

Deductions from gross estate under philippines tax rules and singapore tax rules



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DEDUCTIONS FROM GROSS ESTATE UNDER PHILIPPINES TAX RULES AND SINGAPORE TAX RULES ADVENTIST UNIVERSITY OF PHILIPPINES PUTING KAHYOY 2008 DEDUCTIONS FROM GROSS ESTATE PHILIPPINES TAX RULES

Funeral Expenses For deaths occurring on or after January 1, 1998, the amount allowable as deduction shall be the lower amount between the actual funeral expenses (whether paid or unpaid) and five percent (5%) of the gross estate, but in no case to exceed two hundred thousand pesos (P200, 000). Judicial Expenses ' Judicial expenses of the testamentary or intestate proceedings' are those incurred in the: •inventory taking of assets comprising the gross estate their administration •the payment of debts of the estate •distribution of the estate among the heirs Claims against the Estate A claim against the estate is an obligation contracted by the decedent when he was alive which he should have settled or paid during his lifetime. It may arise out of contract, tort, and operation of law. Claims against Insolvent Person For claims of the deceased against insolvents persons to be deductible: 1. the full amount of the claim must be included in the gross estate 2. the incapacity of the debtors to pay their debts due to insolvency must be proven Unpaid Mortgages For unpaid mortgage to be deductible: . the fair market value of the property mortgaged must be included in the gross estate in full 2. the unpaid mortgage shall be to the extent that it was contracted bona fide and for an adequate and full consideration in money or money's worth Unpaid Taxes These are taxes which have accrued as of the death of the decedent but which were unpaid as of the time of death. Casualty Losses There shall also be deducted losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other

casualties, or robbery, theft or embezzlement; subject to the following conditions that such losses: 1. are not compensated for by insurance or otherwise; 2. at the time of the filing of the return, have not been claimed as a deduction for income tax purposes in an income tax return; and 3.

were incurred not later than the last day for payment of the estate tax.

Property Previously Taxed or Vanishing Deduction Step-by-step computation

of the vanishing deduction: 1. Value taken of PPT*)xxx Less: Mortgage debt or other lien paid, if any (1st deduction)xxx Initial basisxxx 2. 3. Initial

basisxxx Less: 2nd deductionxxx Final basisxxx Multiply by percentage of

deductionx%Vanishing deductionxxx *) The value of the property previously

taxed or the aggregate value of such property if more than one item, as

finally determined for the purpose of the prior estate tax or the value of such property in present decedent's gross estate, whichever is lower. Period

between two deathsPercentage of deductions 1 year or less100% More than

1 year months but not more than 2 years80% More than 2 years but not

more than 3 years60% More than 3 years but not more than 4 years40%

More than 4 years but not more than 5 years20% Transfers for Public

UseThere shall be allowed as deduction from gross estate the amount of all

bequests, legacies, devises or transfers to or for the use of the Government

of the Republic of the Philippines, or any political subdivision thereof, for

exclusive public purposes.

Family Home The family home must be the actual residential home of the

decedent and his family at the time of his death. Allowable deduction must

be in an amount equivalent to the current fair market value of the family

home as declared or included in the gross estate, or the extent of the

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decedent's interest, whichever is lower, but not exceeding P1, 000, 000.

Standard Deduction A deduction in the amount of P1, 000, 000 shall be allowed as an additional deduction without need of substantiation. **Medical Expenses** Medical expenses incurred by the decedent, paid or unpaid, within 1 year prior to his death and duly substantiated with receipts shall be allowed as deduction from gross estate, but not exceed P500, 000. **Amount Received by Heirs** under R. A.

4917 Net Share of the Surviving Spouse SINGAPORE TAX RULES Funeral Expenses and Debts •For deaths occurring on or after 01 Jan 2005, the amount allowed for funeral expenses is \$6, 000 or the actual amount expended, whichever is lower. Debts are allowed for deduction if they are: a. outstanding as at the date of death; b. incurred by the deceased for his own use and benefit and c. not reimbursable from another source Debts are deducted against the value of the asset that is pledged as security. For example, a mortgage loan of a property shall only be deducted against the value of the property regardless of whether the property is exempt from Estate Duty.

Quick Succession Relief (QSR) When 2 persons died on or after 01 Jan 2006, and the later death occurred not more than 24 months after the earlier death, the estate of the later death is entitled to QSR. Where the order of the 2 deaths is unknown, the younger person is presumed to have survived the older person and inherited the older person's assets. Each estate is assessed separately and the exemptions under the Estate Duty Act will apply

separately on each assessment. For all quick succession deaths, a relief of

varying amount would be given depending on the time period between the
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two deaths, as shown in the table below. Period between two deaths

| Percentage of relief | 6 months or less | 100% | More than 6 months but not more than 12 months | 75% | More than 12 months but not more than 18 months | 50% | More than 18 months but not more than 24 months | 25% | More than 24 months | 0% |
|----------------------|------------------|------|--|-----|---|-----|---|-----|---------------------|----|
|----------------------|------------------|------|--|-----|---|-----|---|-----|---------------------|----|

The formula for calculating the relief is $A/B \times C \times P$ A = the assessed value of that part of the transferred property on which estate duty has been paid on the earlier death or the assessed value of the same part of the transferred property on which estate duty is payable on the later death, whichever is the lower. B = the assessed value of the estate of the later deceased.

C = the amount of the estate duty payable on the deceased. P = the percentage of remission at the applicable rate set out in the above Table.

Exemptions The following exemptions are listed below:

| Assets | Exemption Threshold | Other Information |
|---|---------------------|--|
| a) Dwelling houses | \$9 million* | •Used wholly for residential purpose by any person regardless of whether the property is let out or owner occupied. •For deaths occurring on or after 25 Feb 2000, dwelling houses used partly for the following activities also qualify for exemption: <ul style="list-style-type: none"> oSmall business activities allowed by URA or HDB under their respective guidelines. oHome Office approved by HDB or URA |
| b) All other assets (including CPF balance) | \$600, 000* | Egs. |

Bank account balances, shares, commercial and industrial properties, and vacant land etc.) If the CPF balance exceeds \$600, 000 The excess of \$600, 000*See details on CPF below

d) Gifts specified in the deceased's Will (bequests) made to Singapore Government or approved IPC**after

death Value of gift For deaths occurring on or after 01 Jan 1999 e) Gifts, not
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specified in the deceased's Will, made to the Singapore Government or any IPC** on or after 01 Jan 2002 Value of gift Submit a written notification from the IPC** before the issue of a Notice of Assessment. * The exemption threshold is applicable for a person dying on or after 28 Feb 1996 **

Institutions of Public Character Central Provident Fund (CPF) CPF balances, regardless of the amount, are exempt from estate duty as follows: - Where CPF balance is more than S\$600, 000, estate duty is imposed on the value of the other assets excluding CPF balance. (a) Deceased leaves S\$1.

5 million in CPF balance and nothing else (b) Deceased leaves S\$1. 5 million in CPF balance and S\$500, 000 in cash, stocks, and other non-residential property assets CPF balance \$1. 5 million \$1. 5 million Other assets NIL \$500, 000 Total assets \$1. 5 million \$2 million Less exemption of \$600, 000 \$600, 000 \$600, 000 Balance \$900, 000 \$1. 4 million Less exemption CPF balance in excess of \$600, 000) \$900, 000 (1.

5 million - 600, 000) \$900, 000 Net value NIL \$500, 000 Estate duty payable @ 5% NIL \$25, 000 - Where the CPF balance is equal to or less than \$600, 000, duty is imposed on the excess value of other assets that exceeds the S\$600, 000 threshold when aggregated with the CPF balance. (c) Deceased leaves \$300, 000 in CPF balance and \$500, 000 in cash, stocks, and other non-residential property assets (d) Deceased leaves \$600, 000 in CPF balance and \$600, 000 in cash, stocks, and other non-residential property assets CPF balance \$300, 000 \$600, 000 Other assets \$500, 000 \$600, 000 Total assets \$800, 000 \$1. 2 million Less exemption of \$600, 000 \$600, 000 \$600, 000 Balance \$200, 000 \$600, 000 Less exemption (CPF balance in excess of \$600, 000) NIL NIL Net value \$200, 000 \$600, 000 Estate duty payable @ 5% <https://assignbuster.com/deductions-from-gross-estate-under-philippines-tax-rules-and-singapore-tax-rules/>

\$10,000-\$30,000 CONCLUSION After looking at the tax rules of the Philippines and Singapore on deductions from gross estate above, we can see that Philippines tax rules give more allowable deductions from gross estate than Singapore tax rules. Judicial expenses, unpaid mortgage, unpaid taxes, casualty losses, and medical expenses are not deductible from gross estate under Singapore tax rules. There are significant differences between two countries' rules in computing property previously taxed (quick succession relief). Under the Philippines tax rules, the amount of deduction would be given if the period of two deaths is not more than 5 years, while is only not more than 2 years under Singapore's.

The percentage of deductions and the steps of computation to get the vanishing deductions are also different. The other difference is the requisites of family home to be qualified for exemption. Under both countries' tax rules, the family home that is qualified for exemption is the actual residential home of the decedent and his family at the time of his death. As addition to that, under Singapore tax rules, family home that is used partly for the small business activities or home office is also qualified for exemption.

Based on the comparison explained above, the amount that the taxpayer of Singapore would pay for the estate tax payable will be greater than the amount of Philippines' taxpayer. It is because the allowable deductions from gross estate under Singapore tax rules is lesser than Philippines tax rules. Consequently, the income that Singapore's government would receive will be greater than Philippines'. Therefore, we recommend the Philippines' government to adopt the tax rules of deductions from gross estate from

Singapore's. REFERENCES Ballada, S.

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[iras.gov.sg/irasHome/page03.aspx?id=1186#Exemptions](http://www.iras.gov.sg/irasHome/page03.aspx?id=1186#Exemptions)