

Tribhuvan University

2079

B.B.S. (4 Yrs.)/ III Year / MGMT

(MGT. 224, New Course)

Taxation in Nepal

Full Marks: 100

Time: 3 hrs.

Candidates are required to give their answers in their own words as far as practicable.

The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Answer Questions

[10×2=20]

1. Define indirect tax with example.
2. Differentiate assessable income and taxable income.
3. Define cash basis of accounting.
4. What do you mean by capital and revenue expenditure?
5. Explain the meaning of "Canon of Certainty".
6. Briefly describe the provision related to quantification of vehicle facility provided to an employee.
7. Thomas is foreign citizenship holder arrived in Nepal on 1st Poush 2078 and stayed in Nepal at the end of Ashad 2079.
Required : His residential status for the income year 2078/79.
8. Mr. Nepal is retired government employee and received pension income Rs. 6,50,000 including one month equal Dashain allowance.
Required : Tax liability of Mr. Nepal he selected family status.
9. ABC manufacturing Company supplied the following information.
 - Opening stock of raw material and closing stock of finished goods Rs. 10,000 and Rs. 20,000 respectively.
 - Import during the year Rs. 500,000, Custom duty to Rs. 40,000 and administrative expenses Rs. 25,000.**Required :** Cost of trading goods.

(1)

10. Smrity is presumptive taxpayer located in Walling Municipality and her total turnover Rs. 2 million and total operating expenses Rs. 1.8 million during the previous income year.

Required: Smrity opted presumptive taxpayer status and compute tax liability with explanation.

Short Answer Questions

Attempt any FIVE questions.

[5×10=50]

11. Basnet is an officer of government office. He was promoted to this post on 1st Shrawan 2073, at a salary scale of Rs. 50,000 - 1,500 - 53,000 - EB - 2,000 - 63,000. The other details provided by him for the previous years as follows:

- ❖ Family allowance Rs. 10,000 p.m.
- ❖ Dearness allowance 20% of basic salary.
- ❖ City compensatory allowance 10% of current salary and one month equal Dashain allowance.
- ❖ Travelling and Daily allowance (TADA) Rs. 20,000.
- ❖ Interest from fixed deposit amount Rs. 30,000.
- ❖ Office provided him car facility along with driver. Fuel expenses Rs. 25,000, Driver salary Rs. 20,000 p.m. and repairs & maintenance cost Rs. 30,000 paid by office.
- ❖ Office has also provided a free quarter for his accommodation.
- ❖ A domestic assistant provide by the office, his monthly salary Rs. 6,000 paid by office. Basnet contribution towards this facility was Rs. 2,000 pm.

He claimed the following expenses for deduction:

- ❖ He is a member of Recognized Provident Fund contributing 10% of his salary towards this fund.
- ❖ He contributed amount Rs. 30,000 in the citizen investment trust.
- ❖ He paid life insurance premium Rs. 35,000.
- ❖ Donation paid to social welfare organization Rs. 30,000.
- ❖ Basnet claimed medical expenses Rs. 20,000 and 50% paid by office.

Required : a. Net (assessable) income from Employment

b. Statement of Total Taxable Income

c. Tax liabilities

[5+3+2]

12. Given is the summarized statement of cash pertaining to a lawyer for the previous income year.

Receipts	Amount	Payments	Amount
To Balance b/d- Cash in hand	50,000	By Office expenses	80,000
Cash at bank	250,000	By Computer Purchased (Ashwin)	150,000
To Legal fees	695,000	By Telephone & Communication expenses	30,000
To Gifts and present from clients	350,000	By Salary to office assistants	180,000
To consultation fees after TDS	85,000	By Life insurance premium of lawyer	35,000
To Agriculture income	40,000	By Pollution control cost	40,000
To interest or local money transaction	120,000	By Office rent	150,000
To Causal income received	30,000	By Water Electricity expenses	30,000
To Other professional incomes	75,000	By Hospitality and entertainment expenses	20,000
To sales of old paper and journal	5,000	By Heal insurance premium (own)	15,000
		By Donation to remote area school	50,000
		By printing & stationary expenses	30,000
		By Balance C/d	890,000
Total	1,700,000	Total	1,700,000

Further information:

- Water/electricity expenses are used equality for professional and personal purpose
- Office expenses include Rs. 10,000 paid to domestic helper.

(3)

- c. Bad debts recovered amount Rs. 5,000 is not shown in receipt side.
- d. Gain on sales of non -chargeable business assets. Rs. 10,000 is not shown in account.
- e. Outstanding office rent Rs. 20,000 is yet to be paid.

Required : a. Assessable (Net) income from profession
b. Statement of taxable income
c. Tax liability

[6+2+2]

13. (a) Sharma purchased goods from retailer at Rs. 7,910 including VAT. The retailer purchased goods from importer at Rs. 5,000 excluding VAT. The importer imported the goods for Rs. 4,000 excluding value added tax.

Required: i. Value added by importer and retailer.

ii. Total VAT to government.

[3+2]

- (b) Enumerate any five goods/services exempt from value added tax.

[5]

14. (a) Shisir furnished you following particulars of income and expenses for the previous income year.

i. Income from profession	Rs. 200,000
ii. Mining rent (natural resources after TDS)	Rs. 510,000
iii. Lottery income received after TDS	Rs. 25,000
iv. Gifts & present received in respect of investment	Rs. 100,000
v. Birthday gifts received	Rs. 5,000
vi. Dividend received foreign and domestic country	Rs. 50,000 each
vii. Rent from building	Rs. 100,000
viii. Rent received from property after TDS	Rs. 180,000
ix. Gain on sales of vacant agriculture land	Rs. 120,000
x. Interest received from saving deposit	Rs. 42,500
xi. Interest received from local money transaction	Rs. 60,000

He claimed the following expenses to deduct.

- i. Collection charge related with natural resources Rs. 10,000
- ii. One and half month equal commission paid to agent for natural resources.
- iii. Other allowable investment related expenses Rs. 45,000

(4)

P.T.O.

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|-----|---|------------|
| iv. | Insurance premium of building | Rs. 6,000 |
| v. | Donation paid to red cross society amount | Rs. 20,000 |

Required: a. Net assessable income from investment

b. Statement of total taxable income [4+1]

(b) State the business on which additional depreciation (1/3 of the depreciation base) is allowed as per Income Tax Act. 2058 [5]

15. What are the income that should be excluded while calculating employment income as per the section 10 of the Income Tax Act. 2058? [10]

16. What do you mean by internal check? How does it differ from internal control? [10]

Long Answer Questions

Attempt any TWO questions.

[2×15=30]

17. (a) Following are the details of the fixed assets of XYZ Company.

Beginning written down value block - C Rs. 500,000

Beginning written down value block - D Rs. 500,000

The company has purchased a new plant & machinery as on 10th Jestha Rs. 600,000

The company has also purchased two second hand Maruti cars on 1st Ashwin, worth Rs. 300,000 each.

Repair and maintenance cost incurred during the year under block D Rs. 100,000 and Block C for Rs. 60,000.

During the year company has sold a small part of plant and machinery having book value. Rs. 90,000 sold for Rs. 100,000.

Required : a Allowable depreciation

b. Value of fixed asset at the end of the fiscal year. [2+6]

(b) Following are the profit and loss position of a firm for the previous income year :

Years	5	6	7	8	9
Profit	20,000	80,000	155,000	170,000	600,000

(5)

Additional information

- a. On scrutiny, it revealed that profit of the 9th year was derived before deducting research and development and donation Rs. 132,500 and Rs. 50,000 respectively.
- b. The company had unabsorbed loss of 1st year, 2nd year, 3rd year, and 4th year Rs. 600,000, Rs. 75,000, Rs. 50,000 and Rs. 25,000 respectively.

Required : Taxable income and explanation wherever is necessary.

[7]

18. Given below is the trading, profit and loss account of a sole trade organization for the previous income year.

Particulars	Amount	Particulars	Amount
To Opening stock	50,000	By Sales	5,200,000
To Purchase	3,050,000	By Closing stock	300,000
To Carriage on purchase	30,000		
To Wages	170,000		
To Gross profit c/d	2,200,000		
	5,500,000		5,500,000
To Office rent paid	50,000	By Gross profit b/d	2,200,000
To salary	250,000	By Other receipts	40,000
To General expenses	80,000	By Dividend received	10,000
To Legal expenses	20,000	By Refund of custom duty	30,000
To Staff welfare expenses	120,000	By Bad debt recovered	40,000
To interest on bank loan	130,000	By Sales of scraps	10,000
To Fine and penalties	10,000	By Rent from staff quarter	20,000
To Life insurance premium (own)	30,000	By Gain on non - chargeable business assets	30,000
To insurance premium of fixed assets	20,000	By Gain on sales of business assets	20,000

(6)

To pollution control cost	50,000		
To depreciation of fixed assets	50,000		
To Membership renewal charges	10,000		
To provision for dividend	10,000		
To Donation to tax exempt entity	20,000		
To Advance income tax paid	20,000		
To Drawing by proprietor	30,000		
To Net profit	1,500,000		
Total	2,400,000	Total	2,400,000

Further information:

- Closing stock was undervalued by Rs. 10,000.
- Purchase include purchase of sofa set of Rs. 50,000.
- Legal expense include Rs. 10,000 penalty paid to Nepal Tele-communication.
- 40% of donation was given to a private school and rest was given to public school.
- Seventy percent of bad debts recovered were allowed previously.
- Allowable depreciation of all fixed assets Rs. 40,000.
- Unabsorbed business loss of last year stood Rs. 50,000.

Required : a. Net (assessable) income from business.

b. Statement of total taxable Income

c. Tax liabilities (Assume-Individual) [10+3+2]

19. (a) What are the circumstances under which the Inland Revenue Department can make jeopardy Assessment of tax? [8]

- (b) What is tax clearance certificate? What documents must be submitted to Inland Revenue Office for issue of such certificate? [3+4]

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(7)