

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

Second Year First Semester Examination in Business Administration / Commerce

2009/2010 (June 2011) (Proper / Re-Repeat)

DAF 2222 Introduction to Taxation



Answer All Questions

Time: Two (02) hours

Mr. Kapilan is the owner of a textile shop at Kalmunai from 1990. The Profit and Loss Account prepared for the year ended 31.03.2010 is given below:

	Rs.		Rs.
Salaries & wages	3040000	Gross profit	19658385
EPF & ETF Contribution	628000	Profit on sale of lorry	250000
Turnover Tax	620000	Insurance receipt	100000
Depreciation	894000	Net Dividend	180000
Legal Expenses	20000	Lorry hiring income	320000
Bonus	426000	Net interest	72000
Lease rent	330000		
Transport	695000		
Rates	18000		
Electricity	56400		
Water	7800		
Telephone	49400		
Postage	6400		
Motor vehicle maintenance	652000		
Advertising	400000		
Bad debt and provision	65700		
Loss of stock	150000		
Building repairing	275000		
Interest	95000		
Donations	90000		
Insurance	186000		
Income Tax	70000		
Loss on sale of cash counter	15000		
Sundry expenses	22500		
Net Profit	11767285		
	20580385		20580385

Notes:

1. The movements of fixed assets are as follows

Cost	Balance as at 01.04.2009	Additions	Disposals	Balance as at 31.03.2010
Land & building	1500000			1500000
Motor vehicle	4300000	1500000	1000000	4800000
Furniture	120000			120000
Cash counter	240000		80000	160000
Office equipment	220000			220000
	6380000	1500000	1080000	6800000

Depreciation

Cost	Balance as at 01.04.2009	Additions	Disposals	Balance as at 31.03.2010
Building	500000			500000
Motor vehicle	920000	790000	760000	950000
Furniture	96000	48000		144000
Cash counter	54000	120000	300000	36000
Office equipment	88000	44000		132000
	1658000	894000	790000	1762000

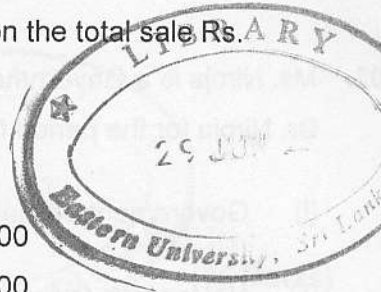
(a) The lorry disposed during the year was purchased on 15th feb.2004

(b) Motor vehicles include a car cost at 900000/- that was used for business travelling

2. Lease rent paid to a van purchased under three lease monthly lease rent payable is Rs 30000/-.

3. All other assets at the opening balance have been purchased at the beginning of the business.

4. No provision have been made to turn over Tax payable at 1% on the total sale Rs. 96080500/-



5. Donation made as follows:

Approved charity (Home for elders) food items	55000
Donation made to a sports club at Pandiruppu	10000
Govt. cancer hospital	25000
	90000

6. Bad debt and provision as follows:

General provision	30000
Bad debt written off	35700
	65700

7. Part of the stock has been burnt by electrical short connection he could recover only Rs. 100000/- as the insurance cover.

8. The life insurance premium paid Rs. 60000/- for Mr. Kapilan's life insurance policy is included in the insurance.

9. The building repairing expenditure includes Rs. 65000/- incurred for his own house.

10. The interest shown is the total of Rs. 60000/- and Rs. 35000/- paid to Bank of Ceylon in Respect of business loan and housing loan obtained to construct the house. The capital repayment for the building construction loan was Rs 72000/- during the year of Assessment.

11. Legal expense was the payment to a lawyer for an appeal case on late payment of BTT.

12. Motor vehicle maintenance expenses including Rs. 24000/- incurred for the car.

13. Water & Telephone charges include 25% of the Private usage of Mr. Kapilan.

14. He is also liable for ESC. (Assume that the quarterly turnover in each quarter exceeds the threshold 7.5m/=)

Required:

Compute the Income tax payable for the Y/A 2009/2010.

(45 Marks)

02. Ms. Niroja is a Government doctor. She is engaged in private practice as well. The incomes of Dr. Niroja for the period from 01.04.2009 to 31.03.2010 are as follows.

- (i) Government official Emoluments Rs. 600000/-
- (ii) Net income (adjusted for Tax purposes) 700000/-
- (iii) Net profit from Agriculture (own paddy filed) Rs. 240000/-
- (iv) She has received dividends from resident companies as follows.

Dividends out of exempt profits – Rs 15000/-

Dividends (net of 10% withholding tax) – Rs. 20000/-

- (v) She has received following interest during this year of assessment.

Interest @ 18.5% per annum on a Fixed Deposit of Rs. 500000 at Sampath Bank withholding tax has been deducted.

Interest on NRFC account US dollars 100, the exchange rate is one dollar equals to Sri Lankan Rs. 110/-

Interest from Saving Account Rs. 50000/- No, Withholding tax been deducted

- (vi) She has two houses at Kalmunai. One is occupied by her. Rating assessment of this house is Rs. 140000/- and rates payable is 20% of the rating assessment.

The other one was rented out at a rent of Rs. 15000/- per month and it was constructed during the year of assessment 2002/ 2003 at a cost Rs. 3000000/-. The floor area of the house is 2200 square feet. Rates paid by her were Rs. 20000/- and it is 10% of the rating assessment.

- (vii) She has made following payments.

Her life insurance premium is Rs. 30000/- per annum.

Donation to the government Rs. 25000/-

Donation to an approved charity Rs. 15000/-

Write short notes on the following:



(a) "Nation Building Tax – (NBT)

(05 Marks)

(b) Requirements of a "valid appeal"

(05 Marks)

(c) Taxes are paid under "self Assessment Basis" What is self assessment?

(05 Marks)

(d) What are the main changes to the ESC Act No. 13 of 2006 as per the 2011 Budget Proposal?

(05 Marks)

(Total 20 Marks)