

Practice Questions

Q1. Following are the details of financials of ABC Brandy Company for the year ending on 31st Ashadh, 2072. The company is situated in Rasuwa for last 5 years.

	Rs.
Opening Stock	500,000
Purchases	5,500,000
Transportation	300,000
Salary and Allowances	1,200,000
Depreciation	2,520,000
Repair and Maintenance	500,000
Pollution Control Expenses	600,000
Research and Development Expenses	500,000
Sales	12,500,000
Profit on Sale of Motorcycle	35,000

Additional Information

- Company has charged depreciation and repairs in the books as follows:

	Opening WDV	Additions	Depreciation	Repairs
Building	21,000,000	220,000	1,450,000	300,000
Vehicle	1,930,000	550,000	620,000	100,000
Office Equipment	2,170,000	300,000	450,000	100,000

- Motorcycle sold during the year had nil WDV in the financial books.
- All additions of the assets were during the first half of financial year.
- Donation paid was Rs. 500,000 out of which Rs. 125,000 was to a tax exempted entity.
- Company employs 500 Nepalese Citizens.
- Company had prior year losses of Rs. 700,000 c/f.
- Company had a closing stock of inventory costing Rs. 500,000 while the market value of the same was Rs. 450,000.
- Company had paid the following cumulative amount as advance tax. However, it did not file the estimated tax return.

By Poush end	Rs. 200,000
By Chaitra end	Rs. 200,000
By Ashadh end	Rs. 200,000

Company filed its income tax return on Kartik, 2071 and it had not taken the approval for extension of time. You are required to calculate the Taxable Income, tax liabilities and penalty to be paid while filing the return.

Hints:

- Check application of Section 117, 118, 119, business concessions and set off of business loss besides regular provisions pertaining to taxation of business and profession.

Q2. Oberoi Hotels Nepal Limited registered itself on 2071.04.01 with investment of Rs. 205 crores with objectives to run a 5 star hotel in Thamel. The management of the hotel is very positive and predicts to earn profit of Rs. 75 lacs in first year of operation. i.e. 2071/72. Management of the hotel wants to know the estimated tax liability for income year 2071/72 and hence seeks your advice in this matter. Give your advice.

Hint: Business concessions

Q3. Mention the procedures of tax impositions when a company operates real estate business for buying and selling properties like building and land.

Hint: Section 95(ka)

Q4. Write short notes on Perquisites with reference to Income Tax Act.

Q5. Sundar's wife owns gold jewellery worth Rs. 1.50 crores. Sundar starts his jewellery business from 1st Shrawan 2071 taking over the jewellery of his wife. In the course of his business he sells the jewellery for Rs. 3.75 crore during the year 2071/72.

Consider the tax implication if:

- Jewellery wholly belonging to his wife was received as a part of her marriage gift from her parents.
- Out of jewellery of Rs. 1.50 crores, if Rs. 50 lacs worth of jewellery was purchased by Sundar out of his own resources and given to his wife at the time of marriage.

Note: Market Value of jewellery as on 1st Shrawan 2068 was Rs. 3 crores.