

Exercise Drills

In the space provided for, indicate whether the statement relates to a Constitutional limitation (C) or inherent limitation (I). If it is not a limitation to the taxing power, indicate (N).

1	Non-assignment of taxes	
2	Territoriality of taxation	
3	Taxes must be for public use	
4	Exemption of the property of religious institutions from income tax	
5	Exemption of the revenues and assets of non-profit, non-stock educational institutions	
6	Non-delegation of the taxing power	
7	Non-appropriation for religious purpose	
8	The requirement of absolute majority in the passage of a tax exemption law	
9	Non-imprisonment for non-payment of tax or debt	
10	Taxpayers under the same circumstance should be treated equal both in terms of privileges and obligations.	
11	Exemption from property taxes of religious, educational and charitable entities.	
12	Government income and properties are not objects of taxation.	
13	Each local government shall have the power to create its own sources of revenue.	
14	Imprescriptibility in taxation	
15	Non-impairment of obligation and contracts.	
16	Guarantee of proportional system of taxation	
17	International courtesy	
18	Non-impairment of the jurisdiction of the Supreme Court to review tax cases.	
19	The government is not subject to estoppel	
20	Imprisonment for non-payment of poll tax	

True or False 1

1. Eminent domain involves confiscation of prohibited commodities to protect the well-being of the people.
2. Horizontal equity requires consideration of the circumstance of the Taxpayer.
3. Taxes are the lifeblood of the government.
4. Taxation is a mode of apportionment of government costs to the people.
5. There should be direct receipt of benefit before one could be compelled to pay taxes.
6. The exercise of taxation power requires Constitutional grant.
7. Taxation is inherent in sovereignty.
8. Police power is the most superior power of the government. Its exercise needs to be sanctioned by the Constitution.
9. All inherent powers presuppose an equivalent form of compensation.
10. The reciprocal duty of support between the government and the people underscores the basis of taxation.

True or False 2

1. The Constitutional exemption of religious, charitable, and non-profit cemeteries, churches and mosques refers to income tax and real property tax.
2. Taxpayers under the same circumstance should be taxed differently.
3. Taxation is subject to inherent and Constitutional limitations.
4. International comity connotes courtesy between nations.
5. Collection of taxes in the absence of a law is violative of the Constitutional requirement for due process.
6. The scope of taxation is regarded as comprehensive, plenary, unlimited, and supreme.
7. No one shall be imprisoned for non-payment of tax.
8. The lifeblood doctrine requires the government to override its obligations and contracts when necessary.

9. 2/3 of all members of Congress is required to pass a tax exemption law.
10. The government should tax itself.

Multiple Choice - Theory: Part 1

1. The point at which tax is levied is also called
 - a. Impact of taxation
 - b. Situs of taxation
 - c. Incidence of taxation
 - d. Assessment

2. Which of the following inappropriately describes the nature of taxation?
 - a. Inherent in sovereignty
 - b. Essentially a legislative function
 - c. Subject to inherent and constitutional limitation
 - d. Generally for public purpose

3. Which is correct?
 - a. Tax condonation is a general pardon granted by the government.
 - b. The BIR has five deputy commissioners.
 - c. The government can still collect tax in disregard of a constitutional limitation because taxes are the lifeblood of the government.
 - d. The President of the Philippines can change tariff or imposts without necessity of calling Congress to pass a law for that purpose.

4. A. The power to tax includes the power to exempt.
B. The power to license includes the power to tax.

Which is true?

- a. A only
- c. A and B

- b. B only d. Neither A nor B
5. International double taxation can be mitigated by any of the following except
- a. Providing allowance for tax credit
 - b. Provision of reciprocity provisions in tax laws
 - c. Provision of tax exemptions
 - d. Entering into treaties to form regional trade blockage against the rest of the world
6. Which is not an object of taxation?
- a. Persons c. Transactions
 - b. Business d. Public properties
7. That courts cannot issue injunction against the government's effort to collect taxes is justified by
- a. The lifeblood doctrine. c. the ability to pay theory.
 - b. Imprescriptibility of taxes. d. the doctrine of estoppel.
8. The power to enforce proportional contribution from the people for the support of the government is
- a. Taxation c. Eminent domain
 - b. Police power d. Exploitation
9. This theory underscores that taxes are indispensable to the existence of the state.
- a. Doctrine of equitable recoupment
 - b. The Lifeblood Doctrine
 - c. The benefit received theory
 - d. The Holmes Doctrine
10. A. Taxation is the rule, exception is the exemption.

B. Vague taxation laws are interpreted liberally in favor of the government.

Which is false?

- a. A only
- b. B only
- c. Both A and B
- d. Neither A nor B

11. 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 improvements.

12. Which is not a public purpose?

- a. Public education
- b. National defense
- c. Transportation
- d. None of these

13. Which does not properly describe the scope of taxation?

- a. Comprehensive
- b. Supreme
- c. Discretionary
- d. Unlimited

14. All of these are secondary purposes of taxation except

- a. To reduce social inequality
- b. To protect local industries
- c. To raise revenue for the support of the government
- d. To encourage growth of local industries

15. What is the theory of taxation?

- a. Reciprocal duties of support and protection
- b. Necessity
- c. Constitutionality

d. Public purpose

16. A. Taxes should not operate retrospectively.

B. Tax is generally for public purpose.

Which is true?

a. A only

c. A and B

b. B only

d. Neither A nor B

17. Which provision of the Constitution is double taxation believed to violate?

a. Equal protection guarantee

b. Progressive scheme of taxation

c. Uniformity rule

d. Either A or C

18. Which limitation of taxation is the concept of "situs of taxation" based?

a. Territoriality

c. International comity

b. Public purpose

d. Exemption of the government

19. Which tax exemption is irrevocable?

a. Tax exemption based on contract

b. Tax exemption based on the Constitution

c. Tax exemption based on law

d. Both A and B

20. Which statement is incorrect?

a. Every person must contribute his share in government costs.

b. The existence of a government is expected to improve the lives of the people.

- c. The government provides protection and other benefits while the people provide support.
- d. Only those who are able to pay tax can enjoy the privileges and protection of the government.

21. Which is the most incorrect statement regarding taxes?

- a. Taxes are necessary for the continued existence of the government.
- b. The obligation to pay tax does not rest upon the privilege enjoyed by or the protection afforded to the citizen of the government but upon the necessity of money for the support of the State.
- c. There should be personal benefit enjoyed from the government before one is required to pay tax.
- d. Taxes should be collected without unnecessary delay but its collection should not be tainted with arbitrariness.

22. Statement 1: In the selection of the objects of taxation, the courts have no power to inquire into the wisdom, objectivity, motive, expediency, or necessity of a tax law.

Statement 2: An imposition can be both a tax and a regulation. Taxes may be levied to provide means for rehabilitation and stabilization of threatened industry.

Which is correct?

- a. Statement 1 only
- b. Statement 2 only
- c. Both statements
- d. Neither statement

23. Which of the following acts in taxation is administrative by nature?

- a. Determination of the amount to be imposed

- b. Fixing the allocation of the amount to be collected between the local government and the national government
- c. Levy or distraint of taxpayers' property for tax delinquency
- d. Determining the purpose of the tax to impose

24. This refers to the privilege or immunity from a tax burden which others are subject to:

- a. Exclusion
- b. Deduction
- c. Tax holiday
- d. Reciprocity

25. Statement 1: The benefit received theory presupposes that some taxpayers within the territorial jurisdiction of the Philippines will be exempted from paying tax so long as they do not receive benefits from the government.

Statement 2: The ability to pay theory suggests that some taxpayers may be exempted from tax provided they do not have the ability to pay the same.

Which statement is true?

- a. Only statement 1
- b. Only statement 2
- c. Both statements 1 and 2
- d. Neither statement 1 nor 2

26. Which is not a legislative act?

- a. Determination of the subject of the tax
- b. Setting the amount of the tax
- c. Assessment of the tax
- d. Determining the purpose of the tax

27. Statement 1: Taxation is the rule; exemption is the exception.

Statement 2: Taxation may be used to implement the police 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

28. Which of the following powers of the Commissioner of Internal Revenue cannot be delegated?
- a. The examination of tax return and the determination of tax due thereon
 - b. To refund or credit tax liabilities in certain cases
 - c. The power to compromise or abate any tax liability involving basic deficiency tax of P500,000 and minor criminal violations
 - d. The power to reverse a ruling of the Bureau of Internal Revenue
29. When exemption from a tax imposition is silent or not clearly stated, which is true?
- a. Taxation applies since exemptions are construed against the government.
 - b. Exemption still applies since this is an instance of exemption by omission.
 - c. Taxation applies since exemptions are construed against the taxpayer.
 - d. Exemption applies since obligation arising from law cannot be presumed and hence construed against the government.
20. What is the basis of taxation?
- a. Reciprocal duties of support and protection
 - b. Constitutionality
 - c. Public purpose
 - d. Necessity
31. When the provisions of tax laws are silent as to the taxability of an item, which is true?

- a. Taxation applies since taxation is the rule, exemption is the exception.
 - b. Exemption applies since vague tax laws are construed against the government.
 - c. Taxation applies due to the Lifeblood doctrine.
 - d. Exemption applies since obligation arising from law is presumed; ignorance of the law is not an excuse.
32. Which of the following statements does not support the principle that tax is not subject to compensation or set-off?
- a. The government and the taxpayer are not creditors and debtors of each other.
 - b. Tax is not in the nature of contract but it grows out of a duty wherein taxpayers are bound to obey even without the personal consent of the taxpayer.
 - c. Taxes arise from law, not from contracts.
 - d. Both tax and debt partake the nature of an obligation.
33. Which is not legally tenable in refusing to pay tax?
- a. Absence of benefit from the government
 - b. Lack of jurisdiction of the taxing authority
 - c. Prescription of the tax authority's right to collect
 - d. All of these
34. What is the primary purpose of taxation?
- a. To enforce contribution from its subjects for public purpose
 - b. To raise revenue
 - c. To achieve economic and social stability
 - d. To regulate the conduct of business or profession

Multiple Choice – Theory: Part 2

1. The Constitutional exemption of religious or charitable institutions refers only to
 - a. Real property tax
 - b. Income tax
 - c. Property tax and income tax
 - d. Business tax

2. The agreement among nations to lessen tax burden of their respective subjects is called
 - a. Reciprocity
 - b. International comity
 - c. Territoriality
 - d. Tax minimization

3. 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.

4. Which is not a Constitutional limitation?
 - a. No tax law shall be passed without the concurrence of a majority of all members of Congress.
 - b. Non-appropriation for religious purpose
 - c. No law impairing government obligations on contracts shall be passed.
 - d. Non-impairment of religious freedom

5. Which of the following is not an inherent limitation of the power to tax?
- a. Tax should be levied for public purpose.
 - b. Taxation is limited to its territorial jurisdiction.
 - c. Tax laws shall be uniform and equitable.
 - d. Exemption of government agencies and instrumentalities.
6. The following are inherent limitations to the power of taxation except one. Choose the exception
- a. Territoriality of taxes
 - b. Legislative in character
 - c. For public purpose
 - d. Non-appropriation for religious purpose
7. That all taxable articles or properties of the same class shall be taxed at the same rate underscores
- a. Equality in taxation
 - b. Equity of taxation
 - c. Uniformity in taxation.
 - d. None of these
8. The following are limitations of taxation:
- A. Territoriality of taxation
 - B. Exemption of the government
 - C. Taxation is for public purpose.
 - D. Non-impairment of contracts
 - E. Non-delegation of the power to tax

Which of these are classified as both constitutional and inherent limitations?

- a. A and B
 - b. B and C
 - c. C and E
 - d. D and E
9. The provisions in the Constitution regarding taxation are
- a. Grants of the power to tax

- b. Limitations to the power to tax
 - c. Grants and limitations to the power to tax
 - d. Limitations against double taxation
10. The Constitutional exemption of non-stock, non-profit educational institutions refers to
- a. Real property tax
 - b. Income tax
 - c. Property tax and income tax
 - d. Business tax
11. 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
12. 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 imposts
13. In order to phase-out a huge deficit, the President of the Philippines passed a law offering all taxpayers with previous tax delinquency to pay a minimum tax in exchange for relief from tax assessment in the period of delinquency. Is this a valid exercise

of taxation power?

- a. Yes, because the measure adopted is grounded upon necessity.
- b. Yes, because the President is merely exercising his presidential discretion.
- c. No, because the power of taxation is non-delegated.
- d. No, because only the Department of Finance can issue such ruling.

14. 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.
- c. Yes. The President's proposal will have to be finally approved and passed by the legislature. The rule on non-delegation of taxation would not be violated.
- d. No. Tax bills shall originate from the House of Representatives.

15. 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.

16. 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.

17. Congress passed a law subjecting government-owned and controlled corporation(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.

18. Which of the following is not a constitutional limitation of the power of tax?

- a. Non-impairment of obligation or contracts
- b. Due process and equal protection of the law
- c. Non-appropriation for religious purposes
- d. Non-delegation of police power

19. The Philippine Congress enacted a law requiring foreign banks to withhold taxes earned by Filipino residents in their country and to remit the same to the Philippine government. Is this a valid exercise of taxation power?

- a. Yes, because foreign banks are within the territorial jurisdiction of the Philippines.
- b. Yes, the Philippines can enforce tax requirements to subjects of foreign sovereignty even if they are outside the country.
- c. No, as this leads to encroachment of foreign sovereignty.
- d. No, this is prohibited by the Constitution.

20. Which of the following normally pays real property tax?

- a. Bantay Bata, a non-profit charitable institution
- b. Jesus Crusade movement, a religious institution
- c. University of Pangasinan, a private proprietary educational institution
- d. AM Property Holdings, a registered property development company

21. Tax exemption bills are approved by

- a. Majority of all members of Congress

- b. Solely by the President of the Republic
 - c. 2/3 of all members of Congress
 - d. Majority of the representatives constituting a quorum
22. The Japanese government invested P100,000,000 in a Philippine local 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.

Multiple Choice - Theory: Part 3

1. When a legislative body taxes persons and property, rights and privileges under the same taxable category at the same rate, this is referred to as compliance with the constitutional limitation of:
- a. Equity
 - b. Uniformity
 - c. Due process
 - d. Equal protection clause
2. Which is not a legislative act?
- a. Assessment of the tax
 - b. Setting the amount of the tax
 - c. Determination of the subject of the tax
 - d. Determining the purpose of the tax
3. The inherent powers of the State are similar in the following respect, except:
- a. They are inherent to the existence of the State.
 - b. They are exercisable without the need for an express constitutional grant.
 - c. All are not exercised by private entities.
 - d. They are exercised primarily by the legislature.

4. Which is mandatorily observed in implementing police power?
- a. Public interest
 - b. Just compensation
 - c. Public use
 - d. All of these
5. Which is considered in the exercise of eminent domain?
- a. Public use
 - b. Just compensation
 - c. Both a and b
 - d. Neither a nor b
6. The general power to enact laws to protect the well-being of the people is called
- a. Police power
 - b. Eminent domain
 - c. Taxation
 - d. All of these
7. Which of the following entities will least likely exercise the power of eminent domain?
- a. Electric cooperatives
 - b. Water cooperatives
 - c. Telecommunication business
 - d. Transportation operators
8. In exercising taxation, the government need not consider
- a. Inherent limitations
 - b. Just compensation
 - c. Due process of law
 - d. Constitutional limitations
9. Licensing of business or profession is an exercise of
- a. Police power
 - b. Taxation
 - c. Eminent domain
 - d. All of these
10. Select the correct statement
- a. Eminent domain refers to the power to take public property for private use after paying just compensation.
 - b. Police power being the most superior power of the State is not subject to any limitation

c. Taxation power shall be exercised by Congress even without an express constitutional grant.

d. Taxes may be collected even in the absence of a law since obligation arising from law is always presumed.

11. Which is principally limited by the requirement of due process?

- a. Eminent domain
- b. Police power
- c. Taxation
- d. All of these

12. Statement 1: Congress can exercise the power of taxation even without Constitutional delegation of the power to tax.

Statement 2: Only the legislature can exercise the power of taxation, eminent domain, and police power.

Which statement is correct?

- a. Statement 1
- b. Statement 2
- c. Statements 1 and 2
- d. Neither statement 1 nor 2

13. Which power of the State affects the least number of people?

- a. Police power
- b. Eminent domain
- c. Taxation
- d. Taxation and police power

14. Select the correct statement.

- a. The benefit received theory explains that the government is obliged to serve the people since it is benefiting from the tax collection from its subjects.
- b. The lifeblood theory underscores that taxation is the most superior power of the State.
- c. The police power of the State is superior to the non-impairment clause of the constitution.
- d. The power of taxation is superior to the non-impairment clause of the constitution.

15. Which of the following is not exercised by the government?
- a. Taxation
 - b. Police power
 - c. Eminent domain
 - d. Exploitation
16. Select the incorrect statement.
- a. Since there is compensation, eminent domain raises money for the government.
 - b. Once a government is established, taxation is exercisable.
 - c. The most important of the power is taxation.
 - d. Police power is more superior than the non-impairment clause of the constitution.
17. The following statements reflect the differences among the inherent Powers except:
- a. The property taken under eminent domain and taxation are preserved but that of police power is destroyed.
 - b. Eminent domain and police power do not require Constitutional grant, but taxation, being a formidable power, requires constitutional grant.
 - c. Only eminent domain can be exercised by private entities.
 - d. Taxation, police power, and eminent domain are ways in which the government interferes with private right and property.
12. Statement 1: The Taxation power can be used to destroy if the law is valid.
Statement 2: A tax law which destroys things, business, or enterprises for the purpose of raising revenue is an invalid tax law.
Which is incorrect?
- a. Statement 1
 - c. Both statements

- b. Statement 2
- d. Neither statement

19. Select the correct statement.

- a. The provisions on taxation in the Philippine constitution are grants of the power to tax.
- b. The power to tax includes the power to destroy.
- c. When taxation is used as a tool for general and economic welfare, this is called fiscal purpose.
- d. The sumptuary purpose of taxation is to raise funds for the government.

20. Which of the following powers is inherent or co-existent with the creation of the government?

- a. Police power
- c. Taxation
- b. Eminent domain
- d. All of these

21. Which of the following is not an inherent limitation of the power to tax?

- a. Tax should be levied for public purpose.
- b. Taxation is limited to its territorial jurisdiction.
- c. Tax laws shall be uniform and equitable.
- d. Government agencies and instrumentalities are exempt from tax.

22. 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.

23. Which of the following is not a constitutional limitation of the

power to tax?

- a. Non-impairment of obligation or contracts
- b. Due process and equal protection of the law
- C. Non-appropriation for religious purposes
- d. Non-delegation of the taxing power

24. Which of the powers of the State is the most superior? Which is regarded as the most important?

- a. Taxation; Eminent domain
- b. Police power; Taxation
- c. Eminent domain; Police power
- d. All the powers are equally superior and important