

TAXATION-I

Time allowed – 3½ 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 |
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| 1. a) A good tax system is guided by many tax principles. Among the tax principles broad basing, simplicity and efficiency bear huge significance to strengthen the tax system of every country. Write short notes on these three tax principles? | 9 |
| b) Compared to a Non-resident Non-Bangladeshi, a Non-resident Bangladeshi gets some special treatments under the Income Tax law. State those treatments briefly. | 5 |
| c) When a resident assessee earns income in any country other than Bangladesh with which Bangladesh does not have Double Taxation Avoidance Agreement (DTAA), what kind of method can be followed to avoid paying tax twice? | 6 |
| 2. a) State method of accounting under which the books of accounts can be prepared for submission with tax return. | 5 |
| b) Briefly explain the provisions relating to the carry forward of business losses by an assessee that enjoys tax holiday U/S 46B of ITO 1984. What is the time limit for carry forward of depreciation loss suffered by an industrial undertaking that enjoys tax holiday? | 5 |
| c) Under which grounds, a notice under section 83(1) of ITO-1984 can be served? If the assessee does not comply with the notice served under section 83(1), what action can the Deputy Commissioner of Taxes take? | 5 |
| 3. a) How does tax evasion differ from tax avoidance? | 4 |
| b) Providing best service to the clients adhering to the legal compliance should be the main objective of a tax practitioner. Justify the statement from the perspective of the Professional Code of Conduct. | 6 |
| 4. Mr. Rafiq, is a Finance Manager of a multi-national company. His income for the Assessment Year 2018-2019 were as under:

Basic Salary- Tk. 60,000 Per Month.
House Rent Allowance- 60% of the Basic Salary.
Medical Allowance- 10% of the Basic Pay.
Entertainment Allowance- 10% of the Basic Salary.
Employer's Contribution to Recognized Provident Fund- 10% of the Basic Salary.
Bonus- equivalent to 2 months' Basic Salary.
Mr. Rafiq was provided with a servant at monthly salary of Tk.8,000 each.
He is entitled to two months' Basic Salary as a Gratuity at the time of retirement.
Besides the above, he is also entitled to a full-time company car. All expenses related with the car are borne by the company.
His other incomes were as follows:
(i) Dividend from a company listed in the Dhaka Stock Exchange Tk.150,000.
(ii) Dividend from Private limited company Tk.60,000.
(iii) Interest from 5 years' Bangladesh Sanchaya Patra Tk.75,000.
(iv) Interest from Savings Bank A/c. Tk.40,000 (Gross) from which 10% tax was deducted.

He has a house from which he earns monthly rental income of Tk.60,000. He paid Municipal Tax of Tk.4,000 per quarter. Interest paid on the Bank Loan was Tk.180,000 per annum.

Mr. Rafiq contributed Tk.80,000 to Provident Fund. Interest accrued on the P.F. Balance was Tk.40,000. He paid Life Insurance Premium of Tk.56,000. He purchased 5 years' Bangladesh Sanchaya Patra Tk.190,000.

Compute total Income and Tax Liability thereon of Mr. Rafiq for the Assessment Year 2018-2019. | 15 |

5. The Statement of Profit or Loss and Other Comprehensive income of ABC Ltd. is given below for the income year 2017-2018:

ABC Limited

Statement of Profit or Loss and Other Comprehensive income for the year ended on June 30, 2018

Particulars	Taka	Particulars	Taka
Cost of goods sold	2,100,000	Turnover	4,800,000
Salary and allowances	850,000	Dividend income	160,000
Publicity	300,000	Interest	40,000
Interest on Bank Loan	90,000	Gain on sale of Asset	60,000
Electricity, Gas and Water	72,000	Interest on Tax-Free Securities	20,000
Donation and Subscription	160,000	Interest on Foreign Investment	30,000
Conveyance	140,000		
Audit Fee	220,000		
Rent	457,000		
Bad Debt	100,000		
Contribution to Provident Fund	80,000		
Income Tax paid in Advance	40,000		
Fines paid to Customs	28,000		
Annual Membership Fee	20,000		
Legal Expenses	30,000		
Insurance Premium	36,000		
Miscellaneous Expenses	18,000		
Depreciation	75,000		
Net Profit	294,000		
Total	5,110,000	Total	5,110,000

ABC Ltd. is a Public Limited Company. Salaries are paid in cash without any cheque or bank transfer. Tk. 600,000 of salaries from Tk.8,50,000 falls under the category of gross salary more than Tk.15,000; tax depreciation amounts to Tk.60,000; legal expenses are paid due to the infringement of trademarks and the company has sold an asset for Tk.120,000 that the company has purchased 3 years back at a cost of Tk.100,000 with a written down value of Tk.70,000 to date.

Determine the taxable income and tax liability thereof of ABC Ltd.

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6. a) State why is input tax credit mechanism the core of Value Added Tax?

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b) RS Limited imports finished goods and distributes them across the country through 20 own depots. At this moment, the company has separate VAT registration for each depot and central warehouse. Recently, the management of the Company is considering to have central VAT registration instead of location based separate registration. Briefly describe two logical arguments in favour of central VAT registration. Does central VAT registration reduce government revenue?

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7. Rahim Traders is a whole seller cum distributor of many FMCG companies. Recently it has been appointed by a multinational company to distribute their milk powder. The following matters have been agreed by both parties in pursuance of the "Sale and Distribution Agreement":

- Rahim Traders will sell minimum 50,000 packs of powder milk per year.

- Rahim Traders will buy milk at Taka 506 per pack which includes VAT of Taka 66.

- The maximum selling price including VAT of Rahim Traders to its customers will be Taka 575 per pack. Alongside, the principal suggested Rahim Traders to pay VAT @15% on output and take rebate against input VAT by providing price declaration and maintaining proper books of accounts. But the owner of Rahim Traders feels that it would be wise for him to pay VAT @ 5% on the sales price while selling goods to his customers without taking rebate against input VAT.

Now as a VAT adviser, advise Rahim Traders which one would be a tax efficient model for the business.

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