

**CMA JANUARY 2022 EXAMINATION  
 ADVANCED LEVEL II  
 ADVANCED INCOME TAX & VAT**

Course Code	: LT453	Total Marks	: 100
Reading Time	: 15 minutes	Writing Time	: 180 minutes

**Instructions to Candidates**

- You **MUST NOT** write anything during the reading time.
- There are 5 (five) questions.
- You should attempt ALL questions.
- Answers should be properly structured and relevant.
- Show all necessary computations.
- Carefully read ALL the requirements and sub-questions before attempting a specific question.
- ALL answers must be written in the answer book.
- **AVOID WRITING/MARKING** on the question paper at any time which may cause disciplinary action.
- Start answering each question from a fresh sheet.
- Answers should be clearly numbered with the sub-question number.

**Allowable Materials**

- Writing Stationaries
- Non-programmable Calculator

**Assessment Structure**

		<i>Sub-question</i>	<i>Marks</i>	<i>Expected Time Required</i>
Question 1	Essay/Computational/Case	3	20	35 minutes
Question 2	Essay/Computational/Case	2	20	35 minutes
Question 3	Essay/Computational/Case	3	20	35 minutes
Question 4	Essay/Computational/Case	-	20	35 minutes
Question 5	Essay/Computational/Case	-	20	35 minutes
	Revision			5 minutes
	Total		100	180 minutes

**RESTRICTED USE**

This paper MUST NOT BE REMOVED from the examination venue

***Do not turn the page until instructed***

**QUESTION 1****[7 + 8 + 5= 20 MARKS]**

- (a) Mr. Kamrul Islam is a merchant of Old Dhaka. He intentionally did not disclose his earning accumulated over the years total amount of Tk. 10 crore, though he submitted his income tax return on a regular basis. Consequently, this amount of money becomes black money. He is much concerned about this matter and wants to make it white money. He has heard about special tax treatment in respect of investment in securities as an opportunity for disclosing any undisclosed money. He comes to you and wants to disclose Tk. 10 Core in his income tax return for the income year 2021-2022. Referring to the provisions of this opportunity, advise to Mr. Islam how can he disclose this undisclosed money in his return.
- (b) Mr. Aminur Rahman is a Deputy Secretary of the Ministry of Commerce, Peoples Republic of Bangladesh. He comes to you with the following information to determine his income and income tax liability and submit the income tax return for the income year 2020-2021.

Monthly basic salary	Tk. 56,500
Monthly medical allowance	Tk. 1,500
Festival bonus	Tk. 113,000
Bangla New Year festival bonus	Tk. 11,300
Received an honorarium through bank from a training lecture at Bangladesh Power Management Institute	Tk. 59,000.

He is staying in Government Quarter at Azimpur. He subscribed Tk. 14,000 per month for government provident fund and earned Tk. 108,500 as interest from the Provident Fund for the year. Deductions for Welfare Fund and Group Insurance Fund were Tk. 150 and 100 respectively per month from his salary. In addition, he deposited Tk. 7,000 per month against a deposit pension scheme in Sonali Bank. Determine his total income and tax liability.

- (c) Meri Gold Ltd has purchased goods valued Tk. 50 lakh from M/s, Rasel Traders (a sole proprietorship business). The Ccompany wants to make the payment through bank transfer after deducting source tax at the applicable rate. However, Mr. Rasel, owner of M/s, Rasel Traders, wants to get the payment in cash after the source tax deduction. Advise to Meri Gold Ltd for settlement of this transaction.

**QUESTION 2****[7+6+7 = 20 MARKS]**

- (a) A, B and Care partners in a firm, XYZ, sharing profit & loss in the ratio of 2:2:1. The firm showed income of Tk. 200,000 as at 30-06-2021. Examination of accounts of the firm revealed the following facts: (a) A, B, C were paid 36,000, Tk. 45,000 and Tk. 48,000 respectively (b) A and C were paid in 40,000 and Tk. 50.000 respectively for the money borrowed from them (c) Commission on sale of goods paid to partner B Tk. 30,000 (d) Factory rent Tk. 1,50,000 paid to partner A (e) Office rent Tk. 60,000 paid to partner B (f)Penalty Tk. 55,000 paid for violation of customs law (g) Donation made to Aga Khan Tk. 50,000 (h) Advance tax paid Tk. 35,000 (i) Partners drawings were: A –Tk. 50,000; B- Tk. 45,000; C - Tk. 40,000. Compute the total income of the firm and the total income of each partner.
- (b) A UK based company Intragenic Ltd developed a vaccine for protecting children from Covid-19 which was not developed by any other Company in the world. The UK based company will supply the vaccine to Bangladesh at a fixed value of UAD \$ 250, the rate is the same or the supply to other countries by the Company. Now the Company wants to open a subsidiary in Bangladesh for distribution and resale of the product and approaches to your firm for the transfer pricing implication and method. Advise to Intragenic Ltd regarding this matter.
- (c) Symphony Ltd owns 2 factories, 1 central depot, 3 regional depots, and 6 sales depots. Factory 1 manufactures mobiles phones and laptops of different model and price. Factory 2 also manufactures mobile phones and laptop. The products manufactured by two factories are first transferred to the central depot, which are then stored in regional depot. Finally, these products are sold to distributors via the sales depots. The Company also imports similar goods which are then sold via the same channel as described above. All books of accounts and records are maintained centrally. Does the Company require central registration? Why or why not?

**QUESTION 3****[17+3 = 20 MARKS]**

- (a) The following adjusted accounts appeared in the records of XYZ Ltd., a publicly traded company for the year ended December 31, 2020. Compute the total income and the total income tax of XYZ Ltd. In doing so, any non-compliance of the relevant provisions of the tax laws (income tax as well as VAT) by the company are to be considered strictly following the legal provisions for such non-compliance. If considered necessary, you may make assumptions in light of the relevant tax provisions.

<b>Revenues and Gains:</b>	<b>Tk.</b>
Net sales	126,500,000
Interest	1,000,000 (a)
Gain on sale of shares	2,500,000 (b)
	1,30,000,000
<b>Costs and Expenses:</b>	
Cost of goods sold	65,300,000
Salaries and wages	26,000,000 (c)
Security services	300,000 (d)
Audit and taxation services	500,000
Office rent	600,000
Donations	1,800,000 (e)
Board meeting attendance fee	300,000 (f)
Other expenses	3,000,000 (g)
Depreciation	8,000,000 (h)
Corporate income tax	4,500,000 (i)
	110,300,000
<b>Net Profit</b>	<b>19,700,000</b>
<b>Dividend paid</b>	<b>9,000,000 (j)</b>

**Additional Information**

- (1) Interest revenue comprises interest on government bonds issued in 2013 and purchased by XYZ Ltd. in 2016.
  - (2) Gain on sale of shares arose from the shares of a company listed with DSE and CSE: Bought in 2013 cost Tk. 12 lac and sold in 2020 for Tk. 37 lac
  - (3) Salaries and wages include inter alia salary of Finance Manager Tk. 6,00,000(consolidated) paid in cash (not by cheque or bank transfer), gratuity (unapproved) provision of Tk.15,00,000 and gratuity payment of Tk. 10,00,000
  - (4) Security services include payments to a private security company. No VAT was *deducted* at source from such payments.
  - (5) Donation were all paid in 2020 to Dhaka University, specially designated for the purchase of library books, computers, and training materials.
  - (6) No income tax and VAT was deducted at source from Board meeting attendance fee paid to 10 (ten) directors.
  - (7) *Other expenses include inter alia:*
    - (i) Entertainment expenses of Tk. 5,00,000 spent on MD's birthday party; and
    - (ii) Four foreign travels of MD, each costing Tk. 2,00,000. All foreign trips were for business purposes.
  - (8) XYZ Ltd. has always used written down value depreciation and same depreciation rates for both accounts and tax purposes.
  - (9) Corporate income tax is the amount estimated before preparation of the tax return. 60% of the estimated amount of tax has been paid as advance tax during the year.
  - (10) Dividend has been paid at the rate of 25%.
  - (11) The company has a capital loss of Tk. 10,00,000 carried forward from the assessment year 2018-2019.
- (b) M/s Sabrina Traders purchased the goods for Tk. 200,000 and paid input VAT Tk. 30,000. The account of M/s Sabrina Traders is showing a balance of VAT Tk. 1,000. They sold the goods for Tk. 100,000 and charged output VAT Tk. 15,000. Calculate the VAT liabilities of M/S Sabrina Traders.

**QUESTION 4****[8+7+5 = 20 MARKS]**

- (a) Mrs. Nusrat Jahan, an international actress, records the income for the income year 2020-2021 as income from Bangladesh Tk. 2,000,000; income from Sweden Tk. 600,000; income from Singapore Tk. 400,000; and income from Russia Tk. 1,000,000. The income tax for foreigners in Sweden is 30%, but she had paid tax @ 25% as per DTAA. 20% tax has been paid in Russia for the income generated in Russia and 25% tax has been paid in Singapore for the income generated in Singapore. Determine the tax liability considering the application of double taxation relief due to these foreign incomes for the assessment year 2021-2022.
- (b) Chavi Plc Singapore has opened a Branch Office in Bangladesh. Initially, they have hired 3 top employees and expected to hire more people in future. The entity has finalised the total benefits per employee. The Country Manager of the entity heard that proper structuring of salary components (i.e. basic, house rent, conveyance etc.) in Bangladesh can bring in tax benefits to the employee. One of the newly joined employees is asking for salary payment in cash. He said that cash payment are not subject to withholding tax in Bangladesh.

The Country Manager wants to be fair in tax practice. He also wants to avail the maximum tax benefits for himself and other two employees. The entity does not have any fixed payroll structure ratio.

Mr. Sin To Zo's (Country Manager, a Resident), Male, Japanese, gross salary is Tk. 500,000 per month, who joined in the organization on 1<sup>st</sup> July, 2021.

Calculate the most tax efficient salary ratio for Mr. Sin To Zo that will result lowest withholding tax per month. You should suggest using the following three alternatives ratio of salary structure:

Alternative 1: Basic: House rent: Medical allowance: Conveyance (50:30:10:10 ratio)

Alternative 2: Basic: House rent: Medical allowance: Conveyance (40:30:20:10 ratio)

Alternative 3: Basic: House rent: Medical allowance: Conveyance (40:30:10:20ratio)

- (c) What does "decreasing adjustment" mean as per VAT and SD Act 2012?

**QUESTION 5****[8+7+5 = 20 MARKS]**

- (a) M/s. Masuk Traders, an importer, imported 200 pieces of LED TV at CIF price @ Tk. 100,000 per piece. The clearing and other incidental charges amounted to Tk. 100,000 for the total consignment. He sold 80 pieces of TV to a wholesaler at a mark-up of 10% (excluding of VAT). The wholesaler charged 10% mark-up to sell it to retailers. The retailers incurred a cost @ Tk. 2,000 for maintenance and other expenses and added 10% mark up to the price. Compute VAT assuming that the retailers sold 60 pieces of TV in a trade fair among various customers in the month of June 2020.
- (b) M/s Bengal Cycles Ltd has imported one motorcycle at C& F value Tk. 150,000. This item attracts 5% advance income tax (AIT), 60% supplementary duty, 25% customs duty, 5% advance trade vat (ATV), 3% regulatory duty, and 15% VAT. Besides, 1% landing charge and 1% insurance cost to be imposed on this item. Determine the total value of the item by calculating various taxes.
- (c) What does "economic activity" mean as per VAT and SD Act, 2012?

---

**END OF QUESTION**

---