

PRINCIPLES OF DEDUCTIONS
REX BANGGAWAN 2021 EDITION

Exercise Drill No. 5 For each of the following, indicate CE if the item is a capital expenditure. If it is an expense, indicate DE if deductible expense and NDE if non-deductible expense.

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| 1. NDE | 1. Loss on destruction of uninsured personal car of the taxpayer |
| 2. DE | 2. Employee performance bonus for the current year |
| 3. CE | 3. Acquisition cost of equipment |
| 4. NDE | 4. Decline in market value of investment securities |
| 5. CE | 5. Advanced rent for the next two years |
| 6. NDE | 6. Interest expense in acquiring tax-exempt securities |
| 7. CE | 7. Expenses to create business goodwill |
| 8. NDE | 8. Loss on decline in the value of securities |
| 9. DE | 9. Fire loss on uninsured building |
| 10. CE | 10. Factory salaries, utilities and rent expense |
| 11. NDE | 11. Entertainment expenses for government officials |
| 12. NDE | 12. Revaluation loss on decline in value of building and equipment |
| 13. NDE | 13. Loss on sale of properties to an unaffiliated company |
| 14. NDE | 14. Decline in value of foreign currency denominated receivables |
| 15. NDE | 15. Facilitation fees to government agencies |
| 16. DE | 16. Freight costs of selling goods |
| 17. CE | 17. Freight and insurance cost of buying goods or equipment |
| 18. CE | 18. Raw materials used in production |
| 19. CE | 19. Cost of goods manufactured |
| 20. DE | 20. Accrued salaries expense of an accrual basis taxpayer |
| 21. DE | 21. Cost of goods finished and sold |
| 22. DE | 22. Expired portion of business property insurance |
| 23. NDE | 23. Interest expense on borrowings from family members |
| 24. NDE | 24. Accrued but unpaid rent expense of a cash basis taxpayer |
| 25. NDE | 25. Value of unharvested fruits destroyed by a storm |
| 26. NDE | 26. Receivables proven to be uncollectible under the cash basis |
| 27. DE | 27. Insurance expense on the life of the company president where the beneficiary is the spouse of the president |
| 28. NDE | 28. Expenses on business operation which are exempt from regular income tax or subject to a special tax regimes |
| 29. NDE | 29. Bad debt expense with non-paying family members |
| 30. NDE | 30. Dividend to preferred or common stocks |

True or False 1 (Red—is FALSE)

1. Losses on properties not used in business may be deducted but only to the extent of capital gains.
2. The cost of investments and land are deductible against their proceeds in the year of sale.

3. The entire cost of depreciable properties is deductible against their proceeds in the year of sale.

4. prepaid expenses are deductible upon payment consistent with the rule that advanced incomes are taxable upon receipt.

5. Capital expenditures are deductible against future income.

6. Personal expenses are deductible from gross income.

7. Expenses intended for the business and the personal use of the taxpayer must be allocated between the two. Only the portion pertaining to the business is deductible.

8. The expense of defending a patent is a business expense deductible in the current period.

9. The depreciation of the property revaluation gain is deductible.

10. Supplies and inventories are expensed using the inventory method.

True or False 2 (Red—is FALSE)

1. Repairs that increase property fair value are capitalized.

2. So long as the expense relates to the generation of an income subject to any income tax, the same is deductible against gross income subject to regular tax.

3. The amount of expense between affiliated companies may be adjusted by the BIR to reflect their arm's length value.

4. The failure to deduct creditable withholding tax on income payments will render the expense non-deductible.

5. Immaterial expenditures must always be capitalized.

6. Repairs that increase property useful life are capitalized.

7. An unpaid expense may be deducted under the accrual basis of accounting.

8. The government should not enrich itself at the expense of the taxpayers. Losses between related parties are deductible in the same way gains between related parties are taxable.

9. Taxpayers opting to use the optional standard deduction must also maintain records of their expenses.

10. Deduction incentives are deductible because they are actual expense

Multiple Choice - Theory: Part 1

1. A repair expense is deductible in the period paid or incurred unless it

a. merely maintain the value of the property

b. increases the value of the property

c. constitutes a major repair

d. constitutes a minor expense.

2. Losses on capital assets are

a. deductible against gross income to the extent not compensated by insurance

b. deductible against capital gain to the extent compensated by insurance

c. not deductible against gross income whether or not compensated for by insurance

d. not deductible against capital gains unless not compensated by insurance.

3. Which is a deductible expense?

- a. Marketing and advertising expense
- b. Insurance on factory building
- c. Salaries of security guards in the factory
- d. Cost of registering stocks

4. The transactions involving an insured property is said to be closed and completed when

- a. final settlement by the insurer is made
- b. the report of the insurance adjuster indicates a loss
- c. final settlement confirms an unrecoverable cost
- d. no proceedings in court is expected to be made by the insured.

5. Which is a deductible expense?

- a. Acquisition cost of a business franchise
- b. Repayment of debt
- c. Cost of registering a business
- d. Cost of issuing securities

6. Which is a deductible business expense?

- a. Interest on personal borrowings
- b. Rental of taxpayer's domicile
- c. Selling commission to agents
- d. Wages of kasambahays

7. Losses on property are not deductible unless

- a. sustained with a related party
- b. sustained in an actual or completed transaction
- c. temporary in nature
- d. covered by insurance or indemnity contracts

8. Losses on insured properties are not deductible

- a. to the extent not compensated by insurance.
- b. to the extent compensated by insurance.
- c. as a rule, except when allowed by the BIR examiner.
- d. in all circumstances.

9. Which statement is the most accurate?

- a. Prepaid expense is deductible in the period paid by taxpayers using cash
- b. prepaid expense is deductible in the future period it relate without regard to the basis of accounting employed by the taxpayer.
- c. Accrued expenses are deductible by cash basis taxpayers
- d. Depreciation expense can be claimed only by accrual basis taxpayers.

10. Cash basis and accrual basis taxpayers differs in the treatment of

- a. Prepaid expense
- b. Current period cash expense
- C. Current period accrued expense**
- d. Depreciation expense

11. Which may not be related?

- a. The controlling individual and the controlled corporation.
- b. The controlling individual and a subsidiary of a controlled corporation.
- C. The grantor and fiduciary of a trust
- d. The grantor and the beneficiary of a trust**

12. Which of the following is an extraordinary non-deductible expense against regular gross income of a merchandiser?

- a. Loss on sale of obsolete merchandise
- b. Store supplies and utilities
- C. Local business permit
- d. Loss on sale of investment in stocks**

13. Which is a deductible expense against business gross income?

- a. Commission expense on sale of investment in stocks
- b. Salaries of marketing personnel of a manufacturing business**
- C. Quarterly estimated income tax
- d. Final tax on interest income on bank savings deposit

14. Which is not a general principle of deduction?

- a. The matching principle
- b. The related party rule
- c. The withholding rule
- d. The transfer pricing rule**

15. Which is an actual deductible expense?

- a. Provision for an estimated bad debt expense
- b. Loss arising from liability on a contested lawsuit confirmed by a final judgment**
- C. Increase in value of foreign currency-denominated debt
- d. Death of animal offspring

16. Which is deductible against gross income?

- a. Imputed interest expense
- b. Advances to the profit sharing of a partner in a general professional partnership
- C. Repayment of business debts
- d. Local taxes**

17. Which of the following is deductible?

- a. Rent of office space
- b. Tuition fees of the siblings of the taxpayer
- c. Selling expense of domestic stocks directly to a buyer
- d. Estimated losses on lawsuit

18. Which is non-deductible against gross income?

- a. Loss on sale of stocks through the PSE
- b. Write-off of bad debts
- c. Loss on destruction of office building by an earthquake
- d. Amortization of patent or franchise used in business

19. Which is an incorrect statement?

- a. The straight line method provides for an equal periodic deduction against gross income.
- b. The sum-of-the-years digit method provides for an increasing deduction against gross income.
- c. The double declining balance method provides for a declining deduction at a rate twice the deduction of the straight line method.
- d. Both straight line method and sum-of-the-years-digit method consider the residual value of the property.

20. Which of the following ordinary assets cannot be depreciated?

- a. Office equipment
- b. Machineries
- c. Building and its improvements
- d. Land

21. Statement 1: Only taxpayers under the accrual basis shall use the inventory method in deducting inventories. Statement 2: Only taxpayers under the accrual basis can claim deduction for depreciation and losses.

- a. Statement 1 is correct.
- b. Statement 2 is correct
- c. Both statements are correct
- d. Neither statement is correct.

22. Statement 1: The cost of goods sold is directly deducted upon sales in the measurement of the gross income from the sales of goods. Statement 2: The cost of services is directly deducted from gross receipts in the measurement of the gross income from the sales of services.

- a. Statement 1 is correct
- b. Statement 2 is correct.
- c. Both statements are correct.
- d. Neither statement is correct.

23. Which is not a capital expenditure?

- a. Payments to create a good image of the business of the taxpayer
- b. Prepaid expenses
- c. Accrued expenses**
- d. Advances to contractors

24. Statement 1: Repairs that do not extend the useful life or increase fair-value of an asset should be capitalized. Statement 2: The costs of issuing securities of the taxpayer are deductions against gross income.

- a. Statement 1 is correct.
- b. Statement 2 is correct
- c. Both statements are correct.
- d. Neither statement is correct.**

25. Statement 1: Improvements to properties are usually capitalized. statement 2: Directly attributable cost of acquisition of properties are added to the basis of the properties acquired.

- a. Statement 1 is correct.
- b. Statement 2 is correct.
- c. Both statements are correct.**
- d. Neither statement is correct.

Multiple Choice - Theory: Part 2

1. Which is a deductible expense?

- a. Regular repair of office equipment**
- b. Refurbishing of an old building to prepare it for use
- c. Addition of a wing to an existing building
- d. Overhaul of machineries to extend their useful life

2. Which of the following cannot claim deductions from gross income despite actual engagement in business?

- a. Resident citizen
- b. Resident alien
- c. Non-resident citizen
- d. Non-resident alien not engaged in trade or business**

3. Which of the following taxpayers cannot claim deductions from gross income?

- a. General professional partnership
- b. Domestic corporation
- c. Resident foreign corporation
- d. Non-resident foreign corporation**

4. Which of the following can be claimed as deduction?

- a. Transportation allowance of employees of the taxpayer**
- b. Transportation allowance of the taxpayer's dependents

- C. Losses from destruction of the taxpayer's residence
- d. Depreciation of the residence of the taxpayer

5. Which expense is deductible despite the fact that it is not an actual expense?

- a. Compliance expense on regulatory requirements
- b. Deduction incentives for compliance to regulatory requirements**
- C. Uncollectible debts ascertained to be worthless
- d None of these

6. Which is not a characteristic of deductions from gross income?

- a. Legitimate business expense
- b. Capital expenditure**
- C. Ordinary and necessary business expense
- d. Actual and necessary business expense

7. Which of the following taxpayers can claim deduction against gross income?

- a A resident citizen taxpayer earning purely compensation income
- b. Nonresident foreign corporation
- C Non-resident alien not engaged in trade or business
- d Resident citizen earning a mix of passive and business income**

8. Which is not a separate classification of deduction from gross income?

- a. Net operating loss carry over
- b. Regular allowable itemized deductions
- C Special allowable itemized deductions
- d. Net capital loss carry over**

9. Which statement is incorrect regarding deductions?

- a. The claim of deduction, similar to exemption, is construed against the taxpayer. The use of optional standard deduction always results in reported taxable income
- C The unreasonableness of deduction is up to the BIR to prove.
- d The incurrence of an operating loss is an indication of an unreasonable expense.**

10. The following cannot claim deduction from gross income except

- a. A self-employed individual taxpayer**
- b. A corporation earning purely passive income
- c. An individual earning purely passive income
- d. An individual taxpayer earning purely compensation and passive income

11. Which is not deductible against gross income?

- a.. Interest expense incurred to purchase tax-exempt securities
- b. Net capital loss
- C. Personal expenses

d All of these

12. Which is a deductible business expense?

- a. Loss on decline in value of securities
- b. Estimated losses on expropriation and
- c. Fire loss on an insured property
- d. Loss on theft of company assets

13. Which of the following constitutes a deductible business expense?

- a. Purchase of office equipment invoiced under the trade name of the taxpayer business
- b. Tuition fees of dependents of the taxpayer
- c. Interest expense on a business loan
- d. Representation expenses booked in the name of the taxpayer's wife

14. Which of the following qualifies for deduction for an individual income taxpayer engaged in business?

- d. Salaries of household maid
- b. Gasoline expenses of the taxpayer's personal car
- c. Office Internet expense
- d. Taxpayer's transportation expense to and from his residence

15. Which of the following can be deducted by an individual taxpayer not engaged in business?

- a. Transportation expenses
- b. Communication expenses
- c. Internet expense
- d. None of these

16. Which of the following can be claimed by a resident foreign corporation?

- a. Depreciation expense on properties located abroad
- b. Income tax paid in a foreign country
- c. Income tax paid in the Philippines
- d. Interest expense on foreign borrowings used to finance its Philippine business

17. Which can be treated as a capital expenditure deductible through depreciation expense?

- a. Interest expense incurred to purchase office equipment
- b. Losses sustained in an uninsured office building
- c. Acquisition of land
- d. Acquisition of personal computers

18. Which of the following items can be deducted in full in the year sustained?

- a. Write-off of bad debts by a taxpayer under the cash basis
- b. Loss on market decline in the value of gold inventories
- c. Loss on the destruction of the taxpayer's personal car

d. Uninsured fire loss sustained by the business of the taxpayer

19. Deductions can be claimed against

- a. talent fees.**
- b. fixed allowances
- c. fringe benefits.
- d. salaries.

20. Which is deductible in full by a taxpayer engaged in the merchandising business?

- a. Value of inventories taken home by the business owner
- b. Loss on unrecoverable debts from a non-paying family member
- c. Imputed interest on the capital investment of the owner
- d. Value of inventories destroyed by rodents**

21. Which is not a deductible loss by a security dealer?

- a. Wash sales loss
- b. Loss on the sale of bonds with more than five years maturity**
- c. Loss on the sale of stocks through the PSE
- d. Loss on the sale of short-term bonds through the Philippine Dealings Exchange

22. Determine the deductible loss.

- a. Loss incurred in exchanging property to obtain control of a corporation
- b. Loss incurred in exchanging properties with a corporation after obtaining control over said corporation
- C. Calamity loss on uninsured property**
- d. Bad debts from a sister company

23. Which of the following is non-deductible by the fact that it violates the Matching Principle?

- a. Expense of a tax-exempt operation**
- b. Payment for police protection
- C. Payment of revolutionary taxes
- d. Expenses not receipted in the name of the taxpayer

24. Which is incorrect with regard to expenses incurred between associated enterprises?

- a. The pricing of the transaction must not be controlled.
- b. The pricing method to be adopted shall be based on free market factors or those made between two independent parties.
- C. In case of a controlled transaction, the deductible expense to the paying enterprise shall be the arm's length value of the transaction.
- d. No deduction shall be allowed on expenses incurred between associated enterprises.**

25. Which is not a business expense?

- a. Fringe benefit tax expense

b. De minimis benefits granted to employees

C. Salaries of personal driver of the company president which was subjected to fringe benefit tax

d. Depreciation value of properties designated for the use of company managers and supervisors which are subjected to fringe benefits tax

Multiple Choice - Problems: Part 1

1. A taxpayer paid P45,000 property insurance having a 12-month coverage starting March 1, 2018. Compute the deductible insurance expense in 2018.

- a. P0 b. P7,500 **c. P37,500** d. P45,000

2. On September 30, 2021, a taxpayer borrowed P1,000,000 at 10% annual interest to finance his acquisition of a luxury car. Compute the deductible interest expense in 2021

- a. P0** b. P25,000 c. P50,000 d. P75,000

3. CHS Corporation had office supplies valued at P40,000 on January 1, 2021. At the end of the first calendar quarter, it had P30,000 worth of office supplies. Total supplies purchased were P250,000 during the period. Compute the supplies expense to be deducted during the first quarter.

- a. P210,000** c. P280,000 b. P250,000 d. P290,000

4. A non-resident alien not engaged in business incurred business expenses of P100,000 and personal expenses of P20,000. How much is deductible from his gross income?

- a. P0** b. P 20,000 C. P 100,000 d. P 120,000

5. A taxpayer paid the following salaries during the year: Salaries of administrative employees P 80,000 Salaries of sales and marketing employees P 70,000 Salaries of factory production workers P 120,000 Compute the deductible salaries expense.

- a. P270,000 **b. P200,000** c. P150,000 d. P120,000

6. On July 1, 2021, a taxpayer purchased equipment for P500,000 which was estimated to be useful until July 1, 2026, with an expected P100,000 residual value. Compute the 2021 depreciation expense using the straight line method.

- a. P0 **b. P 40,000** c. P50,000 d. P80,000

7. A storm resulted in the loss of the following livestock: Value of two heifers (purchased at P15,000 each) P 40,000 Value of a bull (purchased for P18,000) P 72,000 Value of twelve calves worth P6,000 each P 136,000 Total value of lost livestock Determine the deductible loss for taxation purposes.

- P0 **b. P48,000** C. P64,000 d. P120,000

8. Mt. Can, a professional practitioner, incurred the following expenses during the year: Salaries of household maids P 50,000 Salaries of office staff P 30,000 Office utilities P 10,000 Office supplies P 5,000 Depreciation of

personal car Depreciation of office equipment 12.000 8.000 15.000 20.000 Compute the total deductible expenses.

c P100,000 **b. P 70,000** a. p 50.000 d. P135.000

9. The following relate to the building of a taxpayer:

What is the deductible amount of depreciation expense?

a. P666.667 b P555,555 **c. P500,000** d. PO

10. The personal car of the taxpayer had the following data: P 6.000.000 Fair market value

Purchase price Estimated useful life 5.000.000 10 years What is the deductible annual

depreciation expense?

a. PO b. P250,000 c. P500,000 d. P600,000

11. The following relate to the inventory of tools held by the taxpayer: Inventory of tools,

January 1, 2021 Purchases of tools Inventory of tools, December 31, 2021 P 120,000 300.000

140,000 What is the amount of deductible tools expense?

a. PO b. P 120,000 **c. P280,000** d. P300.000

12. A taxpayer paid the following disbursements and expenses for the current year: Tuition fees of children Donation to friends P 50.000 20,000 Purchase of office equipment at start of the year (equipment expected to last for five years) 100.000 Office rent (for three years including the current year) 90,000 Office supplies (1/2 used) 20.000 compute the total deductible expense from the above items:

PO b. P 20,000 c. P50,000 **d. P60,000**

13. Bermuda Inc. insured two of its key employees paying the following premiums annually:

In Mr. Croco's policy, Bermuda, Inc. is the beneficiary. in Mr. Genero's policy, his wife is the beneficiary of the policy. Compute the total deductible expense

a. P34.000 c. P50,000 h. P40.000 d. P74,000

14. Cabanatuan City Corporation is a resident foreign corporation established in China but is operating in the Philippines. During the year, it paid for P300,000 for salaries of Philippine employees and P1,200,000 for Chinese employees. Compute the deductible compensation expense.

b. P300.000 c. P1,200,000

15. Using the same choices in Number 14, compute the deduction assuming that Dragon City is a domestic corporation. **d. P1,500,000**

16. Using the same choices in Number 14, compute the deduction assuming that Dragon City is a non-resident foreign corporation. **a PO**

Multiple Choice - Problems: Part 2

1. The accountant of TRIBOA Corporation provides for an allowance against unrecoverable accounts equivalent to 3% of TRIBOA's total receivables. The allowance for bad debts had a balance of P45,000 and P50,000 at the start and end of the year, respectively, while P30,000 of previous accounts were actually found to be worthless and were written-off. What is the deduction against gross income for purposes of taxation?

- a. PO b. P25,000 c. **P30,000** d. P50,000

2. Boracay Company had the following summaries of expenses

Determine the amount of deductions.

- a. **P800,000** c. P1,200,000 b. P1,000,000 d. P1,400,000

3. Palawan Corporation bought equipment costing P500,000. The equipment was expected to have P50,000 residual value at the end of its 5-year expected life. Palawan Corporation failed to withhold the creditable withholding tax on the equipment. 4. Compute the depreciation expense in the first year.

- a. **PO** c. P90,000 d. P180,000 b. P45,000

4. Tri-Peak Semiconductor is an exporter of transistors to the United States. On December 15, 2021, it made a single shipment worth \$1,000,000 payable January 21, 2022. The value of the sales in peso equivalent was as follows:

Compute the deductible foreign currency loss.

- a. P200,000 in 2021 b. P300,000 in 2021 c. **P300,000 in 2021** d. P200,000 in 2021

5. The taxpayer incurred the following in 2021: Loss on sale of equipment to a subsidiary company P 400,000 Loss on sale of equipment to a sister company 100,000 Loss on liquidation of an affiliate company 200,000 What is the deductible amount of loss to a related party?

- a. PO b. **P200,000** c. P300,000 d. P600,000

6. The following relate to a transaction between associated enterprises which was subjected to transfer pricing restatement by the BIR. Amount of expense claimed Arm's length value in a comparable transaction P 800,000 500,000 What is the deductible amount of expense?

- a. P800,000 b. **P500,000** c. P300,000 d. PO

7. In the immediately preceding problem, what is the required adjustment to taxable net income?

- a. **P300,000 increase** b. P300,000 decrease c. P500,000 increase d. P800,000 decrease

8. A taxpayer had the following losses during the year Estimated bad debt expense Write-off of uncollectible accounts carrying value of property destroyed by fire p 300,000 The property is covered by insurance.? 150,000 unrealized loss on foreign currency receivables 1,200,000 12,000 Assuming the taxpayer is under the accrual basis, compute the total deduction.

- a. PO b. **P 150,000** c. P162,000 d. P1,315,000

9. In the immediately preceding problem, compute the deduction assuming the taxpayer is under the cash basis.

- a. PO c. P162,000 b. P 150,000 d. P1,315,000

10. Cavite Innovations Company incurred and paid the following expenses in 2021: Salaries (1/8 unpaid) P 400,000 Prepaid rent (2021 to 2023) 150,000 Depreciation expense 80,000 Purchase of supplies 60,000 Supplies used 25,000 Compute the total deductions under the cash basis for the year 2021.

- a. P690,000 b. P655,000 c. P555,000 d. P505,000

11. Compute the total deductions under the accrual basis for the year 2022.

- a. P655,000 b. P605,000 c. P555,000 d. P505,000

12. An equipment was purchased on January 1, 2020 for P4,000,000. The equipment has an estimated residual value of P400,000 at the end of its five-year useful life. Compute the depreciation expense assuming the use of the straight line method:

- a. P 720,000 c. P1,440,000 d. P1,600,000 b. P1,200,000

13. Under the sum-of-the years digit method, compute the 2020 depreciation expense in the first year.

- a. P 720,000 b. P1,200,000 c. P1,333,333 d. P1,440,000

14 Using a 150% declining balance method, compute the 2020 depreciation expense.

- c. P1,440,000 b. P 1,200,000 a. P 720,000 d. P1,600,000

15. Using 200% declining balance method, compute the 2020 depreciation expense.

- a. P 720,000 c. P1,440,000 b. P 1,200,000 d. P1,600,000

Multiple Choice - Problems: Part 3

1. The taxpayer withheld 5% creditable withholding tax on rental payments to various VAT-registered lessors. The total taxes withheld were P 5,600. What is the deductible amount of rental expense?

- a. PO c. P 100,000 b. P 56,000 d. P 112,000

2. A certain taxpayer paid the following bill from a VAT-registered supplier of office supplies. The office supplies were all used in operation during the period: Selling price Plus: Output VAT Less: Withholding tax (1%) Net cash due P 400,000 48,000 4,000 P 444,000 What is the deductible supplies expense assuming the taxpayer is a VAT-taxpayer?

- a. P 396,000 b. P 400,000 c. P 444,000 d. P 448,000

3. What is the deductible supplies expense assuming the taxpayer is a non-VAT- taxpayer?

- a. P 396,000 b. P 400,000 c. P 444,000 d. P 448,000

4. On January 2, 2021, a non-VAT taxpayer purchased an equipment with estimated useful life of 5 years Selling price Plus: Output VAT Less: Withholding tax (1%) Net amount due P 150,000 18,000 1,500 P 166,500 What is the claimable depreciation expense for the year?

- a. PO C. P 33,300 b. P 30,000 **d. P 33,600**

5. Until the time of the examination of its book, the taxpayer failed to withhold 10% withholding tax amounting to P10,000 from the payments of professional fees to a consultant who is a VAT taxpayer. What is the deductible amount for professional services paid?

- a. PO** b. P 89,286 c. P100,000 d. P112,000

6. In the immediately preceding problem, what is the amount of amount due from the taxpayer?

- a. PO C. P 2,000 b. P 1,874 **d. P 2,500**

7. The following case is applicable for Nos. 7 through 10: Nueva Ecija Company received a bill for P27,440 from a non-VAT service provider. The payment for the service is subject to 2% creditable withholding tax. What is the deductible expense if Nueva Ecija is a non-VAT taxpayer?

- a. PO b. P26,891 **c. P 27,440** d. P 28,000

8. If Nueva Ecija is a non-VAT taxpayer, what respectively is the withholding tax and the amount of cash to be paid by Nueva Ecija to the service provider?

- a. PO; P 27,440 **b. P 548.80; P 26,891.20** c. P 560; P27,440 d. P 537.82; P26,353.18

9. If Nueva Ecija is a VAT taxpayer, what is the deductible expense?

- a. PO b. P26,891 **C. P 27,440** d. P 28,000

10. If Nueva Ecija is a VAT taxpayer, what respectively is the withholding tax and the amount of cash to be paid by Nueva Ecija to the service provider?

- c. P 560; P27,440 **b. P 548.80; P 26,891.20** a. PO: P 27,440 d. P 537.82; P26,353.18