

Third Year First Semester Examination in Bachelor of Business Administration Honours/
 Bachelor of Business Administration Honours in Marketing Management/ Bachelor of
 Business Administration Honours in Human Resource Management/ Bachelor of
 Commerce Honours/ Bachelor of Commerce Honours in Accounting and Finance/
 Bachelor of Commerce Honours in Business Economics 2021/2022

(February/March 2024)

Proper/Repeat

DAF 3093 Taxation Management

Answer all the questions

No of Pages: 05

Any assumption should be stated clearly

Time: 03 Hours

Question 01

Mr. Kapilan is the Chief Financial Officer of ABC Garments (Pvt) Ltd, and the details of his income and expenditure for the Y/A 2022/2023 are as follows. (APIT has not been deducted by the company for **first nine months**)

Receipts

Remuneration - Cash

Salary (April to December 2022)	Rs. 3,600,000	
Bonus December 2022	Rs. 1,000,000	
Salary (January to March 2023)	Rs. 1,200,000	
Bonus March 2023	<u>Rs. 500,000</u>	Rs. 6,300,000

Non cash benefits (200,000 per month)	Rs. 2,400,000
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Interest from Treasury bills (received on February 2023)	Rs. 380,000
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FD interest (FD matured and reinvested together with interest on 15.10.2022)	Rs. 280,000
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Dividend received from the XY (Pvt) Ltd, declared from its profits on 01.06.2022	Rs. 200,000
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Dividend received from the XY (Pvt) Ltd, declared from the dividend	Rs. 40,000
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- received from the company PQ (Pvt) Ltd, on 02.03.2023

Payments

Treasury bills purchased on 28.12.2022	Rs. 250,000
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His medical bills (hospital bills on 03.03.2023)	Rs. 120,000
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Medical bills of his wife on 05.06.2022	Rs. 150,000
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Daughter's tuition fees in Sri Lanka (25,000 per month)	Rs. 300,000
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Son's University admission fee paid to Malaysia 12.12.2022	Rs. 600,000
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Housing loan interest (3/4th for the first nine months)	Rs. 400,000
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Donation made by goods to a government hospital 02.03.2023	Rs. 50,000
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Quarterly tax instalments paid	Rs. 400,000
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You are required to compute the Income Tax (IIT) payable by Mr. Kapilan for the **Y/A 2022/2023**
(Total 25 Marks)

Question 02

Sathiyam and Bama are the partners of the “**SathiyamBama partnership**” where profits and losses are shared equally. The partnership carries on the business of Manufacturing Garments for the domestic market since 2014. Ms. Geetha wife of Sathiyam is working as the Factory Manager and receives salary of Rs. 150,000 and vehicle allowance Rs. 70,000 monthly.

The financial statement for the financial year ended 31.3.2022 and other related details are as follows.

Description	Rs.	Rs.
Gross profit from trade		28,300,000
Rent income net (WHT deducted)		2,160,000
Dividend		400,000
Sale of public quoted shares (Exempt amount)		100,000
Interest from treasury bills		600,000
Interest from Bank FD		475,000
		32,035,000
Less		
Administration Expenses	13,661,000	
Selling and Distribution Expenses	5,963,000	
Financial Expenses	2,000,000	21,624,000
Net profit Before Tax		10,411,000

The net profit of the partnership for the year ended 31st March 2022 was Rs. 10,411,000 after deducting all expenses including the followings,

	Rs.
• Salaries to partners	
- Nimal	1,600,000
- Kamal	1,200,000

- Interest paid to Nimal on a loan was Rs. 380,000

- A land acquired during the year of Assessment 2009/2010 for Rs. 4,000,000 has been disposed on 20.02.2022 for Rs. 9,500,000. This land has never been used for the partnership business. It was estimated that the market value of this land as at 30.09.2017 is Rs. 7,000,000.

- During the year partnership made a Donations Rs. 200,000 to Government Hospital.

(Assumed that all other expenses are allowable for the purpose of taxation).

You are required to compute the Withholding Tax (WHT) and Capital Gain Tax (CGT) payable by the Partnership for the **Y/A 2022/2023**

(Total 20 Marks)

Question 03

Glasco Medicals (PVT) Ltd. is a company incorporated in Sri Lanka, engaged in the business of import and selling medicines and medical equipment in the wholesale market.

The following information was extracted from the financial statement of Glasco Medicals (PVT) Ltd. for the year ended **31st March 2022**.

1. Net profit before the tax for the year ended 31st March 2022 after charging all the expenses and crediting all income was Rs.25,000,000/-. Total turnover of the company was Rs.300,000,000/-.

2. Net profit includes followings:

	Rs.
Interest on Fixed Deposit	1,000,000
Rent received	400,000
Dividend received from XY Ltd. distributed out of its profit	900,000
Profit on sale of motor vehicle	650,000

3. Details of Fixed Assets:

Assets	Opening Balance (Rs.)	Additions (Rs.)	Disposals (Rs.)	Closing Balance (Rs.)
Land	3,000,000	1,000,000	-	4,000,000
Building	3,500,000	-	-	3,500,000
Motor vehicles	4,000,000	-	1,200,000	2,800,000
Office furniture	1,500,000	100,000	-	1,600,000
Total	12,000,000	1,100,000	1,200,000	11,900,000

- i. A truck purchased in April 2016 was sold for Rs. 1,750,000/- during the year and rest of the motor vehicles used in the business for delivery of goods.
- ii. All the assets as at 01st April 2021 other than those mentioned specifically, have been acquired in April 2018 and claimed capital allowances from the date of acquisition.

4. Administrative expenses include the followings:

- i. Accounting depreciation for the year was Rs. 3,500,000/-
- ii. Provision for gratuity for the year was Rs. 2,500,000/-
- iii. Donation of wheel chairs worth of Rs. 1,750,000/- have been made to the Colombo General Hospital.

5. Selling and Distribution expenses include the following:

- i. Foreign travelling expenses of Rs.1,500,000/- was incurred for the business trip made by the marketing manager to Scotland to meet the suppliers.
- ii. Year-end get together organized for the distributors at a cost of Rs.750,000/-
- iii. Advertisements expenses Rs.500,000/-

6. Gratuity payment for a retired employee was Rs.750,000/-
7. Total quarterly Self assessment payments were made by the company during the year Rs.4,000,000/-

Compute the Income Tax (CIT) payable by the Glasco Medicals (PVT) Ltd. for the Y/A 2021/2022

(Total 20 Marks)

Question 04

Feel Super (Pvt) Ltd. is a registered company for Value Added Tax (VAT), and engaged in buying and Selling of Grocery items. The following information for the quarter ended 30th September 2023 was extracted from the books of accounts.

1. Details of income earned during the turn over to the quarter ended 30th September 2023 are given below (exclusive of VAT)

	Rs.
Sale of VAT exempt items	30,000,000
Sale of VAT liable items	50,000,000
Sale of van used for home delivery	750,000

2. The company has paid following input tax during the quarter:

	Rs.
On purchases related liable items	1,800,000
On purchases related to exempt items	300,000
On common (for both liable and exempt items)	250,000
On repairs made to the Managing Director's Daughter's Car	25,000

3. The excess input VAT brought forward from previous quarter is Rs.75,000/-

4. The company has paid Rs.1,500,000/- as instalments for the above said Quarter.

Note: consider the standard VAT rate as 15%

You are required to compute the VAT payable / (overpaid) for the quarter ended 30th September 2023.

(Total 20 Marks)

Question 05

Give **brief answers only for any three (3)** from the following questions:

1. The scope and implementation of the **Social Security Contribution Levy (SSCL)**.
2. "**Type of Assessments**" and "**Right to appeal**"
3. Mention at least **four circumstances** in which the **penalty** should be imposed under the IRD Act No.24 of 2017.
4. Outline the possible **recovery procedures** under the IRD Act No. 24 of 2017
5. List out the **recent changes** to the Tax Laws in relation to **VAT, APIT, IIT, PIT and CIT**.

(Total 3 x 5 = 15 Marks)