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TAXATION
TAX.Syllabus

CPA REVIEW

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THE CPA LICENSURE EXAMINATION SYLLABUS TAXATION

(50% of Business Law and Taxation)
(Effective October 2006 Examination)

This subject tests the candidates' conceptual knowledge and proficiency in the practical application of the basic principles of taxation as they relate to accounting practice. The emphasis is on the application of the theory and principles in solving tax problems. Candidates are expected to know, understand and be able to apply the laws on income tax, business taxes (value-added and percentage taxes), estate tax, donors tax, as well as Revenue Regulations and Court of Tax Appeals and Supreme Court decisions.

Candidates should know the tax rates for computing taxes, except for the following where the tax rates will be given:

- schedular income tax rates for individuals
- schedular estate tax rates; and
- schedular donor's tax rates.

Each examination will contain a minimum of 25 and maximum of 35 multiple choice questions allocated to the different subject areas, as indicated below.

1.0 Principles of Taxation and its Remedies

- 1.1 Nature, scope, classification, and essential characteristics
- 1.2 Principles of sound tax system
- 1.3 Limitations of the power of taxation (inherent limitations and constitutional limitations)
- 1.4 Differences between taxation and police power
- 1.5 Differences between taxation and eminent domain
- 1.6 Similarities among taxation, police power and eminent domain
- 1.7 Tax evasion vs. tax avoidance
- 1.8 Sites/place of taxation
- 1.9 Double taxation (direct and indirect)
- 1.10 Taxes
 - a. Essential characteristics
 - b. Classification
 - c. Tax vs. other charges (toll, special assessment, license fee, debt)

2.0 Powers and Authority of the Commissioner of Internal Revenue under Section 4 to 7, Title 1 of the Tax Code

3.0 Authority of the Commissioner to Compromise Tax Payments, Abate or Cancel Tax Liability and Refund or Credit Taxes

4.0 Tax Remedies

- 4.1 Remedies of the government (State)
 - a. Definition, scope, prescriptive period
 - b. Administrative remedies (tax lien, compromise, levy and distraint)
 - c. Judicial actions (civil or criminal)
- 4.2 Remedies of the taxpayer
 - a. Prescriptive periods
 - b. Administrative remedies
 1. Against an assessment (protest, request for reinvestigation)

2. Request for refund or credit of taxes (recovery of erroneously or illegally collected taxes, forfeiture of cash refund and tax credit)
- 4.3 Expanded jurisdiction of the Court of Tax Appeals (limited to jurisdiction)

5.0 Income Tax

5.1 Taxpayer and tax base

- a. Individuals
 1. Classification (citizens, aliens, pure compensation income earner, pure business or professional income earner, mixed income earner)
 2. Basic and personal exemptions
 3. Premium payments for health and/or hospitalization insurance
 4. Tax on aliens employed by regional operating headquarters of multinationals, offshore banking units, petroleum service contractor or subcontractor
- b. Corporations
 1. Classification (domestic and foreign)
 2. Income taxes
 - (a) Regular corporate income tax
 - (b) Minimum corporate income tax
 - (c) Optional corporate income tax
 - (d) Improperly accumulated earnings tax
 3. Special corporations
 - (a) Domestic (proprietary educational institution, non-profit hospitals, government owned or controlled corporation, etc.)
 - (b) Resident foreign (international carriers, offshore banking units, regional operating headquarters of multinationals, branch profits remittances)
 - (c) Non-resident foreign (lessors of equipment, aircraft and machinery; owners of vessels chartered by Philippine nationals, lessor, distributor or owner of cinematographic films)
- c. Partnerships (general professional partnerships and business partnerships)
- d. Joint ventures (exempt and taxable)
- e. Estate and trust (exempt and taxable)

5.2 Gross income

- a. Inclusions in the gross income (compensation for services, income derived from business, trade practice of profession, gains derived from dealings in property, interest, rents, royalties, dividends, annuities, prizes and winnings, pensions,

- b. partner's distributive share from the net income of the general professional partnership; other income including special problems such as mergers and consolidation, transfers to controlled corporation, wash sale)
 - c. Exclusions from gross income
 - d. Passive income subject to final tax
 - e. Capital gains tax on sale of real property classified as capital asset and the applicable documentary stamp tax (including exemption from the capital gains tax)
 - f. Capital gains tax on sale of shares of stock not through the local stock exchange and the applicable documentary stamp tax
 - g. Final income tax on fringe benefits (including exemptions)
- 5.3 Deductions from gross income
- a. Itemized deductions
 - b. Items not deductible
 - c. Optional standard deduction
- 5.4 Accounting periods (calendar year, fiscal year, short accounting period)
- 5.5 Accounting methods (cash, accrual, installment method, deferred payment method, lump sum or outright method, annual or spread out method, percentage of completion method, networth method of determining taxable income)
- 5.6 Tax return preparation and tax payments (venue and due dates)
- a. Regular filing (including substituted filing of return and electronic filing)
 - b. Large taxpayers and non-large taxpayers
 - c. Income tax credits (local and foreign)
 - d. Payment of taxes in installment
 - 1. Capital gains tax
 - 2. Tax due exceeds P2,000.00
- 5.7 Withholding taxes (at source, expanded or creditable withholding tax, final withholding taxes and withholding tax on government payments)
- 6.0 Compliance Requirements
- 6.1 Administrative requirements (registration, issuance of receipts, printing of receipts)
 - 6.2 Attachments to the income tax return, including CPA certificate, per NIRC requirement
 - 6.3 Keeping of books of accounts and records, including report of inventories
 - 6.4 Prescriptive period of books of accounts and other accounting records
- 7.0 Transfer Taxes
- 7.1 Estate taxes
- a. Gross estate
 - b. Deductions allowed to estate (ordinary and special deductions)
 - c. Tax credit for estate tax paid to a foreign country
 - d. Filing of estate tax returns, payment of estate tax requirements
 - e. Attachments to the estate tax return, including CPA certificate
- 7.2 Donor's tax
- a. Gross gift
 - b. Exemption of certain gifts and other deductions from gross gift
 - c. Tax rates in general and when the donee is a stranger
 - d. Filing of donor's tax returns, payment and requirements
- 8.0 Value Added Tax
- 8.1 VAT-subject transactions
- a. Sale of goods or properties (actual sales, deemed sales, zero rated sales)
 - b. Sale of services and lease of properties (actual sales or lease, zero rated sales)
 - c. Importation
- 8.2 VAT exempt transactions
- 8.3 Input value added taxes
- a. Passed-on VAT
 - b. Transitional VAT input
 - c. Presumptive VAT input
 - d. Withholding VAT (creditable and final)
 - e. Excess VAT input in previous return
- 8.4 Refund of VAT input (zero rated sales, purchase of land and capital goods)
- 8.5 Compliance requirements (invoicing, returns and payment of value added tax; power of the Commissioner to suspend business)
- 9.0 Percentage Taxes
- 9.1 Taxpayer, tax base and tax rates
 - 9.2 Tax on persons exempt from value added tax (annual gross sales or receipts do not exceed P550,000.00)
 - 9.3 Tax on domestic or international carrier (including exemptions)
 - 9.4 Tax on franchise
 - 9.5 Overseas communications tax (including exemptions)
 - 9.6 Tax on banks and non-bank financial intermediaries performing quasi-banking functions
 - 9.7 Tax on other non-bank financial intermediaries
 - 9.8 Tax on life insurance
 - 9.9 Tax on agents of foreign insurance companies
 - 9.10 Amusement taxes
 - 9.11 Tax on winnings
 - 9.12 Stock transaction tax
 - 9.13 Returns and payment of percentage tax (regular and electronic filing)
- 10.0 Community Tax (computation of basic, additional and optional community tax for individuals and corporations and the maximum amount due)
- 11.0 Additions to Tax
- 11.1 Surcharges (late filing/payment, wrong venue, willful neglect, false or fraudulent returns)
 - 11.2 Interests (on deficiency, on delinquency, on extended payments)
 - 11.3 Compromise penalties, amount to be specified in the problem.