

CAPITAL GAINS TAXATION

MULTIPLE CHOICE- THEORY:PART 1

1. Which is subject to the 15% capital gains tax?
 - a. **Sale of domestic stocks directly to a buyer within or outside the Philippines.**
 - b. Sale of domestic bonds directly to a buyer within the Philippines.
 - c. Sale of domestic stocks through the Philippine Stock Exchange.
 - d. All of the above.

2. Which is an ordinary asset?
 - a. Personal car
 - b. Delivery track
 - c. **Principal residence of the taxpayer**
 - d. Wedding ring of the taxpayer

3. Which is not an ordinary asset?
 - a. **Personal laptop of the taxpayer**
 - b. Machineries and equipment
 - c. Real property held for sale
 - d. Leasehold improvements

4. Which is a capital asset to a realty developer?
 - a. Construction equipment
 - b. Domestic stocks
 - c. **Vacant lot held for future development**
 - d. Head office building of the developer

5. Which is an ordinary asset?
 - a. Home appliances
 - b. Personal car
 - c. Personal cell phone
 - d. **Office supplies**

6. Which of the following assets, if not used in business, is subject to regular tax?
 - a. Real property
 - b. Domestic stock rights
 - c. Domestic stock option
 - d. **Taxpayer's personal car**

7. Which is a capital asset for a security dealer?
 - a. Domestic stocks
 - b. Domestic bonds

- c. Real property held for speculation
 - d. Office equipment
8. Who is not subject to capital gains tax on the sale of domestic stocks directly to a buyer?
- a. Dealer of cars
 - b. Real property developer
 - c. Dealer of securities
 - d. Realty dealer
9. Which of the following, when sold, is not subject to capital gains tax?
- a. Boarding house
 - b. Warehouse
 - c. House and lot
 - d. A and B
10. Which is not subject to the 6% capital gains tax?
- a. Donation of property
 - b. Foreclosure of a mortgaged property
 - c. Expropriation of one's property in favor of the government
 - d. Sale of property for an insufficient consideration
11. Statement 1: Capital gains may arise from sale, exchange, and other disposition of movable properties used in business.
Statement 2: Ordinary gains may arise from sale, exchange, and other disposition of real properties not used in business.

Which is true?

- a. Statement 1 is correct.
 - b. Statement 2 is correct.
 - c. Both statements are false.
 - d. Only statement 2 is true.
12. Statement 1: The gain on sale of domestic stocks directly to a buyer is presumed.
Statement 2: The gain on sale of real properties is presumed.

Which of the following is correct?

- a. Both statements are true.
 - b. Both statements are false.
 - c. Only statement 1 is true.
 - d. Only statement 2 is true.
13. Which of the following properties when sold may be subject to capital gains tax?

- a. Domestic stock
- b. Foreign stocks
- c. Patent
- d. Office buildings

14. Statement 1: Only depreciable assets of business qualify as ordinary assets.
Statement 2: Land used in business is a capital asset since it is not subject to depreciation.

Which of the following is correct?

- a. Statement 1 is false.
- b. Statement 2 is false.
- c. Both statements are false.
- d. A, B and C

15. Statement 1: Ordinary gains may arise from sale, exchange, and other dispositions of real properties used in business.
Statement 2: Capital gain may arise from sale, exchange, and other dispositions of real properties not used in business.

Which is false?

- a. Statement 1 is correct.
- b. Statement 2 is correct.
- c. Both statements are false.
- d. Both statements are correct.

MULTIPLE CHOICE- THEORY: PART 2

1. Which of the following sales of domestic stocks is subject to capital gains tax?
 - a. Sale of domestic stocks through the PSE
 - b. Issue of domestic stocks to subscribers
 - c. Sale of domestic stocks directly to a buyer
 - d. Exchange of stocks for stocks in a corporate merger
2. Which of the following properties, when sold, may be covered by regular income tax?
 - a. Share options
 - b. Preferred stocks
 - c. Share warrants
 - d. Promissory notes
3. Which of the following assets may be subject to capital gains tax upon disposal?
 - a. Parking lot

- b. Dormitory
 - c. Farm lot**
 - d. Office supplies
4. The sale of an office building will be subject to
- a. 60% of 1% percentage tax.
 - b. 6% capital gains tax.
 - c. 15% capital gains tax.
 - d. Regular tax.**
5. The term "other dispositions" covers
- a. Foreclosure sales
 - b. Auction sale
 - c. Expropriation by the government
 - d. Any of these**
6. The sale of listed shares will never be subjected to
- a. 6% capital gains tax**
 - b. 60% of 1% percentage tax
 - c. 15% capital gains tax
 - d. Any of these
7. The sale of non-listed shares may be subjected to
- a. 6% capital gains tax
 - b. 60% of 1% percentage tax
 - c. 15% capital gains tax**
 - d. Any of these
8. Which of the following when sold may be exempted from the 6% capital gains tax?
- a. Unused land to the government
 - b. Residential lot
 - c. Developed residential properties for sale
 - d. Principal residence**
9. Statement 1: The sale or exchange must result in an actual gain before the 15% capital gains tax is imposed.
Statement 2: The sale or exchange must result to an actual gain before the 6% capital gains tax is imposed.
- a. Both statements are correct.
 - b. Both statements are incorrect.
 - c. Only statement 1 is correct.**
 - d. Only statement 2 is correct.

10. When the annualized capital gains tax exceeds the transactional capital gains tax, the excess is a
- a. Tax credit
 - b. Tax payable**
 - c. Tax refundable
 - d. A or B
11. 1st Statement: Properties acquired by real estate dealers are ordinary assets.
2nd Statement: Properties of real estate dealers continue to be classified as ordinary assets even if they change the nature of their business.
- a. First statement is correct
 - b. Second statement is correct
 - c. Neither statement is correct
 - d. Both statements are correct**
12. 1st Statement: When realty businesses discontinue use of assets for more than two years, the same shall be reclassified as capital assets.
2nd Statement: When realty businesses discontinue use of assets for more than two years, the same shall be reclassified as capital assets.
- a. First statement is correct
 - b. Second statement is correct
 - c. Neither statement is correct
 - d. Both statements are correct**
13. Which is an incorrect statement?
- a. The capital gains tax on the disposition of capital stock presumes the existence of gain on the sales transaction.**
 - b. The buyer of real property capital assets shall withhold the tax at source and remit the same to the government.
 - c. Capital gains tax is identified under the NIRC as a form of final tax.
 - d. The capital gains tax on the disposition of real property resumes the existence of gain on the sales transaction.
14. Which of these shall pay the two-tiered capital gains tax?
- a. A real property developer
 - b. A dealer in stocks
 - c. A merchandiser or trader of goods
 - d. A or B**

15. The sale of real properties which would otherwise be subject to the 6% capital gains tax may nevertheless be subject to regular income tax if all of the following conditions are met, except one. Which is the exception?
- a. The seller must be an individual taxpayer
 - b. The sale involves the principal residence of the taxpayer**
 - c. The buyer is the government
 - d. The taxpayer opted to be subjected to regular tax
16. Which of these pay the 6% capital gains tax?
- a. Security dealer**
 - b. Real property dealer
 - c. Real property developer
 - d. None of these
17. The sale of a principal residence is exempt from the capital gains tax if all of the following conditions are met, except
- a. The proceeds are fully utilized in acquiring a new principal residence.
 - b. The reacquisition must be by purchase.**
 - c. The reacquisition must have been made within 18 months from the date of sale.
 - d. The capital gains tax must be deposited in escrow.

MULTIPLE CHOICE- THEORY:PART 3

1. The installment payment of capital gains tax is applicable to the
- a. 15% capital gains tax only
 - b. 6% capital gains tax only
 - c. Both A and B**
 - d. Neither A or B
2. The transactional 15% capital gains tax is to be paid
- a. Within 30 days from the date of sale or exchange.**
 - b. Within 30 days from the end of month of sale.
 - c. On the 15th day of the fourth month following the close of the quarter when the sale was made.
 - d. On the 15th day of the fourth month following the taxpayer's year-end.
3. The annual 15% capital gains tax return is due
- a. Within 30 days from the end of the month of sale.
 - b. Within 30 days from the date of sale or exchange.
 - c. On or before the 15th day of the fourth month following the taxpayer's year-end.

- d. On or before the 15th day of the fourth month following the close of the quarter when the sale was made.
4. Capital gains tax that is not payable on installment basis is due
- Within 30 days from the date of sale or exchange.
 - Within 30 days from the end of month of sale.**
 - On or before the 15th day of the fourth month following the close of the quarter when the sale was made.
 - On or before the 15th day of the fourth month following the taxpayer's year-end.
5. Installment payments of the 6% capital gains tax is due
- Within 10 days from the date of each installment payment.
 - Within 30 days from the date of each installment payment.**
 - Within 15 days from the date of each installment payment.
 - Within 20 days from the date of each installment payment.
6. The installment payment of capital gains tax is applicable to
- Individual taxpayers only**
 - Corporate taxpayers only
 - Dealers in properties only
 - A or B
7. Which of these capital gains is subject to capital gains tax?
- Gain on the sale of stock rights**
 - Gain on sale of interest in a professional partnership
 - Gain on the sale of derivative financial instruments linked to commodity prices
 - Gain on sale of bonds
8. Paulo indicated in his return his intent to avail of the exemption from the 6% capital gains tax. Under what condition will he be exempted?
- When the proceeds of the sale exceeds the cost basis of the property sold
 - When the proceeds of the sale exceeds the acquisition price of the new residence
 - When the cost basis of the property sold exceeds its selling price
 - When the acquisition price of the new property exceeds the proceeds of the old property sold**
9. Partial taxation under the 6% capital gains tax will result when

- a. The proceeds from the sale of the old property exceeds both its cost and the acquisition price of the new property.
 - b. The proceeds of the sale exceeds its zonal value and Assessors fair value.
 - c. The proceeds of the old property exceed the acquisition price of the new property regardless of the tax basis, zonal value, and Assessor's fair value of the old property.
 - d. **The zonal value is greater than the sales proceeds of the old property.**
10. The transactional capital gains tax on domestic stock is
- a. **Not a final tax.**
 - b. Included in the income tax return.
 - c. Creditable to the regular income tax.
 - d. Creditable to the annual capital gains tax due.
11. The 15% capital gains tax does not apply to
- a. Resident citizen dealers of stocks
 - b. Non-resident citizen dealers of cars
 - c. Resident alien dealers of computer parts
 - d. **Domestic corporations dealing in real properties**
12. The documentary stamp tax on the sale of domestic stocks directly to a buyer is based on
- a. Selling price
 - b. **Par value**
 - c. Fair value
 - d. cost
13. The documentary stamp tax on the sale of real property is based on
- a. Selling price
 - b. Fair value
 - c. Cost
 - d. **A or B, whichever is higher**
14. The 6% capital gains tax does not apply to
- a. Domestic corporations
 - b. Resident aliens
 - c. Non-resident citizens
 - d. **Foreign corporations**
15. Who shall file the capital gains tax return for the sale, exchange, and other disposition of real property?
- a. Seller

- b. Buyer
- c. Transfer agent
- d. The registry of deeds