GROSS INCOME
All wealth which flows into the taxpayer other than a mere return of capital and includes gains

Why is income taxed?
Income is the best measure of a taxpayer’s ability to pay.

Basic Definitions:
Gross Income – refers to what is income for taxation purposes
Taxable Income – as the pertinent items of gross income that are subject to tax after allowable deductions
Tax Base – the value of a certain goods, or property for taxation purposes

Characteristics of Gross Income:
1. Return on capital and resulted increased networth at the moment of its generation
2. Realized benefit by the taxpayer (realization means actual or constructive receipt of in cash)
   Example of constructive receipts of income:
   1. credit to an account own by the taxpayer
   2. declaration of a share of the profits of a general professional partnership
   3. offsetting debt with right to received dividends
   4. cancellation of debt in payment of service
3. Not exempted by law, contract, treaty or the Constitution

Which do not constitute gross income?
1. Receipts representing returns of capital
   Examples:
   a. Proceeds of life insurance policy (upon death of the insured)
   b. Proceeds received by the insured (still living) representing return of premium
2. Unrealized income
   Examples:
   a. Appreciation of value of properties
   b. Unrealized gains on investments
3. Those exempted by the Constitution, statues or treaty or contract with taxpayers
   Examples:
   a. Receipt of non-profit institutions from their main activities
   b. Contributions to GSIS, SSS, PhilHealth, Pag-Ibig and
   c. Retirement and separation benefits under certain circumstances
   d. Tax holiday for entities registered pursuant to the Omnibus Investment Code
   e. Income of foreign government or corporations owned or controlled by them

Taxation of Gross Income under the NIRC:
A. Passive Income Tax
   1. Capital gains tax – few final tax is imposed on certain gains on dealings on properties
      Examples include final tax on:
      a. Final tax on net gain on sale of domestic stocks directly to buyer (withheld at source)
      b. Final tax on gains on sale of real property located in the Philippines classified as capital asset
   2. Other withheld final tax – these are groups of passive income that are subject to withholding by the income payor.
      Examples include final tax on:
      a. Interest on deposits with banks
      b. Prizes
      c. Dividends received from domestic corporation
B. Regular (Active) Income Tax – applies to all items of gross income that are generated by the taxpayer in the ordinary course of business or to those items of passive income that are not covered by final taxes.
   Regular income tax is either:
   1. Progressive tax (0-32% schedular rates) – applicable to individual and taxable trusts and estates
   2. Final tax (35%) – applicable to corporations
Examples of active income:
1. Compensation income
2. Professional income
3. Business income

Classification of Taxpayers

<table>
<thead>
<tr>
<th>Type of Taxpayers</th>
<th>Income Taxable in the Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Earned Philippines</td>
</tr>
<tr>
<td>I. Individuals</td>
<td></td>
</tr>
<tr>
<td>A. Citizens</td>
<td></td>
</tr>
<tr>
<td>1. Resident</td>
<td>✓</td>
</tr>
<tr>
<td>2. Non-resident</td>
<td>✓</td>
</tr>
<tr>
<td>B. Aliens</td>
<td></td>
</tr>
<tr>
<td>1. Resident</td>
<td>✓</td>
</tr>
<tr>
<td>2. Non-resident</td>
<td></td>
</tr>
<tr>
<td>a. In business</td>
<td>✓</td>
</tr>
<tr>
<td>b. Not in business</td>
<td>✓</td>
</tr>
<tr>
<td>C. Estate and Trusts</td>
<td>--same rule with individuals--</td>
</tr>
<tr>
<td>II. Corporations</td>
<td></td>
</tr>
<tr>
<td>A. Domestic</td>
<td>✓</td>
</tr>
<tr>
<td>B. Foreign</td>
<td></td>
</tr>
<tr>
<td>1. Resident</td>
<td>✓</td>
</tr>
<tr>
<td>2. Non-resident</td>
<td></td>
</tr>
</tbody>
</table>

Situs of Income

A. Interest – debtor’s residence

B. Dividends
1. By a domestic corporation – within the Philippines
2. By a foreign corporation – apply the income dominance test

Basis:
- World gross income for the three-year period ending the current taxable year preceding the declaration of such dividends
- a. If Philippine gross income is less than 50% of the basis, the whole dividend is considered earned outside the Philippines
- b. If Philippine gross income is at least 50% of this, the ratio of Philippine gross income over the basis multiplied by the dividend received is considered earned within the Philippines.

C. Service – place of performance of the service
D. Rent – location of the property
E. Royalties – place where the intangible is used
F. Gain on sale
   a. Real property – location of the property
   b. Domestic shares of stock – always within the Philippines
   c. Personal property – place of sale
G. Mining – location of mine
H. Farming - location of farm
I. Merchandising – place of sale

Allocation methods:
The allocation of manufacturing income is governed by the transfer pricing regulations which mandates measurement of revenue or costs between affiliated enterprises at arm’s length price.

TAX ACCOUNTING PERIODS
Gross income accumulates over a period of time. Income taxation would require adoption of an accounting period wherein to measure the income. The NIRC provides that “taxable income shall be computed upon the basis of the taxpayer’s annual accounting period in accordance with the methods of accounting regularly employed in keeping the books of such taxpayer.”

There are two types of tax accounting periods:

1. **Calendar year** – the 12-month period ending December 31 and is applicable to:
   a. Individuals
   b. taxpayers who do not keep books
   c. taxpayers with no annual accounting period
   d. taxpayers with accounting periods other than the fiscal year
2. **Fiscal period** – any 12 months period ending the last day of any month other than December 31st. This is Not available to non-corporate taxpayers.

Normally, accounting period are uniformly 12 months, however, short accounting period may arise in the following cases:

1. Death of a taxpayer
2. Newly organized business
3. Dissolution of business
4. Change in accounting period
5. Termination of accounting period by the CIR

TAX PAYMENTS
Tax shall be paid on the 15th day of the fourth month following the close of the taxpayer’s taxable year.

TAX ACCOUNTING METHODS
So as the reporting of items of gross income would be consistent, tax accounting methods should be applied such as the following:

**A. Principal Methods**

1. **Cash Basis Method** – income is recorded in the year it is actually or constructively received; expenses are generally reported in the year it is paid
2. **Accrual Method** – income is reported in the year it is earned and expenses are deducted in the year incurred
3. **Hybrid Method** – combination of both cash basis and accrual basis method

**B. Deferred Payment Sales**

1. **Installment method** – applicable in the following three cases only:
   a. Sale of personal property by a dealer
   b. Casual sale of personal property where:
      a. selling price is over P1,000.00
      b. initial payment does not exceed 25% of the selling price
      c. property is of a kind which would be included in the taxpayer’s inventory if on hand at the close of the taxable year
   c. Sale of real property where the initial payment does not exceed 25% of the selling price
   
   **Initial Payment** – refers to payments which the seller receives upon the execution of the instruments of sale and those scheduled to be received in the year of sale or disposition. It simply means “total first year payments” but do not include receipts of evidence of indebtedness of the buyer such as notes.

2. **Deferred payment basis** – applicable when the buyer has issued evidence of obligation (notes). The notes shall be valued at its market value at the date of receipt. The difference between the fair value and the face value is reported as interest income in future taxable period. This is an alternative to delaying tax payments when the installment method is not available.

**C. Long-term Construction Contracts**

1. **Percentage of completion** – this is applicable only to long-term construction contracts covering a period in excess of one year (Architect or engineer’s certification is required)
2. **Completed contract basis** – gross income is recognized upon completion of construction contract

**D. Farming income**

**Crop year basis** – applicable only to farmers engaged in the production of crops which takes more than a year from the time of planting to the process of gathering and disposal. Expenses paid or incurred are deductible in the year the gross income from the sale of the crops is realized.

**E. Leasehold improvement**

1. **Outright method** – the value of the leasehold improvement attributable to the lessor is reported in taxable income at the time of completion of the leasehold
2. **Spread-out method** – the value of the leasehold improvement attributable to the lessor is recognized in taxable income over the lease term
Reminders on Tax Accounting Methods:

1. Absence of accounting method or use of one that do not clearly reflect the income
   - If the taxpayer has no accounting method or if the method employed does not clearly reflect the income, the computation shall be made in accordance with such method as in the opinion of the Commissioner clearly reflects the income.

2. Consolidation of gross income from two or more methods
   - If a taxpayer adopted the cash basis and accrual basis in accounting for income earned on separate trade or business, he may opt to combine the two income determined from the respective methods as a consolidated income for tax purposes.

3. Change of Tax Method
   - Prior BIR approval is required
   - If the taxpayer changes its accounting methods from accrual to installment method, he should include in future periods the collection of receivables in future gross income.

4. Expenditures benefiting future periods
   - Expenditures benefiting more than one taxable period is deferred and allocated to those periods expected to be benefited by the expenditure.

5. Advanced receipt of items of gross income
   - Receipt of income in advance is taxable in the year of receipt.

INCOME TAX COMPLIANCE

Two-fold Tax Obligations
1. Payment of tax under the self-assessment method
2. Remittance of withholding taxes

Types of Tax Returns for Income Taxation
1. Income tax returns – for reportable income of the taxpayer
2. Withholding tax returns

Types of Income tax returns
1. Regular Income Tax
   - Form 1701 for Individuals
   - Form 1702 for corporations
2. Capital Gains Tax
   - Form 1706 for sales of real property
   - Form 1707 for sales of stocks

Types of withholding tax returns
1. Withholding tax on compensation
2. Final withholding tax
3. Expanded withholding tax

Who shall file income tax returns?
1. Every resident Filipino citizen
2. Every non-resident Filipino citizen on his income from sources within the Philippines
3. Every resident alien on income from sources within the Philippines; and
4. Every non-resident alien engaged in trade or business or in the exercise of profession in the Philippines, on income from sources within the Philippines

Who are not required to file individual returns for income tax?
1. An individual whose gross income does not exceed P 250,000, except those engaged in business or profession
2. An individual with respect to pure compensation income, derived from sources in the Philippines, the income tax on which has been correctly withheld, except those with concurrent employment
3. An individual whose income has been subjected to final income tax
4. An individual who is exempt from filing income tax returns in pursuant to other provisions of the Tax Code and other laws.

Who are required to deduct and withholding tax?
1. Individual engaged in business or exercise of a profession
2. Corporations (whether or not engaged in business)

Classifications of taxpayers for administration purposes
1. Large taxpayers – pay taxes through eFPS filing to the BIR Large Taxpayer Service Division
2. Non-large taxpayers
Criteria for Large Taxpayers
1. Tax payments
2. Financials
3. Others factors

Where does non-large taxpayers file tax returns?
1. Authorized agent bank
2. Revenue District Officer
3. Collection Agent
4. Duly authorized Treasurer of the city or municipality in which the taxpayer has his legal residence or principal place of business in the Philippines or
5. Office of the Commissioner if the taxpayer has no legal residence or place of business in the Philippines

Payment of Income Tax

<table>
<thead>
<tr>
<th>Types of income tax</th>
<th>Individual taxpayers</th>
<th>Corporate taxpayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regular income tax</td>
<td>Outright or installment</td>
<td>Outright only</td>
</tr>
<tr>
<td>2. Capital gains tax</td>
<td>Outright or installment</td>
<td>Outright or installment</td>
</tr>
</tbody>
</table>

Determining non-compliance with tax obligations
1. Lifestyle check
2. Inventory surveillance
3. Mystery shopping
4. Networth method

The Networth Method
The Networth Method serves as a test of the existence of income when not specifically disclosed.

Possible Gross Income = Personal Expenditures + Change in Networth*

*The change in Networth is computed as:

\[
\text{Net Worth, end} = \text{Asset, end} - \text{Liabilities, end} \\
\text{Networth, beginning} = \text{Assets, beginning} - \text{Liabilities, beginning} \\
\text{Change in networth} = \text{Net Worth, end} - \text{Networth, beginning}
\]

The possible gross income is generally taxable, except when it:
1. is excluded by law, contract, treaty, public policy from taxation
2. result from additional investment
3. is not income for income tax purposes (i.e. does not meet the three characteristics of gross income)

Penalties for Non-compliance
1. Surcharge – 25% of the basic assessed tax
2. Interest – 12% per annum based on the actual number of days over 365
3. Compromise – based on a schedule

Drills
A. Identification of gross income
Check items of gross income and
1. Compensation for injuries sustained
2. Income from donated property
3. PCSO or Lotto winnings
4. Gain on sale of inheritance
5. Increase in fair value of equity securities
6. Moral damages
7. Interest from moral damages
8. Income of the government
9. Winnings from gambling
10. Cancelation of debt out of gratuity
11. Benefits from SSS or GSIS
12. Income of non-profit institution from their properties
13. Income of employee trust funds
14. Income of foreign government GOCCs
15. Accrued professional fees of a cash basis taxpayer
16. Collection of service fees receivables by an accrual basis taxpayer
17. Increase in Peso value of forex receivables by an accrual basis taxpayer
18. Salaries of minimum wage earners

B. Identification of taxpayers
What is the taxpayer classification of the following?
1. A branch of a domestic corporation
2. A branch of a foreign corporation operating in the Philippines
3. A sole proprietorship
4. A co-ownership
5. A joint venture organized in the Philippines
6. A partnership of accountants selling cosmetics
7. A partnership of doctors rendering medical services
8. A foreigner naturalized by law
9. A fat American tourist
10. Employed Filipino working under a secondment assignment abroad
11. An expatriate employee
12. A corporation organized in the Philippines with major operations abroad
13. Filipino who migrated in Canada
14. An OFW
15. An alien with a 2-year working visa
16. A Filipino who stayed abroad for 181 days
17. An alien who is staying in the Philippines for 181 days
18. A revocable trust
19. An estate that is judicially settled
20. A one-person corporation

C. Identification of the situs of income and taxable income
Identify the situs of income and the taxable income under each of the following independent scenario:
1. A, a Chinese residing in Korea, lent to B, a Filipino residing in Japan, P1,000,000 with a stipulation to pay 10% interest. The loan was secured by a property which is situated in the Philippines.

Required: Where is the situs of taxation of the interest income?

2. Mr. Ching, a resident alien, holds 25% of the ordinary shares of DLH, Company. DLH Company has the following income in the last three years:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>P 1,200,000</td>
<td>P 4,000,000</td>
<td>P 6,000,000</td>
</tr>
<tr>
<td>Abroad</td>
<td>2,800,000</td>
<td>2,000,000</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

During 2021, DLH Company declared P100,000 dividends to Mr. Ching.

Compute the dividend income earned within if Mr. Ching is a resident foreign corporation and a domestic corporation, respectively.

a. P 100,000; P 100,000
b. P 56,000; P 100,000
c. P 52,000; P 100,000
d. P 100,000; P 52,000

3. Mr. X, a resident citizen, imported an electric car from Tesla Industries, a US-based corporation. Tesla industries earned a substantial income from the sale of the car.

Required: Where is the situs of taxation of the gain on the sale? Is it taxable in the Philippines?

4. During his visit to the Philippines, Mr. Ali, a non-resident citizen, sold his house and his car in San Diego, California to Mr. Pacman, a resident citizen. Mr. Ali earned P 400,000 gain for his car and P2M gain for his house.

Required: Determine Mr. Ali’s taxable income.

5. Dankirk Company imported a certain machinery model from Jinghiam Company of Korea with total invoice of P2,400,000. Dankirk had the machinery remodeled in Korea to Konam Machineries for P400,000. Upon arrival of the machinery, Dankirk Company sought Jinghiam Company engineer’s assistance for the installation of the machinery for P200,000. Which is correct?

a. Dankirk shall subject the Jinhiam Company’s invoice to a final tax of 30% final tax.
b. Dankirk shall subject the Konam Machineries remodeling fee to 30% final tax.
c. Dankirk Company shall subject Jinghiam Company’s installation service fees to 30% final tax.
d. Jinghiam Company shall file an income tax return for the installation service fees.
6. Pines Company, a domestic corporation, produces Product X which it sells here and abroad. ABC has a branch in Japan. Considering that Japan has a lower tax rates, Pines Company transfers Product X to the Japanese branch at cost. The following shows a brief summary of the Philippine and Japanese operations:

<table>
<thead>
<tr>
<th></th>
<th>Philippine head office</th>
<th>Japanese Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic and export sales</td>
<td>P 20,000,000</td>
<td>P 12,000,000</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>10,000,000</td>
<td>6,000,000</td>
</tr>
</tbody>
</table>

A closely similar domestic product would sell at a 50% mark-up. However, the Commissioner of Internal Revenue and Pines Company set an advanced pricing agreement of 20% profit margin for Product X.

Required:
1. Determine the total income earned within.
2. Determine the total income earned within if there is no advanced pricing agreement.

7. Pines Corporation has a principal place of business in Baguio City, a branch in Manila City and a 70%-owned subsidiary, Choco Hills, Inc. in Davao. The following shows Pines Corporation's sales transactions during the year:
   - Pines Corporation billed the Manila branch P1,500,000 for merchandise shipped to the latter at a mark-up of 50% above acquisition cost. The branch resold half of the merchandise for P900,000.
   - Sold merchandise to unrelated parties at a gain of P800,000.
   - Sold merchandise to Darrel Asuncion, Pines Corporation's controlling stockholder, at a gain of P100,000.
   - Sold various merchandise to Choco Hills, Inc. at a gain of P300,000. All of these are not yet sold by Choco Hills to other parties at year-end.

Compute the total income of Pines Corporation subject to income tax.
   a. P1,600,000
   b. P1,300,000
   c. P900,000
   d. P800,000

D. Accounting period and methods

1. Which is incorrect? The calendar year accounting period is applicable to
   a. individual income taxpayers only
   b. taxpayers who do not keep books or with no annual accounting period
   c. taxpayers with other than fiscal accounting period
   d. individuals and corporations

2. Which is correct? The fiscal accounting period is applicable only to
   a. domestic corporations.
   b. resident corporations.
   c. corporations and individuals by election.
   d. Any taxpayers who are not individuals.

3. A one-person corporation shall use
   a. Calendar year
   b. Fiscal year
   c. Either calendar year or fiscal year
   d. Hybrid accounting period

4. A calendar accounting period is not mandatorily required to
   a. Sole proprietorship
   b. Taxable trusts
   c. Taxable estate
   d. General professional partnership

5. What are the deadlines of the quarterly income tax returns for individuals and corporate taxpayers, respectively, counted from the end of the quarterly period?
   a. 45 days; 45 days
   b. 60 days; 60 days
   c. 60 days; 45 days
   d. 45 days; 60 days

6. Effective February 2018, DEF Corporation changed its accounting period from a fiscal year ending every January 31 to another fiscal year ending every August 31. Which is correct?
   a. DEF Corporation should file an adjustment return covering the period covering August 31, 2017 to August 31, 2018.
   b. DEF Corporation should file an adjustment return covering the period January 1, 2018 to August 31, 2018.
   c. DEF Corporation should file an adjustment return covering the period of February 1, 2018 to August 31, 2018.
   d. DEF Corporation should file an adjustment return covering the period of August 31, 2018 to December 31, 2018.

7. Which of the following is not required to file quarterly return?
   a. Corporation
   b. Purely employed individuals
   c. Individuals purely engaged in the exercise of a profession
   d. Individuals earning mixed income
8. ABC, Inc. reported the following income in 2019 using GAAP cash basis:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional fees</td>
<td>P 600,000</td>
</tr>
<tr>
<td>Less: Expenses</td>
<td></td>
</tr>
<tr>
<td>Salaries expense</td>
<td>120,000</td>
</tr>
<tr>
<td>Supplies expense</td>
<td>40,000</td>
</tr>
<tr>
<td>Rental expense (1/2 relates to 2020)</td>
<td>80,000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>P 360,000</td>
</tr>
<tr>
<td>Unrealized gain on marketable equity securities</td>
<td>20,000</td>
</tr>
<tr>
<td>Net income</td>
<td>P 380,000</td>
</tr>
</tbody>
</table>

Year-end additional information:
- a. There were P20,000 accrued salaries unpaid to staffs.
- b. There were P80,000 accrued professional fees.
- c. A total of P40,000 fees were advanced by various clients.

Compute the taxable income of the taxpayer using the cash basis of accounting
- a. P400,000
- b. P460,000
- c. P480,000
- d. P500,000

9. Compute the taxable income of the taxpayer using the accrual basis of accounting
- a. P400,000
- b. P440,000
- c. P460,000
- d. P480,000

10. Juan, a dealer of car, sold a used car and a refrigerator on October 1, 2020 for P200,000 each. Each sale calls for a 30% downpayment with the balance payable in 24 equal installments starting at the

   Required: Compute the reportable gross income in 2020.

11. Sleepy Heads Contractors accepted a contract from Goldigger Corporation for P10M. The contract was completed in two years. Sleepy incurred P3M and P2M in year 1 and year 2, respectively. An engineering estimate pegged the completion at 60% in year 1.

   Compute the gross income in year 1 and year 2.
   - a. P3M; P2M
   - b. P0M; P5M
   - c. P 2M; 2M
   - d. P 0M; P6M

12. Mr. Lessor bought a piece of land at a cost of P1,000,000. He leased the land to Mr. Lessee at an annual rental of P50,000 over a 15-year lease contract. Lessee constructed a P1,000,000 building on the land. The building has an estimated useful life of 20 years which was the basis of a straight-line method of depreciation. The building construction was completed at the end of the first year.

   Required:
   - a. Determine the following

     | Income from leasehold improvement | Outright method | Spread-out method |
     |----------------------------------|----------------|------------------|
     | Yearly income                    |                 |                  |
     | Income of lessor assuming contract is terminated at the end of the 10th year due to fault of the lessee | | |
     | Deductible loss of the lessor if the improvement was destroyed at the start of the 9th year of the lease contract | | |

   - b. Discuss your answers to the foregoing requirement if it was agreed that the lease shall not commence until the completion of the building construction

E. Tax compliance

1. When there is no BIR Office in the municipality or city where the taxpayer resides, what is the proper venue of filing?
   - a. Office of the provincial treasurer
   - b. Authorized Agent Bank
   - c. Revenue Collection Officer
   - d. Deputized municipal or city treasurer's office

2. Which is not a taxpayer’s income tax return?
   - a. BIR Form 1701
   - b. BIR Form 1702
   - c. BIR Form 1707
   - d. BIR Form 1601-C

3. Which of the following do not have an obligation to withhold taxes?
   - a. A non-profit corporation
   - b. An individual purely engaged in business/profession
   - c. An individual mixed income earner
4. Which statement is false?
   a. A general professional partnership is a withholding agent but not an income taxpayer.
   b. A government agency is an income taxpayer but is not a withholding agent.
   c. A foreign government agency is neither an income taxpayer nor a withholding agent.
   d. A private corporation is both an income taxpayer and a withholding agent.

5. Mr. Indio, a resident of Baguio, is starting two branches in Manila and Baguio. Manila is designated as his head office with Baguio as his branch office. Where will he be required to register and file income tax return?
   a. Manila RDO
   b. Baguio RDO
   c. Both Manila and Baguio RDOs
   d. Either RDOs at his discretion

6. A corporate taxpayer with a branch in Makati City used the invoice of its branch in Paranaque City to bill the sales made to a Makati resident. Which is correct?
   a. This will lead to both local and internal revenue tax assessment.
   b. This will lead to a local tax assessment but not an internal revenue tax assessment.
   c. This will lead to an internal revenue tax assessment but not a local tax assessment.
   d. This will neither cause an internal revenue assessment nor a local tax assessment.

7. Copia Corporation had a head office in Angeles City, a highly urbanized city in the province of Pampanga, and a branch in San Fernando City, a component city of Pampanga. Copia has a 60% subsidiary Zpar Company in the municipality of Guagua, Pampanga.

   Required:
   a. What is the venue of filing of Copia Corporation?
   b. What is the venue of filing of its Zpar subsidiary?

8. A large taxpayer with a principal place of business in Baguio City has a branch in Angeles City. What is the proper venue of filing?
   a. Large Taxpayer’s Service Division using e-filing and payment system
   b. Baguio City RDO using e-filing and payment system
   c. Baguio City RDO using e-filing and payment system or manual system
   d. Baguio RDO or Angeles City RDO at his option

9. Which is a large taxpayer?
   a. Those with gross receipts or sales of P500,000,000
   b. Those with net worth of P30,000,000
   c. Those with gross purchases of P80,000,000
   d. Those top corporate taxpayers listed by the SEC

13. This is a settlement for violations in lieu of criminal prosecution to violations of the NIRC?
    a. Interest
    b. Surcharge
    c. Compromise
    d. All of these

14. Mr. Wong forgot to pay his income tax for taxable year 2018 amounting for P200,000. On May 18, 2020, he filed his income tax return. Compute the total tax due including increments.

F. Networth method

Mr. See submitted a summary of his networth showing an increase of P 1,200,000. He presented a long list of expenditures consisting of P 700,000 personal and family living expenses and P250,000 business expenses. During the year, he received an civic award worth P150,000 from the business community.

Required: Compute the taxable income.

--- END OF HANDOUTS ---