

Problem 1

	Domestion	RFC	NRFC
Gross Income, Philippines	P975,000	P975,000	P975,000
EXpenses, Philppines	(750,000)	(750,000)	
Gross Income,Malaysia	770,000		
Expenses, Malaysia	(630,000)		
Interest on Bank deposit			25,000
Taxable income	365,000	225,000	1,000,000
Tax Rate	30%	30%	30%
Tax Due	109,500	67,500	300,000

- Ordinary and passive incomes received by NRFCs are subject to FWT of 30% unless exempt under the law such as Interest income derived from FCDS deposits.
- Generally, "income tax due" shall pertain to tax on ordinary" income or income tax other than FWT on passive income and CGTs.

Problem 2

Gross receipts	1,150,000
Discounts and allowances	(50,000)
Salaries of personnel directly involved in rendering services	(300,000)
Fees of consultants directly involved in rendering service	(50,000)
Rental of equipment used in rendering service	(70,000)
Gross Income	480,000
Operating expenses	(420,000)
Salaries of administrative personnel	(100,000)
Rental expenses	(50,000)
Taxable Net income (loss)	(90,000)

INCOME TAX:

RCIT	- 0 -
MCIT (480,000X2%)	9,600
Income tax Due (Higher)	9,600

OSD Computation:

Gross Income	480,000
Expense 40%OSD (480,000x40%)	192,000
Taxable Net income (loss)	288,000

INCOME TAX:

RCIT (480,000x18%)	86,400
MCIT (480,000X2%)	9,600
Income tax Due (Higher)	86,400

Technique short-cut (GP x 18%). Also OSD is always higher than MCIT rate.

Problem 3

	Q1	Q2	Q3	Annual
RCIT(Cumulative)	200,000	440,000	940,000	1,240,000
MCIT(Cumulative)	160,000	660,000	810,000	1,010,000
Income Tax Due(Higher)	200,000	660,000	940,000	1,240,000
CWT (Cumulative)	(40,000)	(100,000)	(180,000)	(250,000)
Excess tax credits PY	(20,000)	(20,000)	(20,000)	(20,000)
Excess MCIT PY	(60,000)		(60,000)	(60,000)
Qtr. Payments (Cumulative)	-	(80,000)	(540,000)	(680,000)
Income Tax Payable	80,000	460,000	140,000	230,000

Excess MCIT carry-over from prior period (not to exceed three consecutive years) is allowed only if RGIT is higher than MCIT)

What if the MCIT in 4th Quarter is P500,000.

RCIT(Cumulative)	1,240,000
MCIT(Cumulative)	1,310,000
Income Tax Due(Higher)	1,310,000
CWT (Cumulative)	(250,000)
Excess tax credits PY	(20,000)
Excess MCIT PY	- 0 -
Qtr. Payments (Cumulative)	(680,000)
Income Tax Payable	360,000

Problem 4

1.Income tax due and payable

	Philippines	Abroad	Total
Gross Sales	P10,000,000	P5,000,000	15,000,000
Sales returns	(200,000)		(200,000)
Cost of goods sold	(3,500,000)	(2,250,000)	(5,750,000)
Operating expenses	(2,800,000)	(1,100,000)	(3,900,000)
Interest income from trade receivable	100,000	50,000	150,000
Interest income from BPI deposits-USA		80,000	80,000
Income from money market placement		100,000	100,000
Dividend income-RFC	45,000		45,000
Dividend income-NRFC		30,000	30,000
Royalty income abroad		25,000	25,000
Taxable Income	<u>3,645,000</u>		<u>5,580,000</u>
RCIT rate	<u>30%</u>		<u>30%</u>
Regular Corporate Income Tax Due	<u>1,093,500</u>		<u>1,674,000</u>

***If Resident Foreign Corporations : Taxable within the Philippines**

2.Final Withholding Tax

FWT-DC and RFC:

	DC	RFC
Interest income from BPI deposits-Phils. @ 20%	20,000	P20,00
Interest income from FCDU; P150,000 x 15%	22,500	
Interest income from FCDU; P150,000 x 7.5%		11,250
Income from money market placement @ 20%	40,000	
Royalty income @ 20% x (30k+20k)	<u>10,000</u>	<u>10,000</u>
Final tax on passive income	<u>P92,500</u>	<u>P81,250</u>

NOTE:

- Royalty income derived from Philippine sources, regardless of classification (from books, literary or otherwise) is Subject to 20% FWT
- The old rate of 7.5% for interest income on FCDS deposit in case the taxpayer is a foreign corporations was not amended under the TRAIN Law
Double in TRAIN LAW

3.Capital gains tax

a)CGT - DC

Gain on sale of shares sold directly to a Buyer = (150,000x 15%)	P22,500
Sale of real property in the Philippines = (SP of P9M x 6%)	<u>540,000</u>
Total Capital Gains Tax	<u>562,500</u>

SP = Cost+Gain = P4M+ 5M = 9M; SP is higher than FMV

b)CGT - RFC

CGT on share of DC = (P100k x 5%) + (P50k x 10%) = 10,000