



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA DECEMBER, 2016 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 204. TAXATION.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q No. 1.

Mr. Abedin's salary in the financial year 2015-16 is as follows:

Particular	Amount in Taka
Basic salary	15,00,000/-
Bonus	300,000/-
House rent	750,000/-
Medical allowance	150,000/-
Conveyance allowance	100,000/-

Mr. Abedin is also the owner of a three storied residential building in Dhaka. In the financial year 2015-16 he received total rent Tk. 10,80,000/-, and paid city corporation tax Tk.50,000/-, land tax TK.500/-.

In 2015-16 Mr. Abedin received FDR interest Tk.200,000/-, Tk.250,000/- as interest from saving certificate and Tk.150,000/- as dividend from a company listed to stock exchange.

Mr. Abedin purchased saving certificate of Tk.500,000/- in 2015-16.

Tax of Tk.180,000/- has been deducted from Mr. Abedin's salary in 2015-16 and other deduction of tax at sources has been made properly. For the assessment year 2016-17 compute the following with regard to Mr. Abedin:

- (1) Salary income;
- (2) House property income;
- (3) Income from other sources;
- (4) Income U/S 82C;
- (5) Total Income and tax payable on taxable income;
- (6) Investment allowance and tax credit;
- (7) Amount of AIT paid on account of tax deducted at sources;
- (8) Net tax payable including surcharge, if any.
- (9) Mr. Abedin's net asset as on 30/06/2015 is Tk.2,53,78,960/-. As per life style form Mr. Abedin's family expenditure other than taxes is Tk.11,46,537/-. He paid advance tax Tk.350,000/-U/S 64 for the assessment year 2016-17 and Tk.30,000/- to pay off the tax liability of the assessment year 2015-16 vide chalans in 2015-16. Keeping in view the provision of section 19(3) of Income Tax Ordinance 1984, compute the maximum amount of net asset that Mr. Abedin may have as on 30/06/2016.

[Marks: (9 x 3) = 27]

Q. No. 2.

- (a) (i) The contract value of a construction work is Tk. 3 crore. The contractor partly completed the work and submitted bill of Tk. 1 crore on 21/12/2016. It is decided to pay Tk. 90,00,000/- out of the amount of bill submitted. How much income tax has to be deducted at source while paying the bill. What is the base amount? What is the rate of deduction of tax?
- (ii) Mr. Fazle Rabbi lives in Dhaka North City Corporation area. In the assessment year 2016-17 his total income is Tk. 250,100/- and as on 30/06/2016 his net wealth is Tk. 2,25,10,000/-, a part of which is transferred from his father's file. Does Mr. Fazle Rabbi have to pay any income tax and surcharge for the assessment year 2016-17? If yes, how much?

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Q. No. 2.(cont'd.....)

- (b) Citing the relevant legal provisions explain the actions to be undertaken in the following circumstances:
- (i) For the assessment year 2015-16 the total income as per assessment order (IT 88) is Tk. 850,000/-. However, there was an error in summing up the incomes from different heads. The total income will be Tk. 950,000/- if the summation is done correctly.
 - (ii) After the completion of the assessment for the income year 2013-14 it is found that the assessee has another bank account that he has not disclosed. The assessee earned interest income in this bank account during the income year 2013-14 and the balance of this bank account was not included in the assets shown in the statement of assets, liabilities and expenses (IT 10B)
 - (iii) After the completion of the assessment for the income year 2014-15 it is revealed that the royalty expense claimed Tk. 20,00,000/- while the disclosed net profit is Tk. 1 crore and the Deputy Commissioner of Taxes (DCT) allowed the claimed royalty expense.

[Marks: (10+15) = 25]

Q. No. 3.

- (a) Differentiate between Tax Depreciation and Accounting Depreciation. What types of benefits, using Reducing Balancing method of depreciation calculating tax?
- (b) For the year ended on June 30, 2016 ABC Limited – a public limited company not listed with the stock exchange reports net profit of Tk.80,00,000/- with a turnover of Tk.5,50,00,000/-. Following observations are made after an in depth analysis of the books of accounts of ABC Limited:
- (1) Accounting depreciation charged to the account is Tk.750,000/- but tax depreciation amounts to Tk.600,000/-.
 - (2) Entertainment expense claimed Tk.150,000/-.
 - (3) Tk.500,000/- claimed as sample expense in the profit and loss account. However, cost of goods sold includes the samples and gross profit was computed deducting sample included cost of goods sold from turnover.
 - (4) Claimed expenses Tk.350,000/- on account of salary paid in cash to an employee whose monthly salary is Tk.25,000/-.
 - (5) Incentive bonus of Tk.12,00,000/- charged to the account.
 - (6) Perquisite of Tk. 500,000/- and Tk. 455,000/- was paid to Managing Director and General Manager respectively.
 - (7) Tax at source was not deducted on Tk. 120,000/- paid as meeting fees but charged to the account as expenses.
 - (8) Claimed office expense Tk. 45,000/-. However, such expense was paid other than by a crossed cheque or bank transfer.

Referring relevant sections and rules of Income Tax Ordinance and Rules, 1984 compute total income and tax liability of ABC Limited for the concerned assessment year.

[Marks: (5+20) = 25]

Q. No. 4.

- (a) What is Supplementary Duty?
- (b) What is Excise duty and its scope of imposition?
- (c) What is Travel tax and its jurisdiction?
- (d) Explain the difference between exemption and zero-rating.
- (e) Explain the difference between tax avoidance and tax evasion.
- (f) Is VAT an expenditure? Shortly explain.

[Marks: (3+4+4+4+4+4) = 23]

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