POLYTECHNIC UNIVERSITY OF THE PHILIPPINES
College of Accountancy and Finance
ACCO 2033: Income Taxation
Midterm Departmental Examination

General Instructions: Choose the BEST answer for each of the following items. Mark only one answer for each item on the Answer Sheet provided.

1. The principle on progressivity in taxation is premised on the following objective:
    a. to avoid regressively in taxation
    b. encourage economic growth
    c. increased revenue
    d. reduced social inequality.

2. The ruled that while taxes are intended for general benefits, special benefits to taxpayers are not required is pursuant to
    a. general welfare test
    b. purpose test
    c. benefit-protection theory
    d. lifeblood

3. If a jeopardy assessment is issued by the BIR, the recourse of the taxpayers is
    a. to appeal to the Court of Tax Appeals.
    b. file a motion for reinvestigation.
    c. ask for abatement of the assessment.
    d. protest the assessment.

4. A Filipino citizen who works in Brunei from Monday to Friday and spends his weekends and a 6-week vacation leave in the Philippines is considered a
    a. resident Filipino citizen
    b. Filipino Overseas Contract Worker
    c. non-resident Filipino citizen
    d. Filipino tourist

5. The rule of “No Estoppel against the Government“means that:
    a. the government is always presumed correct in performing its tax assessment functions;
    b. the taxpayer failed to rebut the tax findings of the government uncovered during tax examination
    c. the government is not liable for the neglect of its agents and officers
    d. the government cannot be hampered in doing its tax collection duties.

6. Which statement below on compromise of tax liability is correct? Compromise of tax liability is
    a. Available only before trial at the CTA
    b. Available only at the administrative level
    c. Available even during the appeal, provided that prior leave of court is obtained
    d. Still available even after the court decision has become final and executor

7. The submission of the required documents within sixty days from the filing of the protest is available where the taxpayer previously filed
    a. A motion for reconsideration with the BIR official
    b. A request for reconsideration with the BIR official
    c. A request for reinvestigation with the BIR official
    d. An extension to file a protest with the BIR official

8. The prescriptive period for the collection of the deficiency tax assessment will be tolled
    a. If the taxpayer files a request for reconsideration with the Assistant Commissioner
    b. If the taxpayer files a request for reinvestigation that is approved by the Commissioner of Internal Revenue
    c. If the taxpayer changes his address in the Philippines that is communicated to the BIR official
    d. If a warrant of levy is served upon the taxpayer’s real property in Manila

9. The acquittal of the accused in the criminal action for the failure to file income tax return and failure to supply correct information will have the following consequence
    a. The CTA will automatically exempt the accused from an civil liability
    b. The CTA will still hold the taxpayer liable for deficiency income tax liability in all cases, since preponderance of evidence is merely required for tax cases
    c. The CTA will impose civil or tax liability only if there was a final assessment notice issued by the BIR against the accused in accordance with the prescribed procedures for issuing assessments which was presented during the trial
    d. The CTA will impose civil or tax liability even if a computation of tax liability is not presented during trial

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10. Merlin files his income tax return for calendar year 2017 on March 20, 2018. When is the last day for the the BIR to collect, assuming Merlin did not pay for the BIR to make an assessment?
a. March 20, 2021 b. April 15, 2021 c. April 15, 2023 d. March 20, 2023

11. Using the above data, assuming Merlin filed his income tax return on April 20, 2018 and the return is not fraudulent, when is the last day for the BIR to make an assessment?
a. April 20, 2021 b. April 15, 2021 c. April 20, 2023 d. April 15, 2023

12. Using the data above, if the BIR issued a deficiency income tax on March 10, 2020, when is the last day for the BIR to collect?
a. March 10, 2023 b. April 15, 2023 c. March 10, 2025 d. April 15, 2025

13. An individual taxpayer is qualified to substituted filing of income tax return if he meets the following requisites, except:
a. Pure compensation only
b. One employer during the calendar year
c. Creditable withholding tax is correct
d. Should be a minimum wage earner

14. Ms. Contessa files her ITR for 2017 on April 1, 2018 and paid the tax due thereon of P100,000. The BIR made an assessment on April 15, 2021 which shows that the correct income tax due should have been P150,000 requiring payment on or before July 15, 2021. The assessment was received by Ms. Contessa on June 1, 2021. Contessa can
a. Ignore the assessment because June 1, 2021 is beyond 3 years from April 1, 2018
b. ignore the assessment because June 1, 2021 is beyond 3 years from April 15, 2018
c. Appeal to the CTA within 30 days from June 1, 2021
d. Dispute the assessment with the CIR within 30 days from June 1, 2021

15. One of the following is not within the powers of the Commissioner of Internal Revenue
a. Compromise the payment of internal revenue tax on the ground of taxpayer's financial incapacity
b. Compromise the payment of internal revenue tax on the ground that there is reasonable doubt as to the validity of thee assessment
c. Compromise criminal violation if already filed in court and those involving fraud.
d. Abate or cancel tax liability on the ground the cost of collection is greater than that of the tax collected

16. The lien of the Government for unpaid internal revenue taxes arises when
a. the service of warrant of distraint of personal property was made.
b. the tax became due and payable.
c. the assessment becomes final and unappealable.
d. there is a disputed assessment.

17. Statement 1: The jurisdiction of the tax court include cases involving the collection of the so-called compromises penalties.
Statement 2: There is no reasonable basis for exempting foreign-sourced income of non-resident citizen as compared to resident citizen who have pay the ordinary graduated rates.
a. Both statements are true.
b. Only statement 1 is true
c. Only statement 2 is true
d. Both statements are false

18. Statement 1: Estoppel does not apply to deprive the Government of its right to raise defenses even if those defenses are being raised only for the first time on appeal.
Statement 2: The capital gains tax paid in a foreclosure sale cannot be deducted from the capital gains tax on the sale of the property where the mortgagor failed to exercise his right of redemption.
a. Both statements are true.
b. Only statement 1 is true
c. Only statement 2 is true
d. Both statements are false

19. Statement 1: Capital expenditures are not considered ordinary and necessary expenses.
Statement 2: Shrinkage in value of securities is a deductible expense from gross income.
a. Both statements are true.
b. Only statement 1 is true
c. Only statement 2 is true
d. Both statements are false

20. Statement 1: The duty to withhold tax is similar to the duty to pay income tax.
Statement 2: Property dividends are subject to capital gains tax.
a. Both statements are true.
b. Only statement 1 is true
c. Only statement 2 is true
d. Both statements are false

21. An increase in the value of property is considered
a. income
b. assessed value
c. economic benefit
d. unrealized increase in capital

22. For income tax purposes, an alien is considered a resident or non-resident depending on
a. documents issued by the Bureau of Immigration.c. being a student in a Philippines university.
b. having relatives in the Philippines. d. intention as to the length and nature to stay.

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23. Distribution of liquidating dividends in liquidation of corporations is
    a. an ordinary asset transaction
    b. a capital asset transaction
    c. sale of business assets
    d. exchange of business assets

24. A method developed by the BIR to examine a taxpayer's income is such method wherein the equivalent of a ration analysis of percentages considered typical of the business under investigation is being used to indicate potential sources of revenue where revenue records do not exist. This method is called
    a. benchmark method
    b. ratio analysis method
    c. industry code method
    d. percentage method

25. Under Tax Reform for Acceleration and Inclusion, capital gains from the sale of shares of stock not traded in the stock exchange for gains not over P100,000 shall be taxed at
    a. 10%
    b. 15%
    c. 20%
    d. 5%

26. The need to gross up the monetary value of the fringe benefit received in computing the fringe benefit tax due thereon is because
    a. the tax is an additional benefit to the employee
    b. to comply with the Withholding on Wages Regulations
    c. to consolidate the benefit with the salary
    d. of the absence of the convenience of the employer rule

27. If after a tax investigation, the BIR examiner found out that the tax paid by the taxpayer upon filing his tax return is short of what should have been paid under the law, the tax payer is liable for:
    a. Tax avoidance
    b. Tax evasion
    c. Deficiency assessment
    d. Delinquency assessment

28. A material factor in resolving questions of prescription in the assessment of taxes is:
    a. Complete submission of all the attachments to the tax returns;
    b. Filing of the tax return in the right venue
    c. Having the tax return stamped received by the BIR authorized receiving officer
    d. The date of the filing of the tax return.

29. Forfeiture of property of a delinquent taxpayer is done by the Bureau of Internal Revenue when:
    a. Taxpayer did not file a protest against the tax assessment
    b. Taxpayer does not attend an informal conference arranged by the BIR
    c. Taxpayer retires from business or about to leave the Philippines
    d. In a public auction of the property of a delinquent taxpayer, no bidders bid for the property

30. If a tax or any portion thereof is unjustly assessed, the recourse of the taxpayer is:
    a. To initiate an offer of compromise of the tax with the Commissioner of Internal Revenue;
    b. The file a case against the BIR examiner in the Ombudsman
    c. To file a damage suit in the ordinary courts
    d. To request the Commissioner of Internal Revenue to abate the tax liability

31. One of the canons of taxation is fiscal adequacy. A violation of this canon would fall under the following:
    a. The constitutional provision that all revenue bills should originate from the House of Senate may concur with amendments
    b. Dereliction of duties on the part of the Bureau of Internal Revenue
    c. No breach of any constitutional provision
       The Lateral Attrition Law

32. A taxpayer overpaid his income tax when he filed his income tax return on April 15, 2007. Realizing the overpayment, he filed a claim for refund with the BIR on June 15, 2007. He received the reply of the BIR denying his claim on May 3, 2009. What should he do with the adverse decision of the BIR?
    a. File a Motion for Reconsideration with the BIR
    b. Elevate the case to the Court of Tax Appeals within 30 days from May 3, 2009 given the 30 days deadline to appeal adverse decision pursuant to RA 9282
    c. He has lost his right to appeal
    d. File an auction with the ordinary courts for undue payment *(solutioindebiti)*

33. In case of doubt in a tax exemption law, which of the following rules shall govern?
    a. The doubt must be resolved in favor of the taxpayer since a tax is a deprivation of hard-earned money of the taxpayer.

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b. No person shall be deprived of due process of law which is guaranteed by the Constitution.
c. The doubt must be resolved in favor of the government.
d. The legislative intention must be determined first.

34. The Tax Reform Act for Acceleration and Inclusion was signed into law by Pres. Rodrigo Duterte on:
a. Dec. 19, 2017 b. Dec. 20, 2017 c. Dec. 21, 2017 d. Dec. 22, 2017

35. The Tax Reform Act for Acceleration and Inclusion provides for an exempt annual income tax payment of what amount of annual salary?
a. P250,000 b. P200,000 c. P225,000 d. P10,000

For 36-40, Please use the problem below:
FM, married, had the following data for the taxable year:

Gross Income in the Philippines	P400,000
Gross Income, USA	300,000
Expenses, Philippines	200,000
Expenses, USA	150,000

36. If FM is a resident citizen, his taxable income is
a. P309,000 b. P318,000 c. P350,000 d. P300,000

37. If FM is non-resident citizen, his taxable income is
a. P300,000 b. P159,000 c. P150,000 d. P200,000

38. If FM is a resident alien, his taxable income is
a. P300,000 b. 159,000 c.P150,000 d. P200,000

39. If FM is a non-resident alien engaged in business in the Philippines, married in his country allows reciprocity of P30,000 as personal exemption for married individuals, his taxable income is
a. P370,000 b. P170,000 c. P200,000 d. P150,000

40. If FM is a non-resident alien not engaged in business in the Philippines, and his country grants P35,000 as personal exemption for married individuals, his tax due is
a. P100,000 b. P50,000 c. P42,400 d. P0

41. In 2016, Mr. Captain Assassin, a MWE, received from her employer an annual minimum wage salary of P99,702. Aside from this, she also received P8,000 for holiday pay, overtime pay, and night shift differential pay. Furthermore, she received P8,303 as her 13th month pay. What amounts shall be taxable on?
a. P8,000 b. P107,702 c. P8,303 d. None

As a means of promoting the health, goodwill, contentment, and efficiency of his emploees, employer URTURN gave its Game Master the following fringe benefits in 2017:

a. Monetized unused vacation leave of 15 days	P 24,000
b. Rice subsidy	36,000
c. Uniform and clothing allowance	12,000
d. Achievement award for length of service in the form of tangible personal property	20,000
e. Gifts given during Christmas and major anniversary celebrations	15,000
f. Medical benefits	20,000
g. Laundry allowance	12,000
h. 13th Month Pay	30,000
i. Mid Year Bonus	30,000
j. Productivity bonus	15,000

42. The amount of deductible expense of URTURN is:
a. P221,000 b. P214,000 c. P201,000 d. P184,000

43. The amount of taxable benefits of the Game Master is
a. P71,400 b. P72,600 c. P64,400 d. P0

44. In 2017, AVALON Corp. paid for the annual rental of a residential house used by its general manager amounting to P136,000. The entry to record the benefit is

a. Fringe Benefit Expense	P136,000	
Fringe Benefit Tax Expense	64,000	
Cash		P200,000
b. Fringe Benefit Expense	P136,000	
Fringe Benefit Tax Expense	32,000	
Cash		P168,000

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c. Fringe Benefit Expense	P68,000	
Fringe Benefit Tax Expense	32,000	
Cash		P100,000

d. Fringe Benefit Expense	P68,000	
Fringe Benefit Tax Expense	64,000	
Cash		P132,000

In 2017, Bad Dog Corporation allowes its Sales Manager to incur expenses subject to reimbursement, as follows:

Electricity (MERALCO)- 70% in the name of BAD DOG CORP	P20,000
Water (Manila Water)- 70% in the name of BAD DOG CORP	2,000
Grocery (Ayala Malls)	10,000
Gasoline of Company Car	12,000
Representation and Transportation- Business Trip	4,000

45. The amount subject to fringe benefits tax is
    a. P48,000
    b. P25,400
    c. P15,400
    d. P16,600

The following data belong to Coup Corp for the year 2017

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

46. The fringe benefits tax due is:
    a. P75,294
    b. 103,529
    c. P141,176
    d. P112,941

47. Jenga Partnership with Jeng and Angga as partners had a net professional income amounting to P500,000 for 2017. Its other income included bank interest income of P8,000, net of final withholding tax and it received dividend income from a domestic corporation of P10,000. Jeng is single and has a net income of P200,000. The net taxable income of Jeng who shares profit and loss equally with Angga is:

    a. P400,000
    b. P440,000
    c. P439,000
    d. P409,000

Mr. Tsuro has the following information for the taxable year:

	2016	2017
Total Assets	P300,000	P800,000
Total Liabilities	250,000	200,000
Addt'nal Investment		100,000
Personal withdrawals	100,000	230,000
Gain on proceeds of life insurance received	150,000	
Unrealized Loss- debt securities deducted		20,000

48. How much is the net taxable income of Mr. Tsuro in 2017?
    a. P450,000 b. P600,000 c. P450,000 d. P400,000

The income statement of a Mr. DIXIT is as follows:

	Within	Outside
Business Income	P100,000	P120,000
Business Expense	40,000	50,000
Passive Income	5,000	5,000

49. How much would be the taxable income after exemptions of Mr. DIXIT if he is a resident citizen?
    a. P140,000 b. P80,000 c. P135,000 d. P145,000

50. How much would be the taxable income after exemptions of Mr. DIXIT if he is a resident alien?
    a. P60,000 b. P10,000 c. P75,000 d. P70,000

Mr. Percival, married and a resident citizen, received the following income in 2017.

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	Within	Without
Interest income	P20,000	P100,000
Dividend income	50,000	80,000
Prizes	10,000	30,000
Lottery winnings	40,000	70,000
Royalty, books	60,000	50,000
Royalty, mining	180,000	90,000
Interest on foreign currency deposits	100,000	85,000
Winning, Philippine Lotto	1,000,000	
Sale of Land (Capital Asset) cost 50%;		
Zonal 10% higher	500,000	600,000
Sale of shares not traded, cost 50%	250,000	200,000
Rent income	175,000	160,000

51. Using the Old Tax Law, how much is the total final tax due?
a. P40,500 b. P102,000 c. P42,000 d. P94,000

52. Using the Old Tax Law, how much is taxable income before allowed personal exemptions?
a. P1,250,000 b. P1,065,000 c. P965,000 d.P665,000

53. Ms. Morgana, a non-resident alien not doing business in the Philippines, earned the following income during the year:

	Philippines	Britain
Net income from business		$100,000
Prizes	P100,000	30,000
Royalty income	200,000	60,000

The foreign exchange rate at the date of tax filing is 1$ =P45.00
How much is the total tax due of Ms. Morgana?
a. P75,000 b. P65,000 c. P2,701,000 d.P2,137,500

The following are the information submitted by Mr. Mordred, head of the family and a resident citizen of the Philippines.

Sources of Income	Taxable Income	Income Tax Paid
Philippines	P220,000	P15,000
Japan	200,000	70,000
USA	500,000	175,000
Hongkong	(120,000)	

54. If Mr. Mordred chose a tax credit for the income taxes paid to foreign countries, how much would be the income tax credit?
a. P155,978 b. P179,375 c.P156,978 d. P148,625

55. How much is the Philippine income tax still due?
a. P49,022 b. P25,625 c. P48,022 d. P41,375

56. Contessa, single, is an OFW with a monthly income abroad amounting to P20,000. She has a sari-sari store in the Philippines with an average monthly income of P10,000. If Juan returned in the Philippines from March 1, 2018 of the taxable year and stayed to manage his sari-sari store, how much of his income is subject to tax in the Philippines?
a. P70,000 b. P100,000 c. P110,000 d. P0

57. Acting on the information given by Mr. Oberon, the government seized and confiscated smuggled goods with a fair market value of P40M. The final withholding tax is
a. P4M b. P3.6M c. P900,000 d. P100,000

58. In 2017, URTURN GAME LOUNGE Corporation provided a 3-day vacation in Mindoro to all of its employees of which 80% are rank and file. A total expense incurred by the company of the said vacation excluding the fringe benefit tax expense is P1,860,000. The fringe benefit tax expense is
a. P160,000 b. P175,058 c. P119,040 d. P140,000

59. Mr. Duke sold his principal residence for a selling price of P5M but with a FMV of P6M. The Property sold was acquired for P3M. He purchased his new principal residence at a cost of P7M. The capital gains tax is
a. P360,000 b. P300,000 c. P240,000 d. P0

60. Using the same problem in Item No. 57, How much is the basis (cost) of the new principal residence?
a. P7M b P6M c. P5M d. P4M

61. Using the same problem in Item No. 57, but if only P4M out of P5M was utilized in acquiring his new principal residence, the capital gain tax is
a. P60,000 b. P72,000 c. P300,000 d. P360,000

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62. Using the preceding number, the basis (cost) of the new principal residence?
a. P3.2M b. P4M c. P2.4M d. P3M

63. Mr. Catan files its income tax return and paid the tax due for calendar year 2017 showing a tax liability of P175,000. However, upon audit, it was discovered that his income tax return was false or fraudulent because he did not report other taxable income. Per investigation the correct income tax due is P350,000. He was duly informed of this finding through a preliminary assessment notice. Failing to protest on time against the preliminary assessment notice, a formal letter of demand and assessment notice was issued on May 31, 2019 calling for a payment of the deficiency income tax on or before July 15, 2019. The amount due on July 15, 2019 is
a. P306,250 b. P437,500 c. c. P240,625 d. P612,500

64. Due to financial difficulties, URTURN Game Lounge requested that its 2017 income tax liability of P400,000 be paid in four (4) equal monthly installments starting April 15, 2018. Its request for installment payment was approved on April 8, 2018. The tax due on May 15, 2018 is
a. P100,000 b. P101,667 c. P105,000 d. P106,667

65. During 2017, the total net amount paid for the salaries and wages amounted to P9,000,000 after effecting the following deductions for employees:

SSS premiums contributions	P420,000
Philhealth premiums contributions	100,000
Pag-ibig premiums contributions	180,000
Creditable withholding tax	300,000

In addition, the corporation provided its Vice President for operations P340,000 cash as fringe benefit. The allowable deduction for salaries and benefits is
a. P9,340,000 b. P10,500,000 c. P10,340,000 d. P10,000,000

If taxable income is over	But not over	Tax due is	Plus	Of the excess over
	10,000	5%		
10,000	30,000	500	10%	10,000
30,000	70,000	2,500	15	30,000
70,000	140,000	8,500	20%	70,000
140,000	250,000	22,500	25%	140,000
250,000	500,000	50,000	30%	250,000
500,000		125,000	32%	500,000

---- Nothing follows----
“In times of desperation, you can look up for inspiration”
-Dean Jose Sundiang, SBC-COL

Just always remember that praying is inconsistent with worrying.
Good luck and God bless!- Sir FM

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