Legitimate child on account of its forthcoming marriage on February 14, 2013 – P6,000.

Dimalupig Legitimate daughter, on account of marriage on February 4, 2012. - P7,000.

**March 25, 2013**

Barbado On account of marriage on April 10, 2013 – P150,000.

Coronado Additional donation on account of marriage Feb. 14, 2013 – P69,000.

Dimalupig Additional donation on account of marriage Feb. 4, 2012 – P200,000.

Devt. Academy of the Phil’s For education and training purposes, P50,000.

11. The donor’s tax due on January 22, 2013.

a. 800 c. 140,000

b. 660 d. 6,600

12. The donor’s tax due on March 25, 2013.

a.16,700 c. 9,200

b. 15,900 d. 15,720

Problem 5

Mr. and Mrs. Albano gave the following donations:

July 1, 2013 Community property was donated to Balaoing, sister of Mr. Albano. The fair market value is P650,000.

Sept. 25, 2013 Cash of P300,000 to Cuarto, son of Mrs. From her teen-age boyfriend .

Nov.10, 2013 Cash of P250,000 was donated to Balaoing.

13. The donor’s tax due on Mr. and Mrs. Albano on July 1, 2013 –

a. 7,000;7,000 c.97,500;7,000

b. 7,000;97,500 d. 97,500;97,500

14. The donors tax due on Mr. Albano on September 25, 2013 –

a. 1,000 c. 45,000

b. 90,000 d. 6,000

15. The donor’s tax due on Mr. and Mrs. Albano on November 10 2013, 2013 –

a. 5,000; 37,500 c.37,500;37,500

b. 10,000; 5,000 d. 500,500

Problem 6

Arandasi sold the following assets:

Date of Sale ***Buyer*** **Market Value** ***Selling Price***  ***Cost /Book value***

Jewelry **June 11 Niece P 130,000** P 15,000 P 100,000

Res. House June 22 Girlfriend 1,000,000 600,000 750,000

Apt. House Sept. 25 Legally adopted child 900,000 600,000 750,000

Del. Truck Oct. 10 Controlled corp. 450,000 400,000 350,000

16. The gift tax, if any, in each of the independent transactions above.

(a) (b) (c) (d)

Jewelry P 300 P 300 P 600 P 600

Residential house 120,000 None 120,000 75,000

Apt. house 6,000 6,000 1,000 1,000

Delivery truck None 15,000 15,000 None

Problem 7

17. Which of the following examples is taxable?

a. A, American citizen donated a parcel of land located in the united State to S, a resident alien.

b. On June 1, 2013, T made a gift of P200,000 to his daughter on account of her marriage celebrated on May 1, 2012.

c. U, a minimum wage earner, gives his son a gift worth P2,000 as a birthday gift.

d. V and W are the only heirs of X. V renounces his share of inheritance in favor of W

Problem 8

18. Statement 1: As a rule , donations to candidates in local and/or national elections are not subject to donor’s tax.

Statement 2: Donation to a political party is not subject to donor’s tax if it is reported by the donor to the Comelec and by the candidate in his Statement of Expenditures.

a. True; True c. False; False

b. True; False d. False; True

Problem 9

19. One of the following statement is false:

a. Contracts of donation between husband and wife are void in most cases.

b. The donation by the public works contractor to a Mayor, in view of her public office is void in all cases.

c. Donations between persons guilty of adultery or concubinage are void.

d. Donation to a conceived or unborn children is valid.

Problem 10

20. A, a citizen and resident of the Philippines, made donations on January 10, 2013, as follows: Donation to B, a legitimate son, on account of marriage, to be celebrated on February 14, 2013, property in the United States (on which a U.S. donor’s tax of P1,200 was paid), with a fair market value of Donation to B, cash in the Philippines of Donor’s tax credit for donor’s tax paid to the U.S.:

a.P1,200 c. P600

b. P1,000 d. P2,000

Problem 11

21. One of the following statements is correct. The donor’s tax return:

a. Must be filed within thirty days after the end of the calendar year.

b. Must be filed within thirty days from the date of donation.

c. Must be accompanied by a certificate of an independent Certified public Accountant if the gross gift is P50,000 or more.

d. In the case of husband and wife making donations, one donor’s tax return shall be filed and signed by either the husband or the wife.

22. One of the following statements is not true. Which is it? If on any one date there is a donation by one donor to a donee who is not a stranger together with a donation to a donee who is a stranger:

a. There will be two separate donor’s tax return because the donor’s tax on the donation to a non-stranger is at graduated rates while the donor’s tax on the donation to a stranger is at the flat rate of 30%.

b. There will be one donor’s tax return only, where the donor’s tax at graduated rates on the donation to a non-stranger will be shown together with the donor’s tax at the flat rate of 30% on the donation to a stranger, the total being the donor’s tax to pay.

c. If there were previous donations to strangers during the year, the prior net gifts to strangers need not be added anymore in the computation of aggregate net gifts, donor’s tax on aggregate net gifts and donor’s tax due on the donations to strangers.

d. A donation on account of marriage, before the marriage, by a parent to a son and daughter-in-law shall be considered as donations to a non-stranger and stranger.

23. On March 6, 2013, a Filipino citizen donated house and lot with fair market value of P200,000 to his child on account of marriage on January 1,2013. Gift tax return was filed and tax paid on July 5, 2013. The donor’s tax due, including increments, as of July 5, 2013 is:

a. 2,400 c. 2,600

b. 2,340 d. 1,800

Multiple Choice Questions

1. Which of the following statement is wrong? A distinction between a donation inter vivos and a donation mortis causa is:

a. The first take effect during the lifetime of the grantor while the second takes effect after the death of the grantor.

b. The first is subject to the donor’s tax while the second is subject to the estate tax.

c. The first always requires a public document while the second may not require a public document.

d. The first is valued at fair market value at the time the property is given while the second is valued at fair market value at the time of the death of the grantor.

2. The following are the requisites of a donation for purposes of the donor’s tax, except one:

a. capacity of the donor c. delivery of the subject matter of gift

b. capacity of the donee d. donative intent

3. 1st statement: A sold his car ( cost, P300,000 ) to B for P500,000. The car has a fair market value of P900,000 at the time of sale. The difference of P400,000 in selling price and fair market value constitutes a gift subject to donor’s tax.

2nd statement: C purchased a lot and cottage in Alaminos City (home of 100 islands) in 2009 for P1,000,000. It was used as summer vacation house by his family. In 2010, C decided to sell the lot and cottage to D for P2,000,000 although its present market value is P2,500,000. The P500,000 difference in selling price and market value is a gift but not subject to donor’s tax.

a. both statements are true

b. both statements are false

c. The first statement is true and the second statement is false.

d. The first statement is false and the second statement is true.

4. Statement 1: The gross gifts of a donor who is a non-resident alien will include all properties regardless of location.

Statement 2: The gross gifts of a donor who is a non-resident alien of the Philippines, will include only property located in the Philippines.

a. both statements are correct

b. both statements are wrong

c. The first statement is correct and the second statement is wrong.

d. The first statement is wrong and the second statement is correct.

5. The reciprocity clause in the donr’s tax law applies to a:

a. Non-resident citizen c. Resident citizen

b. Resdient alien d. Non-resident alien

6. In the previous question, the reciprocity clause applies to:

a. Real property c. Intangible personal property

b. Tangible personal property d. All of these

7. If he is a resident alien his gross gift is:

a. P2,100,000 c. P2,950,000

b. P1,950,000 d. P3,000,000

8. If he is a non-resident Japanese, and there is reciprocity law, his gross gift is:

a. P850,000 c. P1,050,000

b. P650,000 d. P700,000

9. Which of the following statements is correct? A donation inter vivos by husband and wife, jointly during the marriage

a. Is a donation of conjugal property that will require one computation of the donor’s tax, if the spouses are under the system of conjugal partnership of gains.

b. Is a donation of community property that will require one computation of the donor’s tax, if the spouses are under the system of absolute community of property.

c. Is a donation of exclusive property by the either spouse that will require one computation of the donor’s tax, if the spouses are under the system of conjugal partnership of gains.

d. Is a donation of each spouse to the extent of one-half that will require separate computation for two donor’s taxes, under whichever property relationship exists between the spouses.

10. Situation 1: M, in trading business, had a receivable of P150,000 from N. Without exerting utmost effort to collect, M canceled the indebtedness of N.

Situation 2: O sold to P personal property worth P200,000 for a consideration of P50,000, to take effect immediately upon receipt of the consideration.

a. Situation 1 involves a donation of P150,000 and should be covered by a donor’s tax return within thirty days from the date of cancellation of the indebtedness.

b. Situation 1 is bad debt expenses of the business and should not be treated as involving a taxable donation.

c. Situation 2 shall be considered a bad bargain and not involving a taxable donation.

d. Situation 2 involves a donation of P200,000 and should be covered by a donor’s tax return within thirty days from the date of the sale.

11. Q sold his land (capital asset) on September 5, 2012 to his best friend for P300,000 when the market value was P500,000 He gave a commission of P20,000 to the broker and spent for documentary stamp taxes and transfer fees the amount of P4,000. The internal revenue tax payable is:

a. Final capital gain tax of P30,000

b. Final capital gain tax of P18,000

c. Donor’s tax of P60,000

d. None, as it is exempt from any internal revenue taxes

12. Statement 1: In showing gross gifts in the donor’s tax return, buildings should be valued at the current fair market value as shown in the assessment rolls, or the fair market value as determined by the Commissioner of Internal Revenue, whichever is higher.

Statement 2:In showing gross gifts in the donor’s tax return, personal property should be valued at current fair market value or at cost, whichever is lower.

a. Both statements are correct

b. Both statements are false

c. The first statement is correct and the second statement is wrong.

d. The first statement is wrong and the second statement is correct.

13. A donation on account of marriage will gave a donor a deduction from the gross gifts made if:

a. The donee is a legitimate child c. The donee is not a stranger

b. The donee is anybody d. None of these.

14. Which of the following statements wrong? A deduction for a donation on account of marriage:

a. Shall be allowed to a resident citizen when the property donated is located outside the Philippines.

b. Shall be allowed to a resident citizen when the property donated is located within the Philippines.

c. Shall be allowed to a resident alien when the property donated is located outside the Philippines.

d. Shall be allowed to a resident alien when the property donated is located within the Philippines.

15. All of the following statements are wrong, except one. If the donor is a nonresident, not citizen of the Philippines:

a. Property situated abroad but donated to a citizen of the Philippines will pay the donor’s tax.

b. Property situated in the Philippines but donated to a donee aboard will not pay the donor’s tax.

c. Property outside the Philippines donated on account of marriage to a resident of the Philippines has a deduction of P10,000.

d. Property in the Philippines with a value of P150,000 donated to a citizen of the Philippines will pay a donor’s tax.

16. Husband and wife made out of conjugal cash of P1,000,000, a donation on account of marriage, to a legitimate child. Which of the following statements is not correct on deduction for donation on account of marriage?

a. P10,000 to each spouse, on separate computation for donor’s tax.

b. P5,000 to each spouse, on separate computation for donor’s tax.

c. P10,000 on a separate computation for donor’s tax of the husband.

d. P10,000 on a separate computation for donor’s tax of the wife.

17. On a contribution to the Roman Catholic Church by an individual, which of the following correctly state/s true rule/s in computing the donor’s tax.

a. There is no deduction from the gross gift.

b. It is not considered a gift on which there will be a donor’s tax.

c. It is considered a gross gift and a deduction from the gross gift.

d. It pays the donor’s tax at the time of the contribution at the graduated rates of donor’s tax.

18. Since a donation to a charitable institution has a deduction without any ceiling.

Statement 1: The net gift will be zero, so that in computing the donor’s tax, the donation may be omitted in gross gift if it is likewise omitted in deductions.

Statement 2: The gross gifts should be reported and the deduction shall be claimed.

a. Both statements are correct.

b. Both statements are wrong.

c. The first statement is correct and the second statement is wrong.

d. The first statement is wrong and the second statement is correct.

19. Which of the following donations is not entitled to deduction?

a. Donation to charitable institution

b. Donation to scientific organization

c. Donation to social welfare

d. Donation to a political party

20. R donated a total amount of P500,000, ½ to the Quezon City Hall and ½ to a charitable institution, TAHANANG WALANG HAGDANAN. Upon inquiry, it was verified that the charitable institution’s total receipts from donation amounted to P10M and its total administrative expenses reached P4.0M. R can claim a total deduction/exemption of:

a. P250,000 c. P200,000

b. P500,000 d. None

21. All of the following except one are exempt from gift tax under special laws:

a. Donation to Integrated Bar of the Philippines

b. Donation to Development Academy of the Philippines

c. Donation to Philippine Institute of Certified Public Accountants

d. Donation to International Rice Research Institute

22. First distinction: The rates for donor’s tax are lower than those for estate tax, in all cases.

Second distinction: In donor’s tax, the exemption is P200,000 while in estate tax it is P100,000.

a. Both distinction are correct c. First is correct, second is wrong

b. Both distinction are wrong d. First is wrong, second is correct

23. Which statement is wrong? The donor’s tax:

a. Is computed on the basis of the net gifts of a calendar year.

b. Is computed and paid within 30 days from the date of donation.

c. Is computed separately for each spouse in case of a joint donation.

d. Become proportionately bigger on later donations.

24. Statement 1: All gifts made on the same date pay one donor’s tax only.

Statement 2: A donation to a legitimate child on account of marriage, when the property donated was already delivered, will not pay the donor’s tax if the donee’s marriage did not actually take place.

a. Both statements are true.

b. Both statements are false.

c. The first statement is true and the second statement is false.

d. The first statement is false and the second statement is true.

25. In computing the donor’s tax on a subsequent donation, the donor must also consider:

a. All prior net gifts during his lifetime.

b. All prior net gifts during the calendar year.

c. The present and the immediately preceding donation.

d. Only the present donation.

26. Donations on one date by H, a father, of property and cash, as follows: To I, a legitimate daughter, on account of marriage, land with a fair market value of P500,000 but subject to mortgage of P100,000 which is assumed by I. to J, a legitimate son, on account of marriage, cash of P200,000. The net gifts made are:

a. P680,000 c. P590,000

b. P580,000 d. P700,000

27. Who of the following is a stranger under the donor’s tax law?

a. A child of a brother c. A granduncle

b. A grandchild d. A second cousin

28. For donor’s tax purposes, one of the following is not stranger.

a. son by a natural adoption c. grandson

b. step-son d. son-in-law

29. One of the following is n`ot a relative by consanguinity n the collateral line within the fourth degree of relationship.

a. daughter of the donor’s nephew c. niece of the donor

b. First cousin of the donor d. second cousin of the donor

30. Statement 1: A donation to a corporation is a donation to a stranger.

Statement 2: a donation by one spouse to the legitimate child by a former marriage of the other spouse is a donation to a stranger.

a. both statements are true

b. both statements are false

c. The first statement is true and the second statement is false.

d. The first statement is false and the second statement is true.

31. Which of the following statement is wrong? A donation by husband and wife out of conjugal or community property to a brother of the wife.

a. Is one-half a donation to a non-stranger by the wife.

b. Is one-half a donation to a stranger by the husband.

c. Is a donation on which the husband must pay a donor’s tax of 30% on his net gift.

d. Is a donation on which the husband must pay the graduated donor’s tax on his net gift.

32. When the donee or beneficiary is a stranger, the tax payable by the donor shall be.

a. 30% of the gross profits.

b. 30% of the net profits.

c. Based on the graduated rates with the first P100,000 net gift exempt.

d. Based on the graduated rates with the first P100,000 net gift exempt or 30% of the net gifts whichever is higher.

33. N made a donation to O and P, son and daughter-in-law, on account of marriage, of real property with fair market value of P 1,500,000, but subject to a mortgage of P300,000 which was assumed by the donees.

The total donor’s tax is:

a. 77,750 c. 185,950

b. 84,950 d. 199,400

Questions 34 through 37 are based on the following data:

Mr. and Mrs. K, made the following donations.

|  |  |
| --- | --- |
| 1/25/2013 | -To L, their legitimate son, on account of marriage last 1/20/2012, car worth P400,000, with P200,000 mortgage, ½ was assumed by the one. |
| 5/31/2013 | -to M, brother of Mr. K, his capital property worth P200,000 on account of marriage 6 months ago of M with a condition that the one will pay the donor’s tax thereon. |
| 7/15/2013 | -To N, daughter of Mrs. K by former marriage, on account of her marriage 12 months ago, Mrs. K’s paraphernal property worth P100,000. |
| 8/20/2013 | -To N on account of the same marriage, conjugal car of the couple worth P400,000, with P200,000 unpaid mortgage, ½ assumed by N. And P500,000 worth of land to their four sons on account of their graduation, 20% of which was owned by their Kumpadre who agreed to donate his share thru a public document. |

34. The gift tax due of Mr. K as of May 31, 2013 is:

a. 8,000 c. 7,200

b. 7,000 d. 6,600

35. The gift tax due of Mrs. K as of July 15, 2013 is:

a. 3,600 c. 2,800

b. 2,600 d. 4,000

36. The gift taxes due of Mr. & Mrs. K on Aug. 20, 2013 are

a. P69,000 & P18,800, respectively

b. P17,000 & P18,800, respectively

c. P54,000 & P15,800, respectively

d. P54,000 & P18,800, respectively

37. The gift tax due of their Kumpadre is:

a. P30,000 c. P45,000

b. P10,000 d. none

*Items 38 through 41 are based on the following information:*

Q a citizen of the Philippines made the following donations in 2013:

|  |  |
| --- | --- |
| 01/10/2013 | : To R, a legitimate daughter, on account of marriage cash of P200,000. |
| 05/10/2013 | : To S, a legitimate son, on account of mortgage, property with a fair market value of P200,000 and a mortgage thereon, which was assumed by S, of P40,000. |
| 10/10/2013 | : To T, a friend, an ordinary donation of P10,000. |
| 12/10/2013 | : To U, a niece, a donation on account of marriage of P 15,000. |

38. The donor’s tax on the donation of January 10, 2013:

a. P150 c. P 900

b. P600 d. P1,800

39. The donor’s tax on the donation of May 10,2013:

a. P5,750 c. P4,500

b. P24,000 d. P5,800

40. The donor’s tax on the donation of October 10,2013:

a. P1,000 c. P6,250

b. P3,000 d. P6,150

41. The donor’s tax on the donation of December 10,2013:

a. P1,350 c. P6,500

b. P2,450 d. P600

42. *Statement 1.* Tax credit for donor’s tax paid to foreign country is allowed only if the donor is a citizen or resident of the Philippines:

*Statement 2.* There can be a donor’s tax paid to a foreign country even if the citizen or resident donor had no donation of property in the Philippines.

a. Both statements are true.

b. Both statements are false.

c. The first statement is true and the second statement is false.

d. The first statement is false and the second statement is true.

43. Donations to a legitimate child of:

|  |  |
| --- | --- |
| Property in the Philippines | P110,000 |
| Property outside the Philippines, on account of marriage | 200,000 |
| Donor’s tax paid to foreign country | 4,500 |

Donor’s tax due after tax credit for foreign donor’s tax paid:

a. P2,200.00 c. P4,625.50

b. 2,750.00 d. P3,208.33

*Questions 44 and 45 are based on the following data:*

Mr. O, made the following donations for the year 2013:

|  |  |  |
| --- | --- | --- |
| April 15 | - | To P, legally adopted child on account of marriage last week, car worth P710,000 in the Philippines. |
|  | - | To Q, his daughter, car in USA worth P300,000. They paid $180 donor’s tax in US. ($1-P56) |
| July 20 | - | To R niece in manila, P200,000 worth of personal property. |
|  | - | To S, legitimate daughter on account marriage in Cebu, last July 18, 2012, car worth P400,000 but mortgage for P200,000, ½ of which was assumed by the donee. |

44. The gift tax due after tax credit on April 15, 2013 is:

a. P30,800 c. P44,000

b. P35,000 d. P33,920

45. The gift tax due on July 20,2013 is:

a. P 40,000 c. P84,000

b. P36,400 d. P38,920

46. L, a citizen and resident of the Philippines, made the following donations on January 14, 2013: To M, a legitimate child, on account of marriage on the same day, property in Japan, which paid the Japanese government a donor’s tax of P52,000 and with a fair market value of P610,000

To N, a friend, ordinary donation of property in the Philippines, subject to a mortgage of P60,000 which was assumed by N. Fair market value of the property, 160,000

The tax credit for foreign donor’s tax paid is:

a. P34,628.06 c. P42,857.14

b. P52,000.00 d. P31,520.43

47. Mr. O made the following gifts to his relatives:

Phil. USA UK Italy

Gross gift P750,000 P500,000 P250,000 P500,000

Deductions 250,000 200,000 150,000 150,000

Tax paid 25,000 12,000 10,000

The gift tax due after credit is:

a. P35,600 c. P33,520

b. 25,600 d. P39,000

48. Mr. P is a citizen and resident of the Philippines. On July 8, 2013, he made donations to Q, a friend, of properties in Country Y and Country Z. Donor’s taxes were paid to country to Country Y and a fair market value of P300,000 while the property in Country Z had a fair market value of P200,000. The donor’s tax still due after credit for foreign donor’s taxes paid is:

a. P0 c. P145,000

b. P15,000 d. P10,000

49. On one date, a resident alien donor made donations of property in the Philippines to a non-stranger and of property outside the Philippines to a stranger. In taking a credit for the foreign donor’s tax paid, the credit shall be against the Philippine donor’s tax on the:

a. Donation to the non-stranger.

b. Donation to the stranger.

c. Donation to the non-stranger plus that to the stranger.

d. None of these.

50. One of the following statements is correct. Which is it? In the preparation of the donor’s tax return.

a. Dowries are shown as deductions from the gross gifts.

b. Dowries are not shown anymore as gross gifts and as deductions.

c. Spouses making donations of conjugal or community property prepare one donor’s tax return.

d. Donor’s tax on donations to strangers and to non-strangers are computed and shown in separate return.

51. One of the statements that follow is correct. Which is it? A deed of donation was executed by G, resident of Dagupan City, in favor of H, a resident of Baguio City. H executed a deed of acceptance in Baguio City. The donor’s tax return must be filed with the Bureau of Internal Revenue Office:

a. At the resident of the donor.

b. At the resident of the donee.

c. At the resident of the donor or the 19one, whichever the donor chooses.

d. None of the above.

52. *Statement 1*. A donation on which the donor’s tax was not paid is not a valid donation.

*Statement 2*. Title to the donated real property cannot be transferred to the donee in the Register of Deeds unless the donor’s tax on the donation had been paid.

a. Both statements are true.

b. Both statements are false.

c. The first statement is true and the second statement is false.

d. The first statement is false and the second statement is true.

53. One of the following statements is wrong:

a. The Commissioner is not allowed to grant extension of time within which the donor’s tax returns may be filed, and such extension shall not exceed thirty days.

b. The return may be filed in one municipality and the tax paid in another municipality.

c. When donor’s tax is assessed by reason of negligence, intentional disregard of rules and regulations, or fraud on the part of the taxpayer, no extension of time for payment of the tax may be granted by the Commissioner of Internal Revenue.

d. A gross gift of P50,000 for the whole year to non-strangers need not be covered by a donor’s tax return.

54. *Statement 1*: When a donor’s tax return was filed and it was found by the Bureau of Internal Revenue to have errors which gave rise to a deficiency donor’s tax, the donor may be required to pay the deficiency although he does not possess or own the property anymore.

*Statement 2*: The Government is not bound by any agreement between the donor and the done that the latter shall pay tax on the donation.

a. Both statements are correct.

b. Both statements are wrong.

c. The first statement is correct and the second statement is wrong.

d. The first statement is wrong and the second statement is correct.