



# Supplementary Practice: International Tax Fundamentals

## Question 1: Consumption Tax in Japan

Zyrine is visiting Tokyo and decides to buy a high-quality camera priced at ¥85,000. What is the total cost she will pay at the register, including Japan's standard 10% consumption tax?

- **Answer:** The total cost is ¥93,500.
- **Explanation:**
  1. **Formula:** Total Cost = Sales Price + (Sales Price × Tax Rate)
  2. **Calculate Tax Amount:** ¥85,000 × 0.10 = ¥8,500
  3. **Calculate Total Cost:** ¥85,000 + ¥8,500 = **¥93,500**

## Question 2: Sales Tax in the U.S. (Texas)

Cris is in Houston, Texas, and buys a new laptop for \$1,200. The combined city and state sales tax rate is 8.25%. What is the total amount Cris will be charged?

- **Answer:** The total amount is \$1,299.
- **Explanation:**
  1. **Formula:** Total Cost = Sales Price + (Sales Price × Tax Rate)
  2. **Calculate Tax Amount:** \$1,200 × 0.0825 = \$99
  3. **Calculate Total Cost:** \$1,200 + \$99 = **\$1,299**

## Question 3: Value Added Tax (VAT) in the Philippines

Jenelie hires a local firm in the Philippines for marketing services, and the bill comes to ₱25,000 before tax. How much will she pay in total after including the 12% VAT?

- **Answer:** The total payment will be ₱28,000.
- **Explanation:**
  1. **Formula:** Total Cost = Service Price + (Service Price × Tax Rate)
  2. **Calculate Tax Amount:** ₱25,000 × 0.12 = ₱3,000
  3. **Calculate Total Cost:** ₱25,000 + ₱3,000 = **₱28,000**

## Question 4: Payroll Deductions in the U.S.

An employee in the U.S. has a monthly Gross Pay of \$4,000. Calculate their Net Pay after deducting Federal Tax (estimated at 12%), Social Security (6.2%), and Medicare (1.45%).

- **Answer:** The employee's Net Pay is \$3,214.
- **Explanation:**
  1. **Calculate Each Deduction:**
    - Federal Tax:  $\$4,000 \times 0.12 = \$480$
    - Social Security:  $\$4,000 \times 0.062 = \$248$
    - Medicare:  $\$4,000 \times 0.0145 = \$58$
  2. **Calculate Total Deductions:**  $\$480 + \$248 + \$58 = \$786$
  3. **Calculate Net Pay:**  $\$4,000$  (Gross Pay) -  $\$786$  (Total Deductions) = **\$3,214**

## Question 5: Conceptual - State Income Tax

An employee earning the same salary moves from California (which has a state income tax) to Texas (which has no state income tax). How will this move affect their Net Pay?

- **Answer:** Their Net Pay will increase.
- **Explanation:** Since Texas does not have a state income tax, the employee will have one less deduction taken from their paycheck. This means that a larger portion of their Gross Pay becomes Net Pay, increasing their take-home amount.

## Question 6: Conceptual - Tax Categories

Identify the primary category for each tax described below (Consumption, Income, or Payroll Withholding): a) A 12% tax included in the price of a movie ticket in the Philippines. b) Tax paid by a profitable company at the end of its fiscal year. c) Money automatically taken from an employee's salary in Japan to cover social insurance.

- **Answer:** a) **Consumption Tax (VAT)** b) **Income Tax (Corporate)** c) **Payroll Withholding Tax**
- **Explanation:** a) This tax is applied when you *buy* a service, making it a tax on consumption. b) This tax is on the *earnings/profit* of a business, making it an income tax. c) This tax is taken directly *from a paycheck* by an employer, making it a payroll withholding.

## Question 7: Japan's Reduced Consumption Tax

Patricia buys groceries at a supermarket in Japan. Her bill for food items comes to ¥4,500. What is her total cost if these items qualify for the reduced 8% tax rate?

- **Answer:** The total cost is ¥4,860.
- **Explanation:**

1. **Formula:**  $\text{Total Cost} = \text{Sales Price} + (\text{Sales Price} \times \text{Tax Rate})$
2. **Calculate Tax Amount:**  $¥4,500 \times 0.08 = ¥360$
3. **Calculate Total Cost:**  $¥4,500 + ¥360 = \text{¥4,860}$

### Question 8: Payroll in the Philippines

A video editor in the Philippines earns a Gross Pay of ₱40,000 per month. If their total withholding tax and other contributions amount to 18% of their gross pay, what is their monthly Net Pay?

- **Answer:** Their Net Pay is ₱32,800.
- **Explanation:**
  1. **Calculate Total Deduction:**  $₱40,000 \times 0.18 = ₱7,200$
  2. **Calculate Net Pay:**  $₱40,000 \text{ (Gross Pay)} - ₱7,200 \text{ (Deduction)} = \text{₱32,800}$

### Question 9: U.S. Sales Tax Comparison

A customer wants to buy a smartphone for \$800. What is the price difference if they ship it to a relative in Delaware (0% sales tax) versus shipping it to their home in California (7.25% sales tax)?

- **Answer:** The price difference is \$58.
- **Explanation:**
  1. **Cost in Delaware:**  $\$800 + (\$800 \times 0.00) = \$800$
  2. **Cost in California:**  $\$800 + (\$800 \times 0.0725) = \$800 + \$58 = \$858$
  3. **Price Difference:**  $\$858 - \$800 = \$58$

### Question 10: Conceptual - Gross vs. Net Pay

A company offers a job with a starting "Gross Salary" of \$60,000 per year. Is this the total amount of money the new employee will receive in their bank account for the year? Explain your answer.

- **Answer:** No, it is not.
- **Explanation:** The \$60,000 is the **Gross Pay**, which is the total earnings *before* any deductions. The employee's actual take-home pay, or **Net Pay**, will be lower because the employer is required to withhold money for taxes (like income tax, social security, etc.) and other deductions. The Net Pay is the amount left after all deductions have been subtracted from the Gross Pay.