**TAX.M-1405.INCOME TAX – INDIVIDUAL**

**MULTIPLE CHOICE QUESTIONS**

1. A resident citizen is taxable on all income derived from sources

A. Within the Philippines only

B. Without the Philippines only

C. Partly within and partly without

D. Within and without the Philippines

2. A non-resident citizen is taxable on all income derived from sources

A. Within the Philippines only

B. Without the Philippines only

C. Partly within and partly without

D. Within and without the Philippines

3. A resident alien is taxable on all income derived from sources

A. Within the Philippines only

B. Without the Philippines only

C. Partly within and partly without

D. Within and without the Philippines

4. A non- resident alien is taxable on all income derived from sources

A. Within the Philippines only

B. Without the Philippines only

C. Partly within and partly without

D. Within and without the Philippines

5 The following taxpayers are allowed to claim additional exemptions, except

A. resident citizens

B. non-resident citizens

C. resident alien

D. non-resident aliens

6. Which cannot claim additional exemption?

A. Non-resident alien

B. Non-resident citizen

C. Non-resident alien engaged in trade or business

D. Non-resident alien not engaged in trade or business

7. Which of the following statement is not correct?

A. If only one spouse is deriving taxable income, only said spouse may claim the additional exemption.

B. If both spouses earn taxable income, only one of the spouses can claim additional exemption

C. If legally separated from the spouse, the husband can claim the additional exemption unless he waives the right in favour of his wife

D. An unmarried individual with a child out of wedlock can claim a personal exemption as a head of the family plus additional exemption

8. Which of the following statement is not correct?

A. In the case of married individuals, where only 1 of the spouses is deriving gross income, only such spouse shall be allowed the personal exemption

B. In the case of married individuals, the additional exemptions maybe claimed by only one of the spouses

C. As a rule, the husband shall be deemed to the head of the family and proper claimant of the additional exemption

D. In the case of legally separated spouses, additional exemption maybe claimed by the spouses who has the custody of the children but shall not exceed four (4) for each spouse

9. A citizen of the Philippines who works and derives income abroad is a resident citizen if he stayed outside the Philippines

A. for less than 180 days

B. for more than 180 days

C. for 183 days or more

D. for less than 183 days

10. A citizen of the Philippines who works and whose employment requires him to be physically present abroad most of the time during the taxable year is

A. taxable on income within and without the Philippines

B. taxable on income from without the Philippines

C. exempt from income tax

D. taxable on income from within the Philippines

11. A citizen of a foreign country is considered a non-resident alien engaged in business in the Philippines if he stayed inside the Philippines

A. for 183 days or more

B. for less than 183 days

C. for more than 180 days

D. for less than 180 days

12. Which of the following dependents is not qualified to entitle a taxpayer additional exemption?

A. Recognized natural son who celebrated his 21st birthday during the taxable year

B. Legitimate son, 21 years old who got married on December 31 of the year

C. Legally adopted son, 21 years old who became employed December 31, of the taxable year

D. Widower mother, who celebrated her 59th birthday during the taxable year

13. For income tax purposes, which of the following is considered head of the family?

A. Married individual who has a dependent minor child

B. Married but legally separated individual with a dependent mother who is 59 years old

C. Single individual with a common law wife

D. Married individual even if has no children

14. Which of the following dependent will qualify a single taxpayer as head of the family?

A. Taxpayer’s brother 22 years old, unemployed, unmarried, living with him and dependent upon him for support

B. Taxpayer’s sister, 18 years old, unemployed, unmarried, living with him and dependent upon him for chief support

C. Taxpayer’s illegitimate son, 12 years of age, unemployed, single, living with him and dependent upon him for chief support

D. Taxpayer’s godchild, 10 years old and dependent upon him for chief support

15. Mr. A became a widower with three (3) dependent minor legitimate children in January of 2005. In February of the following year, he got married to Mrs. B and subsequently in November of the same year, the latter gave birth to a baby boy. the total basic and additional exemptions of Mr. A in 2006 is:

A. 150,000

B. 64,000

C. 125,000

D. 57,000

16. A German citizen residing in Germany, married, is doing business in the Philippines. His country allows non-resident Filipino with income from Germany a basic personal exemption equivalent to P80,000 as head of family, 100,000 as married and 70,000 as single. The allowed personal exemption he can claim for 2009 is

A. 32,000

B. 70,000

C. 100,000

D. 50,000

17. Which of the enumerated taxpayers below can claim personal exemptions only if there exist a reciprocity clause/law between the Philippines and his country?

A. Non-resident alien

B. Resident Alien

C. Non-resident Alien not engaged in business in the Philippines

D. Non-resident alien engaged in business in the Philippines

18. A legally married couple had the following data in year 2006:

A. Three qualified legitimate children dependent

B. Two nephews dependent

C. One illegitimate child of Husband

D. One legitimate child died December 2006

E. Both spouse are gainfully employed

The claimable personal and additional exemption of the couple:

A. H-64,000 , W-32,000

B. H-32,000 , W-64,000

C. H-56,000 , W-62,000

D. H-56,000 , W-40,000

*For items 19 and 20.* A, who became a widower in February of taxable year of 2009, had the following dependents:

A. Two legitimate minor child

B. Recognized natural child with current common law wife

C. B, his common law wife

D. Illegitimate child with another woman, died on January 2, 2009

19. The total basic personal and additional exemption in 2009 is:

A. 57,000

B. 125,000

C. 49,000

D. 150,000

20. The total additional exemption is 2010 is:

A. 57,000

B. 125,000

C. 49,000

D. 75,000

21. A taxpayer who was married but was legally separated a year before, earned P325,000 compensation income from employment during the taxable year. He has legally adopted child as qualified dependent and paid P3,000 as health and hospitalization insurance. He can claim a total exemption of:

A. 75,000

B. 52,400

C. 77,400

D. 50,000

22. A taxpayer was legally separated and earned P250,000 during the year, He has legally adopted child as qualified dependent and paid P3,000 as health and hospitalization insurance premiums. He can claim a total exemption of:

A. 40,000

B. 35,400

C. 36,000

D. 33,600

23. Which of the following individual taxpayers cannot avail of the deduction for health and hospitalization insurance premium?

A. Non-resident citizen

B. Resident alien

C. Non-resident alien engaged in business in the Philippines

D. Non-resident alien not engaged in business in the Philippines

24. May not claim personal exemption

A. Non-resident citizen

B. Non-resident alien engaged in trade or business in the Philippines under certain conditions

C. Resident alien

D. Non-resident alien who stayed in the Philippines for 175 days

25. Which will qualify as dependent?

A. Illegitimate child

B. Brother

C. Mother

D. Senior Citizen

26. Persons with disability is claimable as additional exemptions

A. if not more than 21 years of age

B. is not gainfully employed

C. regardless of age and relationship to the taxpayer

D. regardless of age, if he is a child of the taxpayer

27. An unmarried or legally separated man or woman with one or both parents, with one or more brothers and sisters, or with one or more legitimate, illegitimate, or legally adopted children living with and dependent upon him or her for chief support, where such brothers or sisters or children are not more than 21 years of age, unmarried and not gainfully employed or where such brothers, or sisters or children, regardless of age are incapable of self-support because of mental or physical defect is

A. Good father of a family

B. Married

C. Single

D. Head of the family

28. A non-resident alien is deemed doing business in the Philippines if he

A. Is an individual whose residence is within the Philippines

B. Is an individual whose father or mother is an alien who is engage in business in the Philippines

C. Is an individual who is naturalized in accordance with law

D. Shall come to the Phil. and stay therein for an aggregate period of more than 180 days during a calendar year

29. One is not correct

A. If the tax payer marries during the taxable year, he may claim the personal exemption in full as a married person for such year

B. If the taxpayer dies during the taxable year, his estate may claim the personal and additional exemption for himself and his dependents as if he died at the close of such year

C. If the spouse of the taxpayer or any of the dependents dies during the taxable year, the taxpayer may still claim the same exemptions as if death occurred at the close of the year

D. If the taxpayer should have additional dependent children during the taxable year, he can always claim the additional exemption for such year

30. One is correct

A. Where both husband and wife receive compensation income, the additional exemption shall be claimed by the wife unless she explicitly waives her right in favor of her husband in the withholding exemption certificate

B. Husband and wife shall be treated as separate taxable units and each shall be allowed to claim personal exemption for married individuals

C. If gross income does not exceed 20,000 a special additional personal exemption of 4,000 may be claimed by the taxpayer

D. Husband and wife shall be treated as separate taxable units and shall be allowed to claim only one personal exemption either for husband or the wife at their option

31. A. The term “chief support” means more than one-half of the requirements for support

B. If two children contribute equal amounts for the support of a dependent, neither one of them may qualify as head of family

A. True, true

B. True, false

C. False, true

D. False, false

32. A. If any of the qualified dependents becomes 21 years old during the taxable year, the taxpayer may still claim the same exemptions as if such dependents became 21 years old at the close of such year.

B. Parents living with and dependent upon the taxpayer for their chief support regardless of their age will qualify as head of family.

A. True, true

B. True, false

C. False, true

D. False, false

33. A. If the dependent child marries during the taxable year, the taxpayer may still claim the same exemption as if the marriage occurred at the close of such year

B. In the case of married individuals, the additional exemption shall be claimed only by one of the spouses

A. True, true

B. True, false

C. False, true

D. False, false

34. Who is a non-resident alien not engage in business in the Philippines?

A. An alien who comes to the Philippines for a definite purpose shall be claimed in its nature may be promptly accomplished

B. An alien who comes to the Phil. for a definite purpose which in its nature would require an extended stay of more than 180 days

C. An alien who has acquired residence in the Philippines

D. An alien who lives in the Philippines with no definite intention as to his stay

35. The personal exemption of the non-resident alien engage in trade or business in the Philippines is equal to that allowed by

A. The income tax law of his country to a citizen of the Philippines not residing there

B. The income tax law of his country to a citizen of the Philippines not residing there or the amount provided by the NIRC to a citizen or resident whichever is lower

C. The NIRC to a citizen or resident

D. The income tax law of his country to a citizen of the Philippines not residing there or the amount provided by the NIRC to a citizen or resident whichever is higher

36. A. If a taxpayer married during the year, he may claim the personal exemption for married individual in full for such year

B. A dependent child who married within the year may still qualify as dependent for the year

A. True, true

B. True, false

C. False, true

D. False, false

*For items 37 to 41.* A, married, had the following data for the taxable year:

Gross income, Philippines 400,000

Gross income, USA 300,000

Expenses, Philippines 200,000

Expenses, USA 150,000

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

A. 168,000

B. 318,000

C. 350,000

D. 400,000

38. If the taxpayer is a non-resident, married, his taxable income is

A. 168,000

B. 318,000

C. 350,000

D. 400,000

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

A. 168,000

B. 318,000

C. 350,000

D. 400,000

40. If the taxpayer is a non-resident alien engaged in business in the Philippines, married and his country allows reciprocity of 30,000, as personal exemption for married individuals, his taxable income is

A. 168,000

B. 170,000

C. 200,000

D. 400,000

41. If the taxpayer is a non-resident alien not engaged in business in the Philippines married and his country grants 35,000 as personal exemption for married individuals, his taxable income is

A. 168,000

B. 318,000

C. 350,000

D. 400,000

42. Which is subject to progressive tax?

A. Revocable trusts

B. Non-resident alien engaged in trade or business

C. Non-resident alien employed by offshore banking units, ROH or RAH of multinational companies or petroleum service contractors or subcontractors

D. Filipinos occupying the same positions held by special aliens in OBUs, ROH or RAH of MNCs or petroleum service contractors or subcontractors

43. With regard to deduction for premiums on hospitalization and health insurance, which of the following statement is wrong?

A. Allowed as deduction even if income is from compensation only

B. Allowed as deduction even if income is form business or practice of profession

C. Allowed as deduction even if mixed income

D. Allowed as deduction only if the taxpayer is taking itemized deductions from gross income

44. Which of the following statement is wrong? The premiums on hospitalization and health insurance may be deducted

A. Not to exceed 2,400 a year per family

B. Not to exceed 200 per month

C. If the family income does not exceed 250,000

D. By either spouse in the case of married individuals

45. A resident citizen, married with 4 qualified dependent children had the following during the calendar year:

Gross compensation income P 200,000

Expenses related to his employment 120,000

SSS premium contributions 3,600

PhilHealth contributions 2,400

Pag-ibig contributions 2,000

Union dues 1,000

Premiums on health insurance 4,000

The taxable income is

A. 41,000

B. 38,600

C. 123,000

D. 124600

46. In which of the following should additional personal exemption of P25,000 not be allowed to the taxpayer?

A. An alien whose dependent child is living with him in the Philippines

B. A resident citizen who has a 25 year old mentally retarded son

C. A resident citizen who has a 50 year old mother as his dependent

D. A resident alien with an illegitimate child, 7 years old whose husband died during the taxable year when their only child is 7 years old

47. Mr. Uro, married with 5 dependents, is employed by an offshore banking unit in the Philippines. Mr. Uro earned a total compensation income of P250,000, net of P2,000 SSS, P1,800 PhilHealth and P1,200 Pag-ibig, in 2010 and paid P3,000 in premium of health and hospitalization insurance for himself and his family. Compute the total personal exemption of Mr. Uro.

A. P150,000

B. P152,400

C. P177,400

D. P0

48. Hirohito is an alien employed by a regional operating headquarters of a multinational corporation. During 2010, Hirohito earned a total compensation income of P800,000, exclusive of P200,000 professional fees on business advisory services rendered to a japans client in the Philippines. Compute Hirohito’s total income tax.

A. P0

B. P150,000

C. P170,000

D. P250,000

49. A non- resident citizen has business income traceable from the Philippines of P150,000 and from abroad, P200,000. Expenses directly traceable to the Philippines and abroad are P50,000 and P125,000, respectively. However, the taxpayer have an unallocated deduction of 42,000. Compute the taxable income.

A. P133,000

B. P83,000

C. P82,000

D. P32,000

50. Which of the following statements is correct?

A. Estates and trusts are allowed a personal exemption of 32,000 if he executor or trustee is married

B. The income tax rates for corporate taxpayers apply to taxable estates and trusts

C. The taxable year of estates and trusts maybe calendar or fiscal year.

D. For a trust to be taxable it must be irrevocable, both as to corpus (principal) and income

51. 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

A. Assets

B. Capital

C. Estate

D. Income

52. The term applied to the person whose property is transmitted through succession, whether or not he left a will

A. Decedent

B. Transferor

C. Transferee

D. Testator

53. A decedent who has a will upon death

A. Transferor

B. Grantor

C. Donor

D. Testator

54. The person called to the succession either by the provision of the will or by operation of law

A. Heir

B. Devisee

C. Legatee

D. Trustor

55. The person to whom a gift of real property is given by virtue of will

A. Heir

B. Devisee

C. Legatee

D. Trustor

56. The person to whom a gift of personal property is given by virtue of a will

A. Heir

B. Devisee

C. Legatee

D. Trustor

57. The person who establishes a trust

A. Heir

B. Devisee

C. Legatee

D. Trustor

58. The person in whom the confidence is reposed as regards property for the benefit of another person

A. Devisee

B. Trustee

C. Legatee

D. Trustor

59. The person for whose benefit the trust has been created

A. Legatee

B. Heir

C. Beneficiary

D. Trustee

60. For income tax purposes, any person or corporation that holds in trust an estate of another person or persons

A. Beneficiary

B. Fiduciary

C. Legatee

D. Devisee

61. A created a trust for his daughter, B, a minor and appointed C as the trustee. A transferred an apartment where rent income of 380,000 (net of 5% withholding tax) was received by the trust with an expense of 90,000 during the year. 50% of the gross income was given to B, while 20% based on the net receipts was recorded as valid expense of the trust, compute the income tax due or refundable of the trust and the taxable income of B.

P(4,700) P150,000

62. Angel created two irrevocable trust, Trust 1 and Trust 2 with different trustee but with common beneficiary, the following data pertain to the trust and the beneficiary’s own account:

Trust 1 Trust 2 Beneficiary Grantor

Gross Income 400,000 800,000 250,000 800,000

Deduction 75,000 125,000 100,000 200,000

Income distributed to 150,000 175,000

beneficiary

What is the income tax due of trust 1 and trust 2

A. P19,500; P119,000

B. P26,250; P119,000

C. P19,500

D. P26,250

63. Compute the income tax due of the consolidated trust.

A. P42,500

B. P36,100

C. P35,750

D. P29,350

64. Compute the income tax due of the beneficiary.

A. P117,500

B. P102,500

C. P25,000

D. P14,500

65. Compute the taxable income of the Grantor if Trust 2 is designed as revocable

A. P357,000

B. P301,000

C. P157,000

D. P141,000

**INTEGRATIVE CASES**

**Case A**

An individual income taxpayer, unmarried with 1 dependent, derived the following income:

Philippines Abroad

Compensation income P200,000 P400,000

Rent income 150,000 180,000

Gain on sale of domestic bonds directly to buyers (held 14 mos.) 5,000 2,000

Gain on sale of foreign bonds directly to buyer (held 18 mos.) - 38,000

Loss on sale of foreign shares directly to buyer (12 months) - 27,000

Gain on sale of domestic stock directly to buyer 45,000 40,000

Interest from FCDU dollar deposit, gross 12,000 24,000

Prizes from dancing competition 7,500 12,000

Interest income from notes 12,000 23,000

**Required:** Complete the following table:

Taxpayer Taxable Income Final Tax Capital Gains Tax

1. Resident Citizen P933,500 P 900 P 4,250

2. Resident Alien 298,000 900 4,250

3. NRA-NETB 0 900 4,250

4. Special Alien 0 900 4,250

**Case B:**

Mr. X died, a bachelor, on August 30, 2009. With conflicting claims of various heirs, his estate undergoes judicial settlement. Mr. X’s executor summarized the following information for purpose of computing his income tax and estate tax:

Properties, net of obligations, at point of death P3,800,000

Rent income of properties (earned evenly during 2009) 300,000

Net income of X’ business (40% earned after death) 500,000

Teaching income of Mr. X 150,000

Judicial expenses of Mr. X’s estate 200,000

Funeral expenses (30% after interment) 250,000

Fire loss of business properties classified as ordinary assets (25% before death) 100,000

Medical expenses 120,000

**Required.** The executor decided to claim the loss as deduction for income tax purposes.

1. Compute Mr. X’s taxable income.

A. P0

B. P750,000

C. P625,000

D. P575,000

2. Compute the taxable income of X’s estate.

A. P0

B. P225,000

C. P205,000

D. P175,000

3. Compute Mr. X’s taxable estate.

A. P3,305,000

B. P2,855,000

C. P2,505,000

D. P2,305,000