

**CMA JUNE, 2020 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

- (a) According to **Hassan and Prichard (2016)**, despite having a formal structure similar to most lower-income countries, overall performance of Bangladesh's tax system has lagged behind. State the reasons for such dismal performance of Bangladesh's Tax System in comparison to its many neighboring countries and even many African countries.
- (b) What is Tax Appellate Tribunal? What are the functions of Tax Appellate Tribunal?
- (c) State the scope of income from interest on securities. Discuss the cum-interest and ex-interest transactions and their effects
- (d) Briefly discuss the difference between Accounting Depreciation and Tax Depreciation.
- (e) What provisions have been made regarding whitening black money in the Finance Act, 2020?

[Marks: (5 X 4) = 20]

Q. No. 2

- (a) As per Rule 13, describe the time limit for payment of TDS deducted or collected to the government treasury.
- (b) Total Income of Mr. Sydur Rahman in the income year 2019-20 was Tk. 600,000 and total Tk. 5,000 was deducted from his income source (TDS). He invested Tk. 100,000 in the year 2019-20 on which he will get tax rebate. Mr. Rahman has decided to submit tax return through online and this is his first tax return submission. What is the net tax liability of Mr. Rahman in the assessment year 2020-21?
- (c) What documents need to be submitted with tax holiday application?
- (d) When a person is required to file his/her tax return?

[Marks: (4+4+4+3) = 15]

Q. No. 3

Mr Habib Ullah is General Manager of Diganta Enterprise Limited. His sources of income for the year ended on 30 June, 2020. His basic salary is Tk. 80,000 and annual increment is Tk. 5,000 and the date of increment is January 1.

- (1) Income from Salary:
 - (a) His basic salary was Tk. 80,000 on 1 July 2019.
 - (b) Leave fare allowance - one month basic salary.
 - (c) Medical allowance - Tk. 5,000 per month.
 - (d) Mr Habib Ullah had a cardiac arrest and had to undergo a heart surgery for which he had to pay Tk. 3,00,000 to National Heart Foundation. The Company reimbursed the full amount for heart surgery.
 - (e) He has been provided with a furnished flat and the rent of the flat is Tk. 35,000 per month.
 - (f) He contributed 10% of his basic salary to a contributory provident fund and received interest at the rate of 15% amounting to Tk. 150,000. The fund is approved by NBR.
 - (g) He received conveyance allowance Tk. 3,000 per month.
 - (h) He received entertainment allowance Tk. 2,000 per month.
 - (i) Bonus - Two months basic salary received in July and September 2019.
 - (j) During the year Mr. Habib received Tk. 54,000 as allowance for launch.

CMA JUNE, 2020 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 204. TAXATION

Q. No. 3(cont'd...)

- (k) During the period, Mr. Habib travelled to Germany, as a part of his service contract, along with his wife. As per the contract his employer has given him both way free tickets. Besides, he has also been given Tk. 85,000 to meet the expenditure abroad which is also a part of the service contract.
- (l) Before joining this company he worked for a Commercial Bank for 20 years. After completion of his service in the bank he joined this company in 2018. In September 2019 he received a gratuity payment of Tk. 25,00,000 from the Commercial Bank. The gratuity fund was approved by NBR.
- (2) Mr. Habib Ullah received Tk. 25,000 as interest on Tax Exempt Government Securities. He also received Tk. 5,000 as interest (Gross) on Debenture.
- (3) He has a building at Mohammadpur, Dhaka. The building is let out at Tk. 50,000 per month. The Municipal value of the house is Tk. 5,00,000. The house remained vacant for 1 month. Expenses of the house were as follows:
- (i) Land development tax Tk. 4,000,
 - (ii) Repair Tk. 42,000,
 - (iii) Installment of HBFC loan Tk. 90,000 of which interest is Tk. 30,000
 - (iv) Cost of installing water and electric line Tk. 80,000
 - (v) City Corporation tax Tk. 20,000, Salary of guard Tk. 84,000,
 - (vi) Insurance premium Tk. 10,000 and
 - (vii) Legal Expenses Tk. 12,000.
- During the year Mr. Habib received Tk. 300,000 in cash as advance rent.
- (4) Mr. Habib has an Insurance Policy (Three Payment Plan) in Metlife. The Policy matured during the year. The face amount of the policy was Tk. 10,00,000. In addition to the face amount he received accumulated bonus of Tk. 13,26,000. For this policy he paid a total amount of Tk. 13,06,284 as premium. Metlife deducted tk. 50,986 as tax deducted at source (5% of the profit).
- Investigation disclosed that he has a Savings bank account with Exim Bank on which he is to receive interest Tk. 63,000 after deduction of tax at source @ 10%.
- (5) During the year his Investment were as follows:
- (i) Life Insurance premium Tk. 24,000,
 - (ii) Purchase of ICB unit certificate Tk. 70,000,
 - (iii) Donation to President's Relief Fund Tk. 20,000.

Required:

Compute Taxable Income and Tax Liability of Mr. Habib Ullah for the Income year 2019-2020.

[Marks: 20]

Q. No. 4

- (a) How can you define tax planning? What are the objectives of tax planning? Describe different types of tax planning approaches.
- (b) Yasna Ltd. is a non-listed manufacturing multinational company doing business in Bangladesh for last 10 years. The company filed return of income for the assessment year 2020-21. Showing income of Tk. 46,000,000. Examination of the audited statement of accounts filed with the return of income revealed the following:
- (i) During the year the company received dividend amounting to Tk. 220,000 against the purchased share of a private limited company. The dividend is included in net profit. Tax was not deducted at source.
 - (ii) Salary includes Tk. 330,000 paid to employees against which tax was not deducted at source. Annual perquisites enjoyed by MD and CFO amounts to Tk. 1,150,000.

CMA JUNE, 2020 EXAMINATION
 PROFESSIONAL LEVEL-II
 SUBJECT: 204. TAXATION

Q. No. 4 (cont'd...)

- (iii) The company sold a scientific apparatus for Tk. 600,000 which was allowed earlier as expenditure against calculation of profit.
- (iv) The company has a trading liability with one overseas company to the tune of Tk. 180,000 which has been totally waived by the overseas company under special agreement during the year.
- (v) During the year the company claimed the following expenses:

Head office expenses (paid to group HQ, Hong Kong)	Tk. 3,000,000
Management expenses (paid to Thailand)	Tk. 1,900,000
Total	Tk. 4,900,000

- (vi) Royalty paid Tk. 1,300,000.
- (vii) During the year, the company also paid the following expenses:

Fees for technical services	Tk. 1,650,000
Technical know-how fee	Tk. 875,000
Total	Tk. 2,525,000

- (viii) Annual depreciation charged to the account is Tk. 2,350,000 but tax depreciation amounts to Tk. 2,100,000.
- (ix) The company recovered Tk. 120,000 from bad debt that was written off earlier and allowed as deduction.
- (x) The company showed expenditure on foreign travels for holidaying and recreation of an employee and his dependents and the amount spent was Tk. 400,000. The basic salary of that employees was Tk. 120,000. The travel was not oftener than once in two years.
- (xi) Tk. 15,000 has been donated to a non-recognized school.
- (xii) A fine of Tk. 80,000 paid for violation of customs law charged to P&L Account.
- (xiii) The company sold a motor vehicle for Tk. 870,000. Original cost of the vehicle was Tk. 1,250,000 and the written down value was Tk. 825,000. That has not been reflected in the accounts.
- (xiv) A sum of Tk. 10,000 in respect of travelling expenses is not supported by legal vouchers.
- (xv) Repair and operating expenses included Tk. 25,000 spent for the installation of a machine in the factory.
- (xvi) Total gross receipt of the company is Tk. 95,00,00,000.

Required:

From the above information, compute the total income and tax liability of the company for the Income year 2019-2020.

[Marks: (8+12) = 20]

Q. No. 5

- (a) Rainbow Corporation imported Chocolate under HS Code 1806.31.00, As per customs assessable value of the product is Tk. 1,00,000.00. The product Customs Duty(CD) 25%, Regulatory Duty(RD) 3%, Supplementary Duty(SD) 45% Value Added Tax(VAT) 15%, Advance Tax(AT) 5% and Advance Income Tax(AIT) 5%. Please figure out the Value Added Tax (VAT) & Advance Tax(AT).
- (b) Please write the Definition the following Terms as per Section 2 of VAT & SD act 2012:
 - (i) Economic Activity;
 - (ii) Input;
 - (iii) Tax;
 - (iv) Withholding Entity.

CMA JUNE, 2020 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 204. TAXATION

Q. No. 5 (cont'd...)

- (c) What is Central Registration under VAT & SD Act 2012?
- (d) Who is eligible to get input credit? In which situation Input credit is not allowed as per section 46 of VAT & SD Act 2012.
- (e) What kind of Books and challan and notes require to maintain as per VAT & SD Act 2016. If a registered person exempted by SRO. Does he require to maintain formalities to as per VAT & SD Act.
- (f) Please find out the Tax liability as per VAT & SD Act-2012 from the following data:
- (i) Output Tax Tk. 1,00,000.00;
 - (ii) Input credit Tk. 50,000.00;
 - (iii) Increasing Adjustment Tk. 60,000.00;
 - (iv) Decreasing Adjustment Tk.50,000.00.
- Last tax period negative net balance Tk. 10,000.00 and Balance of the current account of Old Act-1991 is Tk. 50,000.00.
- (g) In which situation/Area VAT Deduction at Source (VDS) is not required as per VAT Deduction and Collection at Source Rule 2020.

[Marks: (3+6+2+4+3+4+3) = 25]

= THE END =