Attached is the coverage for the Taxation Law examination, which will be held on November 15, 2020.

For your information and guidance.

February 24, 2020.

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SYLLABUS FOR THE
2020 BAR EXAMINATIONS

TAXATION LAW

Notes: All Bar candidates should be guided that only laws with their respective amendments and canonical doctrines pertinent to these topics as of June 30, 2019 will be covered in the 2020 Bar Examinations, except when provided in this syllabus. Principles of law are not covered by the cut-off period.

This syllabus is only a guide for the bar examinations. It should not be mistaken for a course syllabus.

I. GENERAL PRINCIPLES

A. CONCEPT AND PURPOSE OF TAXATION
   1. Definition
   2. Purpose
   3. Distinguish: tax and other forms of exactions

B. DISTINGUISH: POWER OF TAXATION, POLICE POWER, AND EMINENT DOMAIN

C. THEORY AND BASIS OF TAXATION
   1. Lifeblood theory
   2. Necessity theory
   3. Benefits-received theory

D. JURISDICTION OVER SUBJECT AND OBJECTS

E. PRINCIPLES OF A SOUND TAX SYSTEM
   1. Fiscal adequacy
   2. Theoretical justice
   3. Administrative feasibility

F. INHERENT AND CONSTITUTIONAL LIMITATIONS ON TAXATION

G. STAGES OR ASPECTS OF TAXATION

H. REQUISITES OF A VALID TAX

I. KINDS OF TAXES
J. GENERAL CONCEPTS IN TAXATION
1. Prospectivity of tax laws
2. Imprescriptibility
3. Situs of taxation
4. Double taxation
   a. Strict sense
   b. Broad sense
   c. Tax treaties as relief from double taxation
5. Escape from taxation
   a. Shifting of tax burden
   b. Distinguish: tax avoidance and tax evasion
6. Exemption from taxation
7. Equitable recoupment
8. Prohibition on compensation and set-off
9. Compromise
10. Tax amnesty

K. CONSTRUCTION AND INTERPRETATION OF TAX LAWS, RULES AND REGULATIONS

II. NATIONAL TAXATION

A. TAXING AUTHORITY
1. Jurisdiction, power, and functions of the Commissioner of Internal Revenue
2. Rule-making authority of the Secretary of Finance

B. INCOME TAX
1. Definition, nature, and general principles
   a. Income tax systems
      i. Global
      ii. Schedular
      iii. Others
   b. Features of the Philippine income tax law
   c. Criteria in imposing Philippine income tax
      i. Citizenship
      ii. Residence
      iii. Source
   d. General principles of income taxation
   e. Types of Philippine income taxes
   f. Kinds of taxpayers
   g. Taxable period
2. Concept of income
   a. Definition
   b. When income is taxable
      i. Existence of income
      ii. Realization of income
      iii. Recognition of income
c. Tests in determining whether income is earned for tax purposes
   i. Realization test
   ii. Claim of right doctrine or doctrine of ownership, command or control
   iii. Economic benefit test or doctrine of proprietary interest
   iv. Severance test

d. Methods of accounting
   i. Distinguish: cash and accrual method
   ii. Special method: installment, deferred payment, percentage of completion (in long-term contracts)

e. Situs of Income

3. Gross income
   a. Definition
   b. Distinguish: gross income, net income, and taxable income
   c. Sources of income subject to tax
      i. Compensation income
      ii. Fringe benefits
      iii. Professional income
      iv. Income from business
   v. Income from dealings in property
      (a) Distinguish ordinary asset and capital asset
      (b) Types of gains
      (c) Special rules pertaining to income or loss from dealings in property classified as capital asset (loss limitation rule, loss carry-over rule, holding period rule)
      (d) Tax-free exchanges
   vi. Passive investment income
      (a) Interest
      (b) Dividend
      (c) Royalty income
      (d) Rental income
   vii. Annuities and proceeds from life insurance or other types of insurance
   viii. Prizes and awards
   ix. Pension, retirement benefit, or separation pay
  x. Income from any source
     (a) Condonation of indebtedness
     (b) Recovery of accounts previously written off
     (c) Receipt of tax refunds or credit

d. Exclusions
   i. Rationale
   ii. Taxpayers who may avail
   iii. Distinguish: exclusions, deductions, and tax credits
   iv. Exclusions under the Constitution

4. Deductions
   a. General rule
   b. Concept of return of capital
c. Distinguish: itemized deductions and optional standard deduction
d. Requirements for deductible items
e. Items not deductible

5. Income tax on individuals
   a. Resident citizens, non-resident citizens, and resident aliens
      i. Coverage
      ii. Taxation on compensation income
         (a) Inclusions
         (b) Exclusions
      iii. Taxation of business income/income from practice of profession
         (a) Schedular
         (b) 8% option
      iv. Taxation of partners in a general professional partnership
   v. Taxation of passive income
   vi. Taxation of capital gains
      (a) Income from sale of shares of stock of a Philippine corporation
      (b) Income from sale of real property situated in the Philippines
      (c) Income from sale, exchange, and other disposition of other capital assets

b. Non-resident aliens engaged in trade or business
c. Non-resident aliens not engaged in trade or business
d. Aliens employed by regional headquarters, regional operating headquarters, offshore banking units, and petroleum service contractors
e. Individual taxpayers exempt from income tax
   i. Minimum wage earner
   ii. Exemptions granted under international agreements

6. Income tax on corporations
   a. Domestic corporations
      i. Taxation - in general
         (a) Regular Corporate Income Tax (RCIT)
         (b) Minimum Corporate Income Tax (MCIT)
         (c) Taxation of passive income
         (d) Taxation of capital gains
         (e) Improperly accumulated earnings tax
      ii. Proprietary educational institutions and non-profit hospitals
      iii. Government-owned or controlled corporations, agencies, instrumentalities
      iv. Foreign currency deposit units
   b. Resident foreign corporations
      i. Taxation - in general
         (a) Regular Corporate Income Tax (RCIT)
         (b) Minimum Corporate Income Tax (MCIT)
         (c) Branch Profits Remittance Tax (BPRT)
(d) Taxation of passive income
(e) Taxation of capital gains

ii. Resident foreign corporations subject to preferential tax rates
   (a) International carriers
   (b) Foreign currency deposit units and offshore banking units
   (c) Regional or area headquarters and regional operating headquarters

c. Non-resident foreign corporations (NRFC)
   i. Taxation of NRFC in general
   ii. NRFCs subject to preferential tax rates

d. Corporations exempt from income tax

e. Tax on other business entities: general partnerships, general professional partnerships, co-ownerships, joint ventures, and consortia

7. Filing of returns and payment
   a. Individual return
      i. Who are required to file; exceptions
      ii. Substituted filing
      iii. When and where to file
   b. Corporate returns
      i. Quarterly income tax
      ii. Final adjustment return
      iii. When and where to file
      iv. Return of corporations contemplating dissolution or reorganization
   c. Return on capital gains realized from sale of shares of stock and real estate

8. Withholding tax
   a. Concept
   b. Final withholding tax
   c. Creditable withholding tax
      i. Expanded withholding tax
      ii. Withholding tax on compensation
   d. Fringe benefits tax
   e. Duties of a withholding agent

C. ESTATE TAX
   1. Basic principles, concept, and definition
   2. Classification of decedent
   3. Composition of gross estate
      a. Items to be included in determining gross estate
         i. Decedent's interest
         ii. Transfers in contemplation of death
         iii. Revocable transfers
         iv. Property passing under a general power of appointment
         v. Proceeds of life insurance
vi. Prior interests
vii. Transfers for insufficient consideration
b. Allowable deductions from gross estate
c. Exclusions from gross estate and exemptions of certain acquisitions and transmissions
d. Tax credit for estate taxes paid to a foreign country
e. Filing of estate tax returns and payment of estate tax

D. DONOR'S TAX
1. Basic principles, concept, and definition
2. Requisites of a valid donation
3. Transfers which may be considered as donation
   a. Sale, exchange, or transfer of property for less than adequate and full consideration; exception
   b. Condonation or remission of debt
   c. Renunciation of inheritance; exception
4. Classification of donor
5. Determination of gross gift
   a. Composition of gross gift
   b. Valuation of gifts made in property
   c. Exemption of certain gifts
6. Tax credit for donor's taxes paid to a foreign country
7. Filing of return and payment

E. VALUE-ADDED TAX
1. Nature and characteristics of value-added tax
   a. Tax on value added
   b. Sales tax
   c. Tax on consumption
   d. Indirect tax: impact and incidence of tax
   e. Tax credit method
   f. Destination principle and cross-border doctrine
2. Persons liable to value-added tax
3. Imposition of value-added tax
   a. On sale of goods or properties
      i. Tax base: gross selling price
      ii. Transactions deemed sale
      iii. Change or cessation of status as value-added tax-registered person
   b. On importation of goods
   c. On sale of services and use or lease of properties
4. Zero-rated and effectively zero-rated sales of goods or properties, and services
5. Value-added tax-exempt transactions
6. Input and output tax
7. Refund or tax credit of excess input tax; procedure
8. Compliance requirements
   a. Registration
   b. Invoicing requirements
c. Filing of returns and payment  
d. Withholding of final value-added tax on sales to government  
e. Administrative and penal sanctions

F. **PERCENTAGE TAXES: CONCEPT AND NATURE**

G. **EXCISE TAX: CONCEPT AND NATURE**

H. **DOCUMENTARY STAMP TAX: CONCEPT AND NATURE**

I. **TAX REMEDIES UNDER THE NATIONAL INTERNAL REVENUE CODE**

1. Assessment of internal revenue taxes  
   a. Procedural due process in tax assessments  
      i. Letter of authority and tax audit  
      ii. Informal conference  
      iii. Preliminary assessment notice  
      iv. Formal letter of demand and final assessment notice  
      v. Disputed assessment  
      vi. Administrative decision on a disputed assessment  
      vii. Appeal from an administrative decision on disputed assessment  
   b. Requisites of a valid assessment  
   c. Tax delinquency and tax deficiency  
   d. Prescriptive period for assessment  
      i. General rule  
      ii. Distinguish: false returns, fraudulent returns, and non-filing of returns  
      iii. Suspension of statute of limitations  

2. Taxpayer's remedies  
   a. Protesting an assessment  
      i. Period to file protest  
      ii. Kinds of protest – request for reconsideration or reinvestigation  
      iii. Submission of supporting documents  
      iv. Effect of failure to file protest  
      v. Action of the Commissioner on the protest filed  
         (a) Period to act upon or decide on protest filed  
         (b) Remedies of the taxpayer in case of denial or inaction of the Commissioner  
         (c) Effect of failure to appeal  
   b. Recovery of tax erroneously or illegally collected  
      i. Grounds, requisites, and periods for filing a claim for refund or issuance of a tax credit certificate  
      ii. Proper party to file claim for refund or tax credit  
      iii. Distinguish from input value-added tax refund  
   c. Power of Commissioner of Internal Revenue to compromise  
   d. Non-retroactivity of rulings
3. Government remedies for collection of delinquent taxes
   a. Requisites
   b. Prescriptive periods; suspension of running of statute of limitations
   c. Administrative remedies
      i. Tax lien
      ii. Distraint and levy
      iii. Forfeiture of real property
      iv. Suspension of business operation
      v. Judicial remedies
   d. No injunction rule; exceptions
4. Civil penalties
   a. Delinquency interest and deficiency interest
   b. Surcharge
   c. Compromise penalty
   d. Fraud penalty

III. LOCAL TAXATION

A. LOCAL GOVERNMENT TAXATION
1. Fundamental principles
2. Nature and source of taxing power
   a. Grant of local taxing power under the Local Government Code
   b. Authority to prescribe penalties for tax violations
   c. Authority to grant local tax exemptions
   d. Withdrawal of exemptions
   e. Authority to adjust local tax rates
   f. Residual taxing power of local governments
3. Scope of taxing power
4. Specific taxing power of local government units
5. Common revenue raising powers
6. Community tax
7. Common limitations on the taxing powers of local government units
8. Requirements for a valid tax ordinance
9. Taxpayer's remedies
   a. Protest
   b. Refund
   c. Action before the Secretary of Justice
10. Assessment and collection of local taxes
    a. Remedies of local government units
    b. Prescriptive period

B. REAL PROPERTY TAXATION
1. Fundamental principles
2. Nature
3. Imposition
   a. Power to levy
   b. Exemption from real property tax
4. Appraisal and assessment
   a. Classes of real property
   b. Assessment based on actual use
5. Collection
   a. Date of accrual
   b. Periods to collect
   c. Remedies of local government units
6. Taxpayer's remedies
   a. Contesting an assessment
      i. Payment under protest; exceptions
      ii. File protest with Treasurer
      iii. Refunds or credits of real property taxes
   b. Contesting a valuation of real property
      i. Appeal to the Local Board of Assessment Appeals (LBAA)
      ii. Appeal to the Central Board of Assessment Appeals (CBAA)
      iii. Effect of payment of taxes
   c. Compromising real property tax assessment

IV. JUDICIAL REMEDIES

A. JURISDICTION OF THE COURT OF TAX APPEALS
   1. Exclusive original and appellate jurisdiction over civil cases
   2. Exclusive original and appellate jurisdiction over criminal cases

B. PROCEDURE
   1. Filing of an action for collection of taxes
      a. Internal revenue taxes
      b. Local taxes
   2. Civil cases
      a. Who may appeal, mode of appeal, and effect of appeal
      b. Suspension of collection of taxes
      c. Injunction not available to restrain collection
   3. Criminal cases
      a. Institution and prosecution of criminal action
      b. Institution of civil action in criminal action
      c. Period to appeal
   4. Appeal to the Court of Tax Appeals en banc
   5. Petition for review on certiorari to the Supreme Court
# LIST OF RELEVANT MATERIALS

## I. 1987 CONSTITUTION

## II. LAWS

<table>
<thead>
<tr>
<th>Law Reference</th>
<th>Description</th>
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<tbody>
<tr>
<td>including:</td>
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<tr>
<td>a. Revenue Regulations No. 6-2008, as amended</td>
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<tr>
<td>b. Revenue Regulations No. 12-99, as amended</td>
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<tr>
<td>Rep. Act No. 1125 as amended by Rep. Act No. 9282</td>
<td>An Act Expanding the Jurisdiction of the Court of Tax Appeals, Elevating its Rank to the Level of a Collegiate Court with Special Jurisdiction and Enlarging its Membership</td>
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<tr>
<td>Executive Order No. 226 as amended by Rep. Act No. 7918</td>
<td>Omnibus Investments Code of 1987, as Amended, and For Other Purposes</td>
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- NOTHING FOLLOWS -