FUNDAMENTAL PRINCIPLES OF TAXATION

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DEFINITION OF TAXATION

1. **Taxation as a power** – refers to the inherent power of the state to demand enforced contribution for public purpose to support the government.

2. **Taxation as a process** – the legislative act of laying a tax to raise income for the government to defray its necessary expenses

3. **Taxation as a mode of cost allocation** – taxation is a means of allocating government burden to the people

TAXATION AS A POWER OF THE GOVERNMENT

The Inherent Powers of the State

1. **Power of Taxation** – the power to take property for the support of the government and for public purpose

2. **Police Power** – the power to enact laws to promote the general welfare of the people. It is wider in application because it is the general power to make laws.

3. **Power of Eminent Domain** – the power to take private property for public use upon payment of just compensation

Differences and similarities

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<th>Taxation</th>
<th>Police Power</th>
<th>Eminent Domain</th>
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<td>Exercising Authority</td>
<td>Government</td>
<td>Government or private entities</td>
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<tr>
<td>Necessity of Delegation</td>
<td>Delegation is not necessary since it is inherent</td>
<td>There must be delegation before local governments could exercise it</td>
<td>There must be due delegation before local government or private party may exercise it</td>
</tr>
<tr>
<td>Purpose</td>
<td>Revenue and support of the government</td>
<td>Protection of well-being of the people</td>
<td>Property is taken for public use</td>
</tr>
<tr>
<td>Persons affected</td>
<td>Community or class of individuals</td>
<td>Community or class of individuals</td>
<td>Operates on the owner of the property</td>
</tr>
<tr>
<td>Effect of transfer of property rights</td>
<td>Money paid as taxes becomes part of the public fund</td>
<td>There is no transfer of title, at most there is restraint on the injurious use of property</td>
<td>There is transfer of right to property whether it be of ownership or lesser right</td>
</tr>
<tr>
<td>Amount of Imposition</td>
<td>Unlimited</td>
<td>Sufficient to cover the costs of regulation</td>
<td>No imposition, the owner is paid the fair market value of his property</td>
</tr>
<tr>
<td>Importance</td>
<td>Most important of the three</td>
<td>Most superior</td>
<td></td>
</tr>
<tr>
<td>Relationship with the Constitution</td>
<td>Inferior to the “Non-Impairment Clause” of the Constitution</td>
<td>Superior to the “Non-Impairment Clause” of the Constitution</td>
<td>Superior and may override the “Non-Impairment Clause” because the welfare of the state is superior to private contracts</td>
</tr>
<tr>
<td>Limitation</td>
<td>Constitutorily and inherently restricted</td>
<td>Public interest and the requirement of due process</td>
<td>Public purpose and just compensation</td>
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</table>

Similarities of the Three Powers

1. All three powers are necessary attributes of sovereignty, resting upon necessity
2. all are inherent powers of the State
3. All are legislative in nature
4. They are ways in which the State interferes with private rights and property
5. They exist independently with the Constitution although the condition for their exercise may be prescribed or limited by the Constitution
6. They all presuppose an equivalent compensation received by the persons affected by the exercise of the power, whether directly, indirectly or remote.
7. The exercise of these powers by the local government units may be limited by national legislature

*Police power can be used to raise revenue for the government (ex: license fee)
TAXATION AS A PROCESS

The Stages of Taxation
1. Levy or Imposition
2. Assessment of tax
   - these all comprise the taxation system
   - Impact of taxation
   - Aspects of Taxation
   - Incidence of taxation

How exercised?
- Legislation of laws by Congress and tax ordinances by the Local Sangguanian
- Tax collection by the administrative branch of the government

Discretion of the Taxing Power- this extends to:
1. amount or rate of the tax
2. kinds of tax to be collected
3. apportionment of the tax
4. the person, property and excises to be taxed
5. situs of taxation
6. method of collection
7. purposes for its levy, provided for public purpose

TAXATION AS A MODE OF COST ALLOCATION

The Life Blood Doctrine
Taxes are indispensable to the existence of the state. Without taxation the state cannot raise revenue to support its operations.

Nature or Characteristics of the Power of Taxation
1. for public purpose
2. inherently legislative in nature
3. subject to international comity or treaty
4. not absolute being subject to constitutional and inherent limitations
5. exaction payable in money
6. territorial

Purpose of Taxation
1. Primary purpose – to raise revenue
2. Secondary purposes
   a. Regulatory
   - To regulate the conduct of businesses or professions
   - To achieve economic and social stability
   - To protect local industries
   b. Compensatory
   - Key instrument of social control
   - Reduces inequities in wealth distributions
   - Strengthens anemic enterprises
   - Provides incentives
   - Uses as implement in the exercise of police power to promote general welfare

TAXATION AS A MODE OF GOVERNMENT COST ALLOCATION

Modes of Cost Allocation
1. Benefit Received Theory
   - tax payment should be based on benefits received
   - everyone is conclusively presumed receiving benefits from the government
2. Ability to Pay Theory
   - tax payments should be based relative to the ability of taxpayers to pay
   - assessments of ability to pay:
     a. vertical equity
     b. horizontal equity

The Theory and Basis of Taxation
a. Theory - The existence of the government is a necessity and it cannot continue without means to support itself.
b. Basis - The government and the people have the reciprocal and mutual duties of support and protection.

THE SCOPE AND LIMITATIONS OF TAXATION

The Scope of Taxation
Taxation is supreme, comprehensive, unlimited and plenary. It includes the power to destroy
Current Objects of Taxation
1. businesses
2. interests
3. transactions
4. rights
5. acts
6. Persons
7. properties
8. privileges

LIMITATIONS OF TAXATION POWER

A. Constitutional Limitation
1. observance of due process of law
2. equal protection of the law
3. uniformity in taxation
4. progressive scheme of taxation
5. non-imprisonment for non-payment debt or poll tax
6. non-impairment of obligation and contract
7. free worship rule
8. non-appropriation of public funds or property for the benefit of any church, sect or system of religion
9. exemption of religious, charitable or educational entities, non-profit cemeteries, churches and mosque from property taxes.
10. exemption from taxes of the revenues and assets of non-profit, non-stock educational institutions including grants, endowments, donations or contributions for educational purposes
11. concurrence of a majority of all members of Congress for the passage of a law granting tax exemption
12. non-diversification of tax collections
13. non-delegation of the power of taxation

Exception:
a. power to tax was delegated to the President under the Flexibility Clause of the Tariff and Customs Code
b. power to tax was delegated to the local government units under the Local Government Code
c. matters involving the expedient and effective administration and implementations of assessment and collection of taxes or certain aspects of taxing process that are not legislative in character
14. non-impairment of the jurisdiction of the Supreme Court to review tax cases
15. appropriations, revenue or tariff bills shall originate exclusively in the House of Representatives but the Senate may propose or concur with amendments
16. each local government unit shall exercise the power to create its own sources of revenue and shall have a just share in the national taxes

B. Inherent Limitation
1. territoriality of taxation
2. subject to international comity or treaty
3. tax exemption of the government
4. tax is for public purpose
5. non-delegation of the power of taxation

*S The last 2 limitations are also Constitutional limitations

SITUS OF TAXATION
The place of taxation

Factors that determine the situs of taxation
1. nature, kind or classification of the tax
2. subject matter of the tax
3. citizenship of the taxpayer
4. residence of the taxpayer
5. sources of income
6. place of exercise, business or occupation being taxed
7. place where income-producing activity was held or done

Applications of situs
1. persons – residence of the taxpayer
2. community development tax – residence or domicile of the taxpayer
3. business taxes – where the business was conducted or place where the transaction took place
4. privilege or occupation tax – where the privilege is exercised
5. real property tax – where the property is located
6. personal property taxes –
   a. tangible – where they are physically located
   b. intangible – domicile of the owner unless the property has acquired a situs elsewhere
7. Income – place where the income is earned or residence or citizenship of the taxpayer
8. Transfer Taxes – residence or citizenship of the taxpayer or location of the property
9. Franchise Taxes – State that grants the franchise
10. Corporate Taxes – depend on the law of incorporation
DOUBLE TAXATION
Taxing the object or subject within the territorial jurisdiction twice, for the same period, involving the same kind of tax by the same taxing authority

Kinds:
1. **Direct Double Taxation** – this objectionable and prohibited because it violates the constitutional provision on uniformity and equality
2. **Indirect Double Taxation** – no constitutional violation. Ex: taxing the same property by two different taxing authority

**International Double Taxation** – a double taxation caused by two different taxing authorities, one domestic and one foreign

Remedies to Double Taxation
1. provision for tax exemption
2. allowance for tax credit
3. allowance for principle of reciprocity
4. enter into treaties or agreements with foreign government

FORMS OF ESCAPE FROM TAXATION

**A. Those that will not result in loss of revenue to the government**
1. **Shifting** – the process of transferring the tax burden from the statutory taxpayer to another without violating the law.
2. **Capitalization** – the seller is willing to lower the price of the commodity provided the taxes will be shouldered by the buyers
3. **Transformation** – the manufacturer absorbs the additional taxes imposed by the government without passing it to the buyers for fear of loss of his market. Instead, it increases quantity of production, thereby turning their units of production at a lower cost resulting to the transformation of the tax into a gain through the medium of productions.

**B. Those that will result to loss of revenue to the government**
1. **Tax Evasion** – *tax dodging* – resorting to acts and devices that illegally reduces or totally escape the payment of taxes that are due to the taxpayer. They are prohibited and are therefore are not subject to penalties.
2. **Tax Avoidance** – *tax minimization* scheme – the reduction or totally escaping payment of taxes through legally permissible means that are not prohibited and therefore are not subject to penalties.
3. **Tax Exemption** – an immunity, privilege or freedom from payment of a charge or burden to which others are obliged to pay.

**Kinds of Exemptions:**
1. **Express** - granted by the constitution, statute, treaties, ordinance, contracts or franchise
   a. constitutional
   b. statutory
   c. contractual
2. **Implied** – exempted by accidental or intentional omission
3. **Total** - exemption from all taxes (OFWs)
4. **Partial** – exemption from certain taxes, partially or totally

**Grounds for Exemption**
1. It may be based on a contract
2. It may be based on grounds of public policy - ex: granting of exemptions to rural banks, and sweepstakes or lotto winnings
3. It may be based on some grounds to foster charitable and other benevolent institutions
4. It may be created under a treaty on grounds of reciprocity
5. It may be created to lessen the rigors of international double or multiple taxation

**Distinction between tax evasion and tax avoidance**

<table>
<thead>
<tr>
<th>Tax Evasion</th>
<th>Tax Avoidance</th>
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<tbody>
<tr>
<td>It is a scheme used outside of those lawful means and when availed of, it usually subjects the taxpayer to penalties.</td>
<td>It is a tax saving device within the means sanctioned by law.</td>
</tr>
<tr>
<td>It is accomplished by breaking the law.</td>
<td>Accomplished by legal procedures and do not violate the law.</td>
</tr>
<tr>
<td>It connotes fraud, deceit and malice.</td>
<td>No fraud is involved.</td>
</tr>
</tbody>
</table>

**Tax Exemptions:**
- is not automatic
- is non-transferable
- is revocable by the government (except when granted under a valid contract or by the Constitution)
- rule shall be uniform
Fundamental Doctrine in Taxation
1. No court may enjoin the collection of taxes
2. Claim for exemptions shall be interpreted strictly against the taxpayer
3. A law that permit deduction from the tax base is strictly construed against the taxpayer
4. Tax assessment are presumed to be correct and done in good faith
5. Tax laws are generally prospective in application
6. Tax are not subject to compensation or set-off
7. Refund of taxes do not earn interest because interest do not run against the government

Distinction between Tax Amnesty and Tax Condonation
Tax Amnesty – a general pardon or intentional overlooking by the state of its authority to impose penalties on persons otherwise guilty of tax evasion or violation of tax laws. The purpose is to give the erring taxpayer a chance to reform and become part of the society with a clean slate.

Tax Condonation – means to remit or to desist or refrain to exacting or imposing a tax. It cannot extend to refund of taxes already paid when obtaining condonation.

<table>
<thead>
<tr>
<th>Tax Exemption</th>
<th>Tax Amnesty</th>
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<tbody>
<tr>
<td>There is no tax liability at all</td>
<td>Connotes condonation from payment of existing tax liability</td>
</tr>
<tr>
<td>The grantee need not pay anything</td>
<td>The grantee pays a portion</td>
</tr>
<tr>
<td>Can be availed of by any qualified taxpayer</td>
<td>Not always available</td>
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**PRINCIPLES OF A SOUND TAX SYSTEM**
- Fiscal Adequacy – sources of revenue should be sufficient to meet the demand for public expenditure
- Administrative Feasibility - tax laws must be capable of convenient, just and effective administration
- Theoretical Justice - tax must be imposed with equity and certainty and must consider the taxpayers ability to pay and benefits received
- Non-observance of the principles does not necessarily render a tax levy unconstitutional.

**TAXATION AND ECONOMIC EFFICIENCY**
1. Income effect – makes people economically efficient (ex: transformation)
2. Substitution effect – makes people economically inefficient (ex: indirect taxes)

**Illustration**
1. The primary purpose of taxation is:
   a. To enforce contribution from its subject for private purpose
   b. To raise revenue for the government
   c. To achieve economic and social stability
   d. To regulate the conduct of business or profession

2. Select the incorrect statement.
   a. the power of eminent domain may be exercised by any private entity
   b. by police power, the property taken is destroyed
   c. by eminent domain, the property taken is preserved
   d. eminent domain and taxation affects only property rights

3. What is the theory of taxation?
   a. Necessity
   b. Constitutionality
   c. reciprocal duties of support and protection
   d. public purpose

4. What is the basis of taxation?
   a. Constitutionality
   b. public purpose
   c. necessity
   d. reciprocal duties of support and protection

5. The point in which tax is levied is called?
a. Impact of taxation
b. Situs of taxation
c. Incidence of taxation
d. Assessment

6. When the impact and incidence of taxation are merged into the statutory taxpayer, the tax is called?
   a. personal tax
   b. direct tax
   c. indirect tax
   d. national tax

7. Which of the following is an administrative act in taxation?
   a. Collection of taxes
   b. Fixing the rate of the tax
   c. Determination of the subject of the tax
   d. Determination of the purpose of the tax

8. I. Taxation is the rule; exception is the exemption.
   II. Police power may be used to implement the taxation power of the state.
   a. I is true
   b. II is true
   c. I and II are true
   d. I and II are not true

9. Which of the following depicts taxation being used to implement police power?
   a. Oplan Kandado enforced against taxpayer not issuing BIR receipts
   b. Prohibition of smuggling and the seizure of smuggled goods
   c. Levy of exorbitant excise taxes on sin products
   d. All of the above

10. Select the incorrect statement.
    a. the power to tax includes the power to exempt
    b. exemption is construed against the taxpayer and in favor of the government
    c. tax statutes are construed against the government in case of doubt
    d. taxes should be collected only for public improvement

11. Which of the following is delegated?
    a. Levy or imposition of tax by the national government
    b. Assessment and collection of taxes by the national government
    c. Levy or imposition of ordinance by the local government
    d. Assessment and collection of local taxes by the local government

12. Businesses of the State should not be taxed under the inherent limitations as it will not yield additional revenue to the State but taxing private businesses to the exclusion of State businesses will violate the equality doctrine of the Constitution. Considering that taxes are essential to the government, what must be done?
    a. Exempt businesses owned by the State
    b. Exempt both State and private businesses following the Constitutional limitations are superior to the Lifeblood Doctrine.
    c. Tax both State and private businesses. The inherent limitations may be disregarded by applying the constitutional limitations.
    d. None of these

13. Which of the following is violative of the principle of non-delegation?
    a. Requiring that legislative enactment must exclusively pertain to Congress
    b. Authorizing the President to fix the amount of impost on imported and exported commodities
    c. Authorizing certain private corporation to collect taxes
    d. Allowing the Secretary of Finance and the BIR to issue regulation or rulings which go beyond the scope of a tax law

14. Which of the following violates Constitutional provisions?
    a. Payment of salaries to priests or religious ministers employed by the Armed Forces of the Philippines
    b. Imposing tax on properties of religious institutions which are not directly and exclusively used for religious purposes
    c. Imposition of license for the sale of religious literature
    d. Authorizing the President of the Philippines to fix the rates of tariffs or imports

15. Concerned with increasing unemployment rates in the country, the President of the Philippines encouraged the Philippine Senate to pass a law granting special tax privileges to foreign investors who will establish businesses in the country. The Senate accordingly drafted the bill and passed to Congress for approval.

Is this valid exercise of taxation power?
   a. Yes. It is the discretion of the President to adopt any measures he deemed necessary to alleviate poor conditions in the country.
   b. Yes. Any means beneficial to the public interest should be given optimum priority.
16. Ram is the only practicing lung transplant specialist in Baguio City. The City Government of Baguio passed a local ordinance subjecting the practice of lung transplant to 2% tax based on receipts. Ram objected claiming that other transplant specialists in other regions of the country are not subjected to tax.

Is Ram’s contention valid?

a. Yes, because the rule of taxation should be uniform and equitably enforced.
b. Yes, because Ram is the only one subject. Other practitioners who would later practice would not be covered by the ordinance.
c. No, because the ordinance would cover all transplant specialist who would practice in Baguio City. The uniformity rule would not be violated.
d. No, because subjecting the new industry to taxation would hamper economic growth.

17. With the country under incessant shortage of sugar, the Philippine Congress enacted a law providing tax exemptions and incentives to cane farmers without at the same time granting tax exemptions to rice farmers who produce the staple food of the Philippines. Is the new law valid?

a. Yes, since there is a valid classification of the taxpayers who would be exempted from tax.
b. Yes, since sugar is more important than rice.
c. No, since the grant of exemption is construed in favor of taxpayers.
d. No, because there is no uniformity in the grant of tax exemption.

18. Congress passed a law subjecting government-owned and controlled corporations (GOCCs) to income tax. Is the law valid?

a. Yes, because all government agencies and instrumentalities are subject to tax.
b. Yes, because GOCCs are not government agencies and are essentially commercial in nature.
c. No, because government agencies are exempt. This would pose a violation of the equality clause in the constitution.
d. No, because GOCCs are constitutionally exempted from paying taxes.

19. An educational institution operated by a religious organization was being required by a local government to pay real property tax. Is the assessment valid?

a. Yes, with respect to all properties held by such educational institution.
b. Yes, with respect to properties not actually devoted to educational purposes.
c. No, with respect to any properties held by such educational institution.
d. No, with respect to properties not actually devoted to educational purposes.

20. Requiring non-resident aliens residing outside the country to file tax returns here in the Philippines would more likely result in

a. violation of constitutional limitation.
b. violation of inherent limitation.
c. violation of both inherent and constitutional limitations.
d. no violation.

21. There is a proposal to levy tax upon texting. If there are 400 representatives and 260 attended the deliberation for approval of the tax bill, how many dissenting vote is required to kill the bill?

a. 260  c. 201  
b. 231  d. 60

22. The Japanese government invested P100,000,000 in a domestic bank and earned P10,000,000 interest. Which is correct?

a. The income is exempt on grounds of territoriality.
b. The income is exempt due to international comity.
c. The income is subject to tax on the basis of sovereignty.
d. The income is subject to tax because the income is earned within the Philippines.

23. The City of Manila, claiming that it can impose taxes under the Local Government Code, imposed a tax on banks (in addition to percentage tax on banks imposed in the National Internal Revenue Code). The banks within the City of Manila objected for the various reasons given below. Which would justify the objection of the banks?

a. Uniformity in taxation  c. The power of taxation cannot be delegated
b. The rule of double taxation  d. None of these
24. Some franchise holders who are paying the franchise tax are being required by an amendatory law to pay the value-added tax, while others remain subject to franchise tax. Which of the following provisions makes the law unconstitutional?
   a. No law shall be passed impairing the obligations of contract
   b. The rule of taxation shall be uniform
   c. No person shall be deprived of property without due process of law
   d. None of the above

25. All forms of tax exemptions can be revoked except tax exemption based on
   I. Constitution
   II. Contract
   III. Law
   a. I only
   b. II only
   c. I and III only
   d. I, II and III

26. The test of exemption of real properties owned by religious or charitable entities from real property taxes is
   a. Usage
   b. Ownership
   c. Location
   d. Either ownership or location

27. Which of the following tax privileges can be withdrawn?
   a. Income tax exemption of non-profit educational institution
   b. Real property tax exemption of religious, charitable and educational entities
   c. Taxpayer’s right to due process and equal protection
   d. Tax exemption granted by law

28. Which of the following is not legally tenable in refusing to pay a tax imposition?
   a. Violation of taxpayer’s right of due process of law.
   b. The taxing authority has no tax jurisdiction.
   c. The prescriptive period of assessment has elapsed.
   d. That there is no benefit that can be derived from the tax.

29. A law was passed by Congress which granted tax amnesty to those who have not paid income tax for a certain year without at the same time providing for the refund of taxes to those who have already paid them. The law is:
   a. Valid because there is a valid classification.
   b. Not valid because those who did not pay their taxes are favored over those who have paid their taxes.
   c. Valid because it was Congress who passed the law and it did not improperly delegate the power to tax.
   d. Not valid because only the President with the approval of Congress may grant amnesty.

30. Which is not an element of double taxation?
   a. Taxing authority
   b. Tax period
   c. Tax type
   d. Tax rates

31. Which is not an instance of a double taxation?
   a. Taxes by the national government on business where one is based on sales and the other on the income from such sales.
   b. A tax imposed upon fishing and fishpond operations.
   c. Business taxes imposed by the national government and the local government.
   d. None of these

32. Who is not subject to Philippine personal tax?
   a. Resident alien
   b. Resident citizen
   c. Non-resident citizen
   d. None of these

33. A resident citizen had the following business sales during the month:

<table>
<thead>
<tr>
<th>Sales</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippine sales</td>
<td>P 2,000,000</td>
</tr>
<tr>
<td>Singapore sales</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Total sales</td>
<td>P 3,500,000</td>
</tr>
</tbody>
</table>

   Compute the income subject to tax.
   a. P 3,500,000
   b. P 1,200,000
   c. P 2,000,000
   d. P 800,000

34. What is the amount subject to Philippine business tax?
   a. P 3,500,000
   b. P 1,200,000
   c. P 2,000,000
   d. P 0
35. A resident citizen had the following properties:

- Philippine properties: P 2,000,000
- Properties in Hong Kong: 1,500,000
- Total sales: P 3,500,000

What is the amount subject to Philippine property tax?

- a. P3,500,000
- b. P2,000,000
- c. P1,500,000
- d. P 0

36. Mr. Kang, an Indonesian national, sold to his OFW friend in Indonesia his car which they agreed to be delivered to the Philippines within 30 days after import documentation are completed. Mr. Kang realized a P300,000 income on the sale. Which is correct?

- a. The gain is subject to Philippine income tax since the goods are delivered in the Philippines.
- b. The gain is not subject to Philippine income tax since the income is earned outside the Philippines.
- c. The gain is subject to Philippine income tax since the sale is made to a Filipino.
- d. The gain is not subject to income tax since the seller is an alien who is not subject to Philippine tax.

37. A seller sold a piece of land to a buyer who agreed to pay P4,000,000. The sale is subject to a capital gains tax based on the selling price. In order of the seller to reduce his taxes, they executed a deed of sale which indicated a selling price of P1,000,000. This is an example of

- a. Tax minimization
- b. Tax evasion
- c. Tax loophole
- d. Tax arbitrage

38. Aldo has a property worth P1,000,000 which he intends to transfer to his son. Considering that disposal by sale would be subject to capital gains tax of 6%, Aldo decided to donate the property in four parts of P250,000 over four years. This is an example of

- a. Tax minimization
- b. Tax evasion
- c. Tax loophole
- d. Tax arbitrage

39. Claiming input VAT on personal transactions as credit against output VAT on sales in the course of business is an example of

- a. Tax minimization
- b. Tax evasion
- c. Tax loophole
- d. Tax arbitrage

40. A taxpayer had a family home worth P15M which he intends to transfer to his only son. Which of the following mode of transfer results in optimum tax minimization?

- a. Transfer mortis causa
- b. Transfer inter-vivos
- c. Sale transaction
- d. Sale for insufficient consideration

41. Which of the following forms of escapes will more likely to result in loss of revenue to the government?

- a. Shifting
- b. Capitalization
- c. Transformation
- d. Tax exemption

42. Tax minimization cannot be achieved by

- a. Tax planning
- b. Selection of transaction
- c. Maximization of tax credits and loss carry-overs
- d. Offsetting of losses and income of subsidiaries

43. Which of the following tax saving practices could result in a BIR assessment?

- a. Practicing tax avoidance
- b. Maximizing tax incentives
- c. Engaging in tax dodging schemes
- d. Entering into compromise with the government

----- END OF HANDOUTS -----