

MGT 224: Taxation in Nepal

Full Marks: 100
Pass Marks: 35

Lecture Hours: 150

Course Objectives

The objective of this course is to provide students with the knowledge of general principles and practices of taxation in Nepal and develop in them the basic skills required to solve practical problems regarding income tax, vat and enable for preparing tax returns.

Course Description

This course includes conceptual foundation, tax accounting, classification of taxpayers, taxation of income, heads and sources of income, income from employment, capital gain tax, income from investment, valuation of stocks and depreciation, business loss, income from business, total assessable income, tax liability and tax payable, value added tax, rights and duties, tax collection and realization, penal provision, review and appeal, tax auditing.

Course Details

Unit 1: Conceptual Foundation

10 LHs

Meaning and objectives of tax; Types of tax: Direct tax and Indirect tax; Canons of taxation; Historical background of income taxation in Nepal; Tax laws: Constitution, Tax Act, Tax rule, Finance Act, Legal precedents established by court; Features of Income Tax Act, 2058; Meaning of basic terms used in income taxation.

Unit 2: Tax Accounting

3 LHs

Registration for Permanent Account Number (PAN); Concepts of tax accounting; Accounting methods for different tax payers; Cash basis of accounting and Accrual basis of accounting; Changing accounting methods.

Unit : 3 Classification of Assesses/Tax payers

6 LHs

Natural person and entities; Single, couple and family; Resident and non-resident; Special provisions for natural person; Entities and retirement savings.

Unit 4: Taxation of Income

6 LHs

Concepts of: Presumptive taxation, Turnover taxation, Personal (non-corporate) taxation, Corporate taxation; Provisions of presumptive taxation and Provisions of turnover taxation in Nepal.

Unit 5: Heads and Sources of Income**2 LHs**

Sources: Employment, Business, Investment, Casual gain.

Unit 6: Income from Employment**16 LHs**

Concept of employment, difference between employment and profession; Features of employment income, Incomes chargeable under income from employment, Non-chargeable employment incomes; Allowable reductions, exemptions and applicable tax rates; Tax liability and tax payable.

Unit 7: Capital Gain Tax**4 LHs**

Concept of capital gain and capital gain tax; Computation of capital gain on disposal of depreciable assets, business assets, non-business chargeable assets; Provisions for adjustment and carry-forward of capital loss, Applicable tax rates for individual and entities.

Unit 8: Income from Investment**10 LHs**

Concept of investment income; Difference between investment and business; Chargeable and non-chargeable incomes from investment; Deductible expenses and non-deductible expenses; Assessable income from investment; Set-off and carry-forward of investment losses; Investment income from domestic sources and foreign sources; Tax liability and tax payable.

Unit 9: Valuation of Stocks, and Depreciation**10 LHs**

Methods of stock valuation, Adjustments of over and under valuation of stocks; Calculation of cost of trading stocks; Assets pooling system of depreciation, Calculation of depreciation basis and allowable depreciation; Provisions for unabsorbed pollution control cost, research and development cost and repairs expenses; Provisions of additional depreciation allowance.

Unit 10: Business Loss**6 LHs**

Concept of assessed business loss, Set-off of business loss, Carry forward of business loss.

Unit 11: Income from Business**20 LHs**

Concept of business income; Concepts of capital and revenue incomes and expenses; Chargeable and non-chargeable incomes from business; Deductible and non-deductible expenses; Assessable income from business; Tax liability and tax payable.

Unit 12: Total Assessable Income**6 LHs**

Concepts of total assessable income and taxable income; Allowable reductions: retirement contribution, insurance premium, remote area allowance; Reductions of additional exemption limit for the persons having pension income and disabled individual, Reduction of foreign allowance, Reduction of donations

Unit 13: Tax Liability and Tax Payable**6 LHs**

Statutory exemption limit; Progressive slab rates and flat rates; Tax concessions; Adjustments of advance tax; Tax deduction at source (TDS) and Tax credits; Tax payable and tax clearance.

Unit 14: Value Added Tax (VAT)**16 LHs**

Concept, principles and types of Value Added Tax (VAT); Characteristics of Vat: Burden shifting, multi- stage imposition, zero-rating, deletion of cascading effect, substitute of sales tax; Evolution of VAT, Origin and evolution of VAT in Nepal; Methods of Vat: Addition, Subtraction, Tax credit; Accounting of VAT: purchase book, sales book and VAT book; Collection, realization and refund of VAT; Penalties, actions and appeal

Unit 15: Rights and Duties**5 LHs**

Rights of tax Authorities: Government of Nepal, Inland Revenue Department (IRD), Director General (DG), Chief Tax Officer and other officers; Rights and duties of taxpayers.

Unit 16: Tax Collection and Realization**6 LHs**

Concept of tax collection, realization, remission and refund; Methods of tax collection: installment, withholding (tax deduction at source, TDS), self-assessment, presumptive tax; Methods of tax realization, Provisions of refund and remission.

Unit 17: Penal Provision, Review and Appeal**8 LHs**

Concept and differences of penalty and offence; Provisions relating to fees and interest, provisions relating to offences; Concept of administrative review and appeal; Administrative decisions eligible for review, procedure of filing objections for administrative review; Provisions relating to appeal to Revenue Tribunal.

Unit 18. Tax Auditing**10 LHs**

Relationship between Taxation and Auditing; Concept, types and major functions of auditing; Internal control: Internal auditing and internal check; Concept, scope and objectives of tax auditing; Provisions of tax auditing in Income Tax Act, 2058 and Value Added Tax, Act, 2052.

Suggested Readings:

GON, *Budget speech and Finance Act* (Recent)

GON, *Income Tax Act, 2058* (With amendments)

GON, *Income Tax Rules, 2059* (With amendments)

GON, *Value Added Tax Act, 2052* (With amendments)

GON, *Value Added Tax Rules, 2053* (With amendments)

Dhakal, K. D. et.al. (updated edition). *Fundamentals of Taxation and Auditing*, Ashmita Books Publishers and Distributors Pvt. Ltd., Kathmandu.

Kandel, P. R. & Lamsal R. (updated edition). *Tax Laws and Tax Planning in Nepal*, Benchmark

- Education Support Pvt. Ltd., Kathmandu.
- K.C., J.B. (updated edition), *Tax Laws and Tax Planning, Theory and Practice*, Khanal Books and Stationery, Kathmandu.
- Lekhi, R. K. (2018). *Public Finance*, Kalyani Publishers, New Delhi.
- Regmi, G.N. et.al. (updated edition). *Fundamentals of Taxation and Auditing*, KEC Books Publication and Distribution Pvt. Ltd., Kathmandu.
- Sapkota, P. P. & Pandey, D.L. (updated edition). *Fundamentals of Taxation and Auditing*, Pinnacle Publication Pvt. Ltd. Kathmandu.