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UNIVERSITY OF RUHUNA**FACULTY OF MANAGEMENT AND FINANCE****Bachelor of Business Administration Degree Programme 3000 Level First
Semester End Examination (Repeat) (Old syllabus)****November/December - 2021****ACC 3110–Advanced Taxation****Duration: 03 hours****Instructions:**

- **The Question Paper contains four (04) questions.**
- **Answer All questions.**

01).

- a). Vivo private Limited is a registered resident company established in 2010 for producing garment items. The following information has been extracted from the financial statements of Vivo (pvt.) Ltd. for the year ended 31st March 2020.

The net profit before tax for the year ended 31st March 2020 was Rs. 7,070,000. The following expenses were charged when arriving at the net profit.

Note 1: Extract of Administrative expenses

Administrative expenses	Note	Rs.
Administrative expenses		600,000
Salaries to managers		1,500,000
Electricity	1.1	750,000
Travelling		700,000
Official tour cost	1.2	2,700,000
Rent of the factory		800,000
Depreciation expenses	1.3	600,000
Telephone		300,000
Gratuity provision	1.4	450,000

Entertainment expenses	1.5	600,000
Donations	1.6	700,000
Other administration	1.7	900,000
Administrative Expenses of a branch office		700,000

- 1.1 Electricity includes Rs. 100,000 Managing director's electricity bill.
- 1.2 Top managers have travelled to Japan for recruiting specialist technicians. During the visit, they have spent Rs. 120,000 for buying personal stuff, and it is included in the total expenses.
- 1.3 Depreciation was calculated for a van purchased on 31st March 2017 for Rs. 2,000,000 and a machine purchased on 1st April 2018 for Rs. 900,000.
- 1.4 The gratuity expense was Rs. 80,000.
- 1.5 Entertainment expense of Rs. 400,000 was spent on providing meals.
- 1.6 Donations were made as Rs. 100,000 to an orphanage and Rs. 600,000 to the president fund.
- 1.7 The administration cost of Colombo branch includes a tax penalty of Rs. 140,000.

Note 2: Selling and distribution cost

- 2.1 The company incurred Rs. 350,000 as advertising expenses during the year.
- 2.2 Economic Service Charge (ESC) paid was Rs. 350,000.
- 2.3 Research and development expense of Rs. 200,000 has been spent on a government research institute for improving the quality of garment items.

Note 3: Finance and other expenses

- 3.1 Bank charges were Rs. 230,000.
- 3.2 Loan interest paid for the manager's private car was Rs. 600,000.
- 3.3 Over draft interest was Rs. 400,000.

Note 4: Other Income credited in arriving at the net profit

	Rs.
4.1 Rent received (gross)	880,000
4.2 Winning from a lottery (gross)	300,000

Other additional information

- The company's self-assessment tax payment is Rs. 420,000.
- Previous business loss is Rs. 560,000

You are required to compute the following for the year of assessment 2019/2020.

- i. Tax on taxable income.
- ii. Withholding taxes if any

(20 Marks)

b). How do you distinguish a resident company and a non-resident company?

(05 Marks)

(Total Marks 25)

02).

- a). 'Medico Trust' is a trust that was commenced on 1st April 2019 for the purpose of helping the poor and helpless people for recovering Covid 19. The trust provides facilities for medical treatments and some medicines for the poor. In addition, the trust holds some dramas and education programmes to improve the awareness of the Covid pandemic and to be safe.

Income and expenditure information of the trust for the year ended 31st March 2020 is given below.

Income	Rs.
Donations from members	200,000
Subscription	1,800,000
Offertories	150,000
Medical treatments income	320,000
Government Donations	850,000
Sales of medicines	450,000
Drama festival -"Covid safe"	800,000
Treasury Bills interest (net)	270,000
Income from selling a magazine	350,000

Expenses	Rs.
Administrative expenses	280,000
Staff welfare	340,000
Repairs to the building	120,000
Donations to government	1,400,000
Monthly travelling	300,000
Donations to approved charity	76,000

Local medicines cost	320,000
Other medicines cost	450,000
Water and electricity	78,000
Telephone expenses	120,000
Expenses for drama	22,000

Additional Information

1. The profits and incomes from all the activities are used for the charitable purpose of the trust.
2. Administrative expenses include Rs. 200,000 spent for the personal surgery of a permanent staff member of the trust.
3. Drama festival is done by the children of the helpless people.
4. Telephone expenses include Rs. 80,000 of one member's mobile phone bill.
5. Telephone expense includes Rs. 20,000 travelling paid by a temporary staff member of the trust.

Required;

Calculate the tax liability of 'Medico Trust' for the year of assessment 2019/2020.

(10 Marks)

- b). Neeroga is a Non-Governmental Organization (NGO) registered in Sri Lanka in 2019 for helping the victims of the Covid 19 global pandemic. The income and receipts of the NGO for the year of assessment 2019/2020 is given below.

Type of Income / Receipt	Rs.
Donation from Sri Lankan Government	Rs. 5,500,000
Donations from Japan	Rs. 2,000,000
Contributions from foreign countries	Rs. 3,500,000
Interest (Net)	Rs. 2,500,000
Dividend (Gross)	Rs. 2,000,000

You are required to calculate the total tax liability of Neeroga NGO for the year of assessment 2019/2020.

(05 Marks)

(Total Marks 15)

(03).

- a). What is the meaning of a 'fuller return'. Describe in brief. (03 Marks)
- b). Explain the main types of assessments with examples. (04 Marks)
- c). List out the different penalties charged by Inland Revenue Department. (04 Marks)
- d). What are the main steps in the appeal settlement procedure? (04 marks)

(Total Marks 15)

(04).

- a). Differentiate tax avoidance and tax evasion. (03 Marks)
- b). How does a company can plan its tax legally and lawfully? (04 Marks)
- c). What are the legal tax planning strategies for a company? (04Marks)
- d). How does tax planning help a company for wealth maximization? (04 Marks)

(Total Marks 15)
