

TIN # XXXXXXXXXX
XYZ Ltd
Income tax assessment year 2015-2016
Accounting year ended 31 December 2014

P2.3

Computation of total income and tax liability thereon

	Taka	Taka
Net profit before taxation as per audited profit and loss statement		1,271,889,926
Item to be considered separately:		
Deduct: Accounting profit on disposal of fixed assets		2,769,410
		1,269,120,516
Add: Item(s) to be considered separately:		
Accounting depreciation	260,145,958	
Samples	38,034,412	
Entertainment expenses	20,758,463	318,938,833
		1,588,059,349
Add: Inadmissible item(s)		
Provision for doubtful trade debts	221,450,275	
Provision for other bad & doubtful debts	-	
Provision for obsolete stock (net)	2,232,545	
Provision for Pension Fund	41,587,254	
Provision for Gratuity	91,297,922	
Excess sales forces incentive	-	
Impairment of intangible assets and goodwill	-	
Excess perquisites u/s 30(e) of ITO 1984	11,468,795	368,036,791
		1,956,096,140
Deduct: Admissible item(s) considered separately		
Cost of samples under Rule 65C of ITR 1984	38,034,412	
Bad debt written off against provision	115,886,216	
Other bad debt written off against provision	-	
Other employee benefit paid	20,153,254	
Gratuity paid	11,537,926	
Tax depreciation as per third schedule	341,076,458	526,688,266
		1,429,407,874
Add: Taxable profit/(loss) on disposal of fixed assets		-
		1,429,407,874
Deduct: Entertainment expenses		20,758,463
		1,408,649,411
Deduct: Amount entitled to rebate of export sales		105,944,943
		1,302,704,468
Capital gain		-
Total Taxable Income		Tk 1,302,704,468

(Reference of various notes given above has been made to the relevant notes to the audited accounts)

Computation of tax liability

	Taka	Rate	Taka
Business Income	Tk 1,302,704,468	@ 27.5%	358,243,729
Capital gain	\$ -	@ 15%	-
Tax for full year			358,243,729
Less: Tax paid in advance and suffered at source:			
Tax deducted at source & import stage	24,436,147		
Tax paid in advance u/s 65 of ITO 1984	174,000,000	K	(198,436,147)
Balance payment/(refund)			Tk 159,807,582
Tax for 4th Instalment			159,807,582

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**Cost of Free samples admissible under Section 30(f) (iv) of the ITO 1984
read in along with the provisio of Rule 65C of the ITR 1984**

	Note (s) to the <u>A/c</u>	<u>Taka</u>
Total cost of samples as per the audited accounts		
Selling and Distribution expenses	31.2	38,034,412
Total		<u>38,034,412</u>
Total turnover per the audited accounts	29	<u>12,318,723,190</u>

Admissible Limit

		<u>Taka</u>		<u>Rate</u>	<u>Taka</u>
On first	Tk	50,000,000	@	2.0%	1,000,000
On next	Tk	100,000,000	@	1.0%	1,000,000
On balance	Tk	<u>12,168,723,190</u>	@	0.5%	<u>60,843,616</u>
		<u>12,318,723,190</u>			<u>62,843,616</u>

Hence, admissible cost of free samples 38,034,412

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Entertainment expenses admissible u/s 30(f)(I) of ITO 1984 read with Rule 65 of ITR 1984

	Taka
Total entertainment expenses per audited Profit & Loss Account	
Factory overhead	4,714,973
Administrative expenses	11,676,401
Selling and Distribution expenses	4,367,089
	Tk 20,758,463

Total income before allowing entertainment expenses as per computation of total income 1,429,407,874

Allowable limit under Rule 65 of the Income tax Rules 1984:

	Taka		Rate		Taka
On first	Tk 1,000,000	@	4%		40,000
On balance	Tk 1,428,407,874	@	2%		28,568,157
	Tk 1,429,407,874				Tk 28,608,157

Hence, admissible limit for entertainment expenses restricted to Tk 20,758,463

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Income from Export sales Paragraph 28 of Part A of the sixth Schedule of the Income tax Ordinance 1984

	<u>Taka</u>
Total sales as per audited Accounts	3,378,957,067
Export sales as per audited Accounts (no VAT)	548,752,416
Total income (adjusted) for the purposes of export sales as below	1,304,717,395
Total income (adjusted) attributable to export sales	211,889,885
Rebate on export sales	105,944,943

	<u>Taka</u>	<u>Taka</u>
<u>Calculation of total income (adjusted)</u>		
Net profit per audited Accounts		1,271,889,926
Deduct: Accounting profit on disposal of fixed assets	(2,769,410)	
Other income	(82,582,624)	
Non-operating income	(21,349,392)	(106,701,426)
		1,165,188,500
Add: Accounting depreciation	260,145,958	
Samples	38,034,412	
Entertainment expenses	20,758,463	
Provision for doubtful trade debts	221,450,275	
Provision for other bad debts & doubtful receivables	-	
Provision for obsolete stock (net)	2,232,545	
Provision for Pension Fund	41,587,254	
Provision for Gratuity	91,297,922	
Excess sales forces incentive	-	
Impairment of intangible assets and goodwill	-	
Excess perquisites u/s 30(e) of ITO 1984	11,468,795	686,975,624
		1,852,164,124
Deduct: Cost of samples under Rule 65C of ITR 1984	38,034,412	
Bad debt written off against provision	115,886,216	
Other bad debt written off against provision	-	
Pension paid	20,153,254	
Gratuity paid	11,537,926	
Tax depreciation as per third schedule	341,076,458	
Profit/(loss) on disposal of fixed assets	-	
Entertainment expenses	20,758,463	547,446,729
		1,304,717,395

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Accounting year ended 31 December 2014Details of movement in provision for doubtful debts

	<u>Taka</u>
Balance of provision for doubtful debts on 31 December 2013	71,168,692
Addition: Provision for doubtful debts made during the year	221,450,275
Deduct Amount written off against provision made in earlier years	115,886,216
Balance of provision for bad and doubtful debts at 31 December 2014	<u>Tk 176,732,751</u>

Provision for other bad debts & doubtful receivables

Balance of provision for other doubtful debts on 31 December 2013	-
Addition: Provision for doubtful debts made during the year	-
Deduct: Amount written off against provision made in earlier years	-
Balance of provision for bad and doubtful debts at 31 December 2014	<u>Tk -</u>

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Statement of movement in the balances in the stock reserves

	Note (s) to the <u>A/c</u>	<u>Raw & packing materials</u> Taka	<u>Finished goods</u> Taka	<u>Total</u> Taka
Balance on 31 December 2013	8	-	-	179,032,543
Balance on 31 December 2014	8	-	-	181,265,088
Net change being provision/(credit)		<u>Tk -</u>	<u>Tk -</u>	<u>Tk 2,232,545</u>

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Provision and payment against retirement benefits

Particular	Pension Fund Taka	Gratuity Fund Taka	Total Taka
Balance as on 31 December 2012	61,871,777	278,792,990	340,664,767
Addition: Provision made during the year	41,587,254	91,297,922	132,885,176
	103,459,031	370,090,912	473,549,943
Deduct: Payments made during the year	20,153,254	11,537,926	31,691,180
	83,305,777	358,552,986	441,858,763
Deduct: Transfer to current payable	-	-	-
	83,305,777	358,552,986	441,858,763
Deduct: Actuarial adjustment loss/(gain) Prepaid expenses for gratuity plan	-	-	-
Balance as on 31 December 2013	Tk 83,305,777	Tk 358,552,986	Tk 441,858,763

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Details of calculation for excess sales force incentive u/s 30(J) IRO

	<u>Taka</u>
Profit before taxation	<u>1,271,889,926</u>
Sales forces incentive	98,652,369
Deduct Allowed quota of 10% PBT	127,188,993
Excess Sales forces incentive	<u>\$ (28,536,624)</u>