

**TAXATION-I**  
Time allowed 3 hours  
Total Marks 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- |   | Marks         |
|---|---------------|
| 1. a) How does environmental concerns are addressed through taxation?   | 4             |
| b) Explain the rule to get rebate on investment allowance as per Income Tax Ordinance 1984.   | 2             |
| c) Mention tax credit incomes and casual & non-recurring incomes.   | 2             |
| 2. a) Explain the role of higher courts (civil) in Income Tax case.   | 3             |
| b) Explain the eligibility and conditions of universal self-assessment under section 82BB of the Income Tax Ordinance 1984.   | 4             |
| d) Can an assessee change the closing date of its annual accounts? If so, under what conditions?  | 3             |
| 3. The following items, amongst others, are debited to Profit and Loss Account of SignEx Ltd. for the year ended June 30, 2013:   | 8             |
| i. Commission for placing the shares (brokerage).<br>(Paid for placing the shares of the company)   | Tk<br>100,000 |
| ii. Payment of retiring official.<br>Mr. Abdul Malek was found guilty of improper conduct. He had a 5 years' appointment. The directors agreed to pay him Tk. 200,000 on retirement to terminate his appointment. | 200,000       |
| iii. Trade penalties and law expenses.<br>(The company has incurred penalties and legal charges for infringement of the Customs Act, 1969)  | 200,000       |
| iv. Anticipated loss written off.<br>(This has been written off assuming that the loss might occur on certain contracts)  | 500,000       |

The directors of the company invite your opinion as to which items are deductible in computing the total income of the company for the assessment year 2013-2014.

4. From the following particulars compute an assessee's total income for the several assessment years: 8

Sl. No	Accounting Year ended on	Income from salary Tk.	Profit from Business Tk.	Income from other sources Tk.
1.	30-6-2008	7,000	(14,000)	6,000
2.	30-6-2009	10,000	5,000	
3.	30-6-2010	12,000	(26,000)	
4.	30-6-2011	12,000	(10,000)	
5.	30-6-2012	12,000	10,000	
6.	30-6-2013	12,000	20,000	

Note:

- a. Figure given in brackets indicate loss.
  - b. The income from salary has been determined after deducting allowable exemptions.
5. The sources of Income of Mr. Tinkari for the year ended on 31<sup>st</sup>December, 2013 were as follows: 16
- A) Income from salary:
    - 1) Monthly salary Tk. 18,500, in the scale of Tk. 18,000-500-22,000.
    - 2) Dearness allowance @ 10%.
    - 3) Yearly Bonus 2 Months Basic salary.
    - 4) Employer provided a free furnished house to Tinkari, the annual value of which is Tk. 38,000.
  - B) Income from Interest on Securities:
    - 1) 8% Commercial Securities Tk. 20,000.
    - 2) 6% tax free Govt. Securities Tk. 30,000.
    - 3) Interest on Commercial Securities Tk. 12,000 and Interest on Govt. Securities Tk. 7,500.
  - C) Income from House Property:
    - 1) Rental value of 1<sup>st</sup> building Tk. 35,000 & its Municipal value is Tk. 48,000
    - 2) Value of his residential house in which he resides is Tk. 60,000
  - D) Income from Other Heads of income:
    - 1) Income from Tea Garden Tk. 20,000.
    - 2) Income from ferry ghat Tk. 22,000.
    - 3) Income from vacant agri land Tk.20,000 and Interest on Fixed Deposit Account with Janata Bank Ltd. Tk.2,500 (Gross).
    - 4) Honorarium from examination Tk. 15,000.
    - 5) Marriage anniversary gift Tk. 9,000.

[Please turn over]

During the year Mr. Tinkari claims investment allowance for the following:

- a) Purchase of Defence Savings Certificate and Postal Savings Certificate Tk. 12,000 and Tk.5,000 respectively.
- b) Life Insurance premium Tk. 6,000
- c) Contribution to Benevolent Fund and Group Insurance Tk. 3,600 and Tk. 1,200 respectively.
- d) Donation to Govt. Zakat Fund Tk. 2,500
- e) Gift to wife Tk. 10,000 and Tk. 20,000 to philanthropic organization.

Find out total income and tax liability of Mr. Tinkari. His total asset as per wealth statement is Tk. Two crores and fifty lakh.

6. Mr. Rahman submitted his tax return showing investment in valuable articles of Tk 120,000 but the supporting documents reveal that investment is Tk.150,000. Mr. Rahman failed to provide necessary explanation for such difference of Tk.30,000. How will the Deputy Commissioner of Taxes complete the tax assessment of Mr. Rahman? 5
7. Mr. Kabir submitted documents of payment of tax which is equivalent to sixty percent of total tax liability along with his tax return. In this circumstance answer the following questions: 5
  - (i) What is the minimum amount of tax to be paid with return?
  - (ii) What is the consequence if Mr. Rahman failed to pay required amount of tax on the basis of return?
8. You are given the following Profit and Loss Account of Natun Kuri Company Ltd for the year ended 31<sup>st</sup> March, 2014. 20

Dr.		Cr.	
Particulars	Taka	Particulars	Taka
Cost of Goods sold	35,00,000	Sales	49,80,000
Salaries & Allowances	2,50,000	Dividend	20,000
Rent & Electricity	1,90,000	Interest on Bank Deposit	12,000
Telephone & Postage	30,000	Profit on Sale of Machineries	30,000
Interest on Loan	35,000	Interest on Tax-free Govt. securities	30,000
Conveyance allowance	25,000	Sundry Income	5,000
Legal Expenses	14,000	Refund of Income tax	30,000
Advertisement	31,000	Interest Received from Investment outside Bangladesh	20,000
License fee(2year)	20,000		
Charity	10,000		
Audit fees	25,000		
Income tax paid in advance	2,00,000		
Fines paid to the Custom Authority	20,000		
Contribution to Provident fund	20,000		
Sundry Expenses	4,000		
Depreciation	1,80,000		
Net Profit	<u>5,73,000</u>		
	<b><u>51,27,000</u></b>		<b><u>51,27,000</u></b>

Investigation disclosed the following information:

- 1) Depreciation allowed by income Tax Authority Tk. 1,15,000.
- 2) Salaries & Expenses include Tk. 50,000 from which taxes are not deducted at source.
- 3) Payment of excess perquisites over allowable limit was Tk. 20,000.
- 4) Legal expenses include Tk. 10,000 paid for Income Tax Appeal.
- 5) Conveyance allowance includes Tk. 20,000 paid to the General Manager for overseas travelling as the representative of the Chamber of Commerce.
- 6) The sold machine was purchased six years ago and it's book value was Tk. 40,000 but it's book value as per Income Tax Rule was zero. The cost price of the machine was Tk. 60,000.

Determine the Tax Liability of the Company assuming it to be a Private Ltd. company.

9. Write the areas where registration is required for the purpose of VAT. 5
10. Write applicable rate of VAT deduction or collection at source for the following case: 5
  - (i) Construction contractors.
  - (ii) Indenting commission.
  - (iii) Banking service.
  - (iv) Audit fees.
  - (v) Sale of goods on auction.
11. A manufacturer sold goods worth Tk.10 lakh to the wholesaler by including VAT @ 15%. The wholesaler added 10% as markup and sold the goods to the retailer by adding VAT who in turn sold the goods to the consumer by adding markup @ 15%. Compute VAT at each stage and indicate the total VAT paid by the consumer. 10