



EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

SECOND YEAR - FIRST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS

ADMINISTRATION / COMMERCE – 2014/2015 (November/December 2016)

(PROPER/REPEAT/RE-REPEAT)

DAF 2032 – Auditing and Taxation

Taxation Part

Answer both Questions.

Time Allowed: 01 Hour

Any assumption should be stated clearly

Question No-01

Dr. Gunaweera is a resident individual, also a famous cardiologist. On retirement from the Government Service he attached to “Hope cardio” hospital in Sri Lanka. Following information relating to Dr.Gunaweera is provided in respect of the year of assessment 2015/2016.

1. Government pension - Rs;1,200,000/-
2. Commuted pension - Rs; 650,000/-
3. He has received a salary of Rs.250, 000/- (as per T-10) per month. One month salary was paid to him in December 2015 as bonus, based on the profits for the year ended 31st March 2015.
4. Further he received Rs.15, 000/- per month as an entertainment allowance.
5. Vehicle allowance – (70,000 x 12) 840,000/-
6. Net agriculture income Rs; 500,000/- (adjusted for tax purposes)
7. Net profit from business – 2,500,000/- (Refer the notes)

Note:

- a. Dr.Gunaweera has a pharmacy (managed by his wife) in Kandy. This was established by his father in 1975 and donated to Dr.Gunaweera.
- b. He has put up an additional building at a cost of Rs.1, 000,000/- during the year. No capital allowance/Depreciation claimed at the account.
- c. Net profit includes Rs.150, 000/- as the profit on the sale of an old van purchased in 1999, and used in the business. He has purchased a new (similar type) van at a cost of Rs.3, 000,000/- on 25.03.2016 and used in the business on the same day.
Cost of previous van was Rs. 1,500,000/-
Total depreciation is claimed Rs. 1,000,000/-

- d. During the year he has purchased a computer at a cost of 150,000/-, and used in the business.(This was made of Japan), this amount has already been deducted at the P & L Account.
- e. Provision for bad debt Rs.500,000/-
The details of the provision are as follows
- I. General Provision 300,000/-
 - II. Specific Provision (Mr.Kamal a trade debtor) – 150,000/-
 - III. Bad debt Rs.50,000/-
- f. Total sale for the year Rs.31,000,000/-
Liabe Turnover for the NBT – Rs.17, 000,000/-
NBT deducted at the P&L Acct. - Rs.195, 000/-
- g. Assumed all other expenses and out goings are allowable for tax purpose, and so deducted already.
8. PAYE deducted for the year was Rs. 305,520/-
9. He is living in a house inherited from his parents. Net Annual value of this house is Rs.180,000/-
10. Dr. Gunaweera has another house at Peradeniya and the was rented out for Rs.80,000/- per month from April 2015. Rating assessment of this house is Rs.140,000/- and rates are paid at 20%.
11. During the year, he has sold a land for Rs.1,500,000/-. His grandparents have gifted this land in the year 1999 and on that date market value of the same was Rs.600,000/-.
12. During the year, he has received FD interest (WHT deducted) Rs.276, 000/-.
13. Dr.Gunaweera has obtained a housing loan from National Savings Bank to construct the house at Peradeniya. During the year he has paid Rs.600,000/- and Rs.750,000 as interest on this loan and capital repayments respectively.
14. He has donated Rs.60, 000/- to an approved charity which is established for the provision of institutionalized care for differently able children.
15. He has paid Rs.150,000/- for his annual life insurance premium. It is a policy for which the premium are payable annually over a period of ten years.
16. Income Tax paid under Self Assessment Rs; 75,000/-

From the foregoing information,

You are required to assess the following of Dr.Gunaweera for the year of assessment 2015/2016.

- a) Taxable income,
- b) Gross income tax payable, and,
- c) Balance tax payable.

(Marks 60)

Question No – 02 (Answer only for Two)

2.1. State what is “Self Assessment” and “Volunteer Compliance” (Tax & Return)

(20 marks)

2.2. Differentiate “Valid appeal” and “Objection”.

(20 marks)

2.3. Outline (make a summary of significant features) “Tax invoice” in relation to VAT

(20 marks)

2.4. Short note – Qualifying payments and kind of limitations (with two examples)

(20 marks)

(Total 20x2=40)