

Tribhuvan University

2081

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

Taxation in Nepal

MGT. 224 (New Course)

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. What is tax?
2. What is Permanent Account Number?
3. Differentiate between income year and assessment year.
4. State the meaning of "Canon of Economy".
5. What do you mean by "Non Changeable Business Assets"?
6. Mention the exemption of individual working in a remote area.
7. Mr. Rai has received the salary from a company as an employee Rs. 6,00,000. The vehicle and accommodation facility is provided by office to him.

Required: The amount of vehicle and accommodation facility to be included in his income

8. Miss. Hira, a government employee, earned taxable income from employment Rs. 11,20,000.

Required: Tax liability of Miss Hira.

9. Sole Trader Organization provided the following information:

The opening written down value (Block D) is Rs. 5,00,000.

Addition is made in 2nd Chaitra of Rs. 3,00,000.

Actual repair and improvement cost is Rs. 50,000.

Required: Allowable amount of repair and improvement cost of the year.

(1)

10. Susan runs small business in Kathmandu Metropolitan city annual turnover Rs. 3 Million and taxable income amount Rs. 3 Lacks

Required : Tax liability he selected presumptive taxation.

Short Answer Questions

Attempt any FIVE questions.

[5×10=50]

11. Mrs. Muna an employee of government office was appointed on 1st Magh 2076 with a pay scale of Rs. 30,000 - 1000 - 42,000. The other particulars of her for previous year are given below:

Entertainment allowance Rs. 3,000 p.m.

Dearness allowance Rs. 3,000 p.m.

Meeting allowance Rs. 12,000

Accommodation and vehicle facility was provided by the office.

House keeper's salary provided by office Rs. 5,000 p.m. and Mrs

Muna's contribution to housekeeper was Rs. 3000 p.m.

Her electricity bill of Rs. 1,000 p.m. was paid by the office.

Office provided soft loan Rs. 5,00,000 at interest rate of 5%. Market interest rate was 12%.

Her office is located at Zone B

She claimed following expenses for deduction:

Approved medical expenses spent by her of Rs. 3,000.

Life insurance premium (self) of Rs. 50,000 (on a policy of Rs. 10,00,000).

Health insurance premium of Rs. 23,000 on her own policy

She had donated Rs. 50,000 to a religious heritage of Nepal (an exempt organization approved by IRD).

Required:

- Net (assessable) income from employment
- Statement of total taxable income
- Tax liability

[5+3+2]

12. The following receipts and payments accounts of an auditor are given below:

Receipts	Rs	Payments	Rs
To Balance b/d	160,000	By Office salaries	360,000
To Audit fees	890,000	By Office expenses	90,000
To Consultancy fees (net)	510,000	By Office rent	120,000
To Commission relating to audit work	50,000	By Purchase of office equipment (Bhadra)	240,000
To Interest on fixed deposit from NBL (net)	10,000	By Life insurance premium (self)	35,000
To Sale of old newspaper and journals	4,000	By Purchase of newspaper & journals	8,000
To Gift and presents from clients	30,000	By Income tax paid in advance	10,000
To Interest on govt. securities (net)	15,000	By Donation to tax exempt organization	140,000
To Dividend received (net)	19,000	By Purchase of stationery	25,000
To Lottery income	20,000	By Travelling expenses	30,000
		By Miscellaneous expenses	20,000
		By Domestic expenses	80,000
		By Car expenses	24,000
		By Balance c/d	526,000
	1,708,000		1,708,000

Additional information:

- 20 percent of car expenses were paid for personal purpose.
- Office salaries include Rs. 10,000 paid to domestic servant.
- 40 percent of donation was given to an organization which was not approved by IRD.
- Half of domestic expenses were spent for general expenses of the office.
- Allowable depreciation for the year was not shown in account.

Required:

(3)

a. Assessable (Net) income from profession

b. Statement of taxable income

c. Tax liability [6+2+2]

13. (a) An importer imported goods paying VAT amounted Rs. 5,200. He (importer) incurred carriage expenses of Rs. 3,000 and sold them to a retailer charging 10% margin on cost. The retailer sold the goods to customer charging 20% margin on outlay with Rs. 1,000 as selling expenses there on.

Required:

(i) Cost price of customer (ii) Total VAT payable to government at each stage [3+2]

(b) "Value Added Tax is levied on added value of goods and services." Explain in brief. [5]

14. (a) Mr. Hari disclosed the following incomes and expenditures for the previous year.

Dividend from resident company Rs. 25,000

Income from natural resources Rs. 340,000 (net)

Royalty income Rs. 170,000 (net)

Interest from private money lending transactions Rs. 210,000

Interest from fixed deposit Rs. 9,500

Rent from house let out Rs. 180,000

Rent received by letting an asset Rs. 90,000 (after TDS)

Compensation received relating to investment Rs. 50,000

Dividend from foreign company Rs. 85,000

He claimed the following expenses for deduction:

Donation to Pasupati Area Development Trust Rs. 50,000

Collection cost of natural resources income Rs. 1,000

Interest collection charge relating to money lending transactions Rs. 2,000

House rent collection charges Rs. 500

Collection cost of fixed deposit Rs. 400

Tax paid to foreign government Rs. 15,000

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Required: Net (assessable) income from investment and statement of taxable income [4+1]

(b) Mention the conditions for an assessee to be resident person in case of natural person, partnership firm, trust and company. [5]

15. What are the allowable reductions in calculation of taxable income of a national person? [10]

16. What do you mean by tax auditing? Explain the major features of tax auditing. [2+8]

Long Answer Questions

Attempt any TWO questions.

[2×15=30]

17. (a) SS Trades provided the following details of its fixed assets under block B and C.

Particulars	Block 'B' (Rs.)	Block 'C' (Rs.)
Opening WDV	400,000	900,000
New addition of assets during the year		
on 1 st Ashwin	150,000	0
on 1 st Falgun	300,000	300,000
on 21 st Baishakh	0	600,000
Assets disposed off during the year	50,000	100,000
Repair and improvement cost during the year	40,000	90,000

Required: (i) Allowable depreciation

(ii) Closing value of fixed asset of the year

[2+6]

(b) The operating results of a company are provided:

Year	6	7	8	9	10
Profit/loss(Rs)	30,000	100,000	150,000	200,000	120,000

The company has incurred loss in its 2nd year of operations. The unrecovered loss of 2nd year, 3rd year, 4th year and 5th year is Rs. 30,000, Rs. 40,000, Rs. 50,000 and Rs. 60,000 respectively. The profit of the 6th year is derived without deducting interest on bank

(5)

loan Rs. 20,000 and profit of the 7th year is derived without adding commission income Rs. 10,000. In year 9, profit was calculated after deducting donation to PADT Rs. 100,000 and the profit of 10th year was ascertained deducting pollution control cost of Rs. 300,000.

Required: Taxable income and explanation wherever necessary. [7]

18. Given below is the trading, profit and loss account of a proprietorship firm:

Particulars	Amount	Particulars	Rs
To Opening stock	210,000	By Sales	4,900,000
To Purchase	2,020,000	By Closing stock	450,000
To Carriage	260,000		
To Wages	340,000		
To Customs duty	110,000		
To Gross profit c/d	2,410,000		
	5,350,000		5,350,000
To Salary	650,000	By Gross profit b/d	2,410,000
To Office rent	240,000	By Rent from staff quarter	45,000
To General expenses	70,000	By Interest from investment	70,000
To Water and electricity	80,000	By Commission received	10,000
To Legal expenses	15,000	By Sundry receipts	40,000
To Audit expenses	30,000	By Bad debt recovered	60,000
To Promotion expenses	25,000	By Dividend received	40,000
To Interest on loan	40,000	By Gain on sale of non business assets	130,000
To Bad debts	30,000	By Gift received relating to business	50,000
To Fine and penalties	10,000		
To Provision for tax	30,000		
To Life insurance premium (own)	35,000		
To Fire insurance premium	20,000		
To Donation	80,000		
To Pollution control cost	110,000		

(6)

To Depreciation (Block D)	50,000		
To Repair (Block D)	30,000		
To Sundry expenses	50,000		
To Net profit c/d	1,260,000		
	2,855,000		2,855,000

Further information:

- Opening and closing stock were over valued by Rs. 10000 and Rs. 50000 respectively.
- Purchase include purchase of plant costing Rs. 120,000 which was purchased on 15th Chaitra of previous year and the opening WDV of the plant was Rs. 400,000. A part of plant costing Rs. 80,000 was disposed during the previous year.
- Business loss of last year is Rs. 50,000.
- Donation was given to private nursing home and public hospital equally.
- Legal expenses include Rs. 5,000 incurred for domestic purpose.
- 30% of bad debt recovered was not allowed previously by Inland Revenue Office.

Required: i) Net (assessable) income from business

ii) Statement of total taxable income

iii) Tax liability

[10+3+2]

19. (a) Explain the historical development of income taxation in Nepal.

[8]

(b) What are the duties of taxpayer (accesse) as per Income Tax Act 2058?

[7]

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