



UNIVERSITY OF RUHUNA
FACULTY OF MANAGEMENT AND FINANCE

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Total Marks :70

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

3000 LEVEL FIRST SEMESTER END EXAMINATION - AUG/SEP 2025

Three Hours

BBA 31223- Taxation for Ventures

Academic Year 2024/2025

Instructions

- ➔ Answer all five (05) questions.
- ➔ Calculators are permitted.

Question 01

Mr. Aruna is a registered Income Taxpayer and running a business of processing canned fish food. The following information was given for his income tax computation for the year of assessment 2023/2024.

1. Business Income

The following information has been extracted from the financial statements of his business for the year ended 31st March 2024.

Revenue	6,500,000
Cost of Sales	(1,950,000)
Gross Profit	4,550,000
<u>Expenses</u>	
Administration Cost	(2, 090,000)
Electricity Charges	(100,000)
Entertainment	(80,000)
Interest	(100,000)
Research Expenses	(90,000)
Penalty Payment	(40, 000)
Net Profit for the year	2, 050,000

2. Other Income

- a) Machinery was purchased on 15th June 2020 for Rs. 2,000,000 and depreciated at 25% p.a. on straight line basis. Depreciation policy of the business is to depreciate full in the year of purchase and no depreciation in the year of (sale) disposal.
- b) Interest relevant to the loan obtained to renovate Mr. Aruna's house and penalty payment is for Central Environment Authority for non-compliance of environmental laws.

3. The composition of administration expenses are as follows.

Accounting Depreciation	Rs. 500,000
Provision for doubtful debts	Rs. 10,000
Salaries	Rs. 850,000
Donation	Rs. 500,000
Other expenses (tax deductible)	Rs. 230,000

- a) Depreciation allowances have been claimed in full in prior periods and hence no depreciation allowances for tax purposes in this year of assessment.
- b) Donation includes Rs. 150,000 money transferred to an approved charity and Rs. 100,000 worth of books to a nearby temple. Rs. 250,000 worth of medicines donated to the General Hospital.
- c) All other expenses are tax deductible.

4. Investment Activities

- a) On 01st January 2024, Mr. Aruna sold a land owned by him for Rs. 9,000,000. He purchased this land for Rs. 3,000,000 in March 2015 and market value of this land as at 30th September 2017 was Rs. 6,000,000. He has incurred Rs. 50,000 advertising cost and Rs. 250,000 as legal expenses.
- b) Mr. Aruna rented out his old house which is located in Colombo for Rs. 50,000 per month as now he is residing in Matara. The rental agreement started since 01st September 2023. No repair expenses were claimed during the year of assessment.

5. Other Information

- a) Mr. Aruna paid Rs. 750,000 as tuition fees for his son who is studying in an Australian university.
- b) During the year, Mr. Aruna spent Rs. 900,000 for a heart surgery done in a private hospital.

- c) Mr. Aruna received Rs. 1,250,000 as Salary arrears from his former employer PS (Pvt) Ltd. which he resigned on 31st March 2018.
- d) Mr. Aruna paid Rs. 400,000 as self-assessment income tax during the year.

Required:

- I. Compute the Taxable income of Mr. Aruna for the year of assessment 2023/2024. (18 marks)
- II. Compute the tax payable by Mr. Aruna for the year of assessment 2023/2024. (04 marks)
- (Total 22 marks)**

Question 02

- I. List out the main types of Value Added Tax (VAT) registration. (03 marks)
- II. Briefly describe the difference between zero rating and exempting good. (03 marks)
- III. ABC industries is a manufacturer of footwear and has the following transactions for the month ended 31st March 2023.

Total local sales including VAT	Rs. 5 400 000
Total export sales	Rs. 1 000 000
Raw material purchases from VAT registered suppliers (inclusive VAT)	Rs. 2 160 000
Raw material purchases from non-VAT registered suppliers	Rs. 500 000
Electricity charges for month	Rs. 300 000

Consider the VAT rate for 2023/2024 year of assessment is 8%.

Required;

Compute the VAT payable for the month ended 31st March 2023.

(03 marks)

- IV. Kamal is a registered taxpayer in Sri Lanka. The Year of assessment 2022/2023 his VAT payable on sales is Rs.2,050,000 and VAT receivable on purchases is Rs.850,000. However, year of assessment 2023/2024 his VAT payable on sales is Rs. 1, 325, 000 and VAT receivable on purchases is Rs. 2, 000, 000.

Required;

Compute the VAT payable for the years of assessment 2022/2023 and 2023/2024 separately by using formulation.

(03 marks)

(Total 12 marks)

Question 03

I. Examine the following non-cash benefits cases and mentioned the considerable percentage for each and every case direction from the Inland Revenue Act.

a) Ms. Nimali is provided with hotel facilities by her employer during an overseas assignment. How much of the actual cost of the hotel facilities should be considered for the taxable value of this benefit?

(01 mark)

b) Mr. Ravi uses a company-provided telephone for both official and personal calls. What percentage of the telephone bill amount paid by the company needs to be considered for the taxable value?

(01 mark)

c) Mr. Lasith is provided with a company-funded apartment for his stay during a project abroad. What percentage of the actual cost of the apartment should be considered for the taxable value of this benefit?

(01 mark)

II. A Van purchased in year 2021/2022 for Rs. 3,000,000 and depreciated at 25% for accounting purposes. This van was sold in year 2023/2024 at Rs. 2,500,000.

Required;

Compute the disposal profit for tax purposes and state the required adjustments for taxable profit.

(04 marks)

III. Mr. Ashen is a manger of a manufacturing company and his remuneration details for the year 2023/2024 are as follows,

a) He is entitled a monthly salary of Rs. 150,000.

b) He is receiving monthly entertainment allowance of Rs. 10,000.

c) Company has provided a motor vehicle with 1800cc engine capacity with a driver and unlimited fuel.

d) Company has provided a special house only for him and pays Rs. 25,000 per month for that house.

e) He made reimbursements of Rs. 45,000 during the year for official visits to branches.

f) He received an annual bonus of 3 months gross salary.

g) During the year he has received Rs. 100,000 as a compensation from the company due to an accident he faced while in service.

- h) Company reimbursed Rs. 60,000 during the year for telephone bills where he uses this telephone for his personal matters as well.
- i) Mr. Ashen obtained a loan from the company and paid Rs. 75,000 as interest at 4% p.a. which was a concessionary rate whereas the bank interest rate was 10% p.a. If he obtained this loan from the bank, he has to pay Rs. 175,000 interest to the bank.
- j) He is entitled to a medical benefit scheme where all the employees of the company entitle irrespective of their position, grade and gender. During the year, he reimbursed Rs. 125,000 as medical charges.

Required;

Compute the employment income of Mr. Ashen for the year 2023/2024.

(05 marks)

(Total 12 marks)

Question 04

- I. What are the main functions of taxation. (02 marks)
 - II. What are the three major differences between accounting profit and taxable profit. (03 marks)
 - III. Briefly explain the principles of income taxation. (03 marks)
 - IV. Briefly explain the differentiations of types of taxes. (04 marks)
- (Total 12 marks)

Question 05

- I. State the main objectives of tax planning. (02 marks)
 - II. Briefly explain the types of assessment applicable for the time bar. (03 marks)
 - III. Briefly explain the first step that a taxpayer can take if he receives an assessment. (03 marks)
 - IV. "Paying tax is not a responsibility. Paying tax is a social duty."
Briefly explain this statement with the importance of taxation to develop the country. (04 marks)
- (Total 12 marks)
