



Association of Accounting Technicians of Sri Lanka

Model Question Paper and Answers

304: CORPORATE AND PERSONAL TAXATION (CPT)

Considering the Year of assessment 2022/23

Association of Accounting Technicians of Sri Lanka

No.540, Ven. Muruththettuve Ananda Nahimi Mawatha,

Narahenpita, Colombo 05.

Tel : 011-2-559 669

Question No 1

Rose Limited is a company incorporated in Sri Lanka is engaged in manufacturing and selling consumer goods to the local market.

The following information was extracted from the financial statements of Rose Ltd. for the year ended 31st March 2023:

1. The net profit before tax for the year ended 31st March 2023 after charging all expenses and crediting all income was Rs.35,750,000/-. The total turnover of the company was Rs.550,820,000/-.
2. Breakdown of other Income is as follow.

Income	Amount (Rs)	Date of Receipt	Remarks
Dividend	600,000	15/02/2023	PQ PLC- On Trading Profit of current year
Dividend	850,000	15/06/2022	AB PLC- On Dividend Received
Interest	1000,000	30/08/2022	ABC Bank
Interest	475,000 (Net)	15/02/2023	PQR Bank
Profit on disposal of lorries	7,100,000	12/09/2022	

3. Administration expenses include the following:
 - Depreciation charge for the year is Rs.8,150,000/-.
 - Rs.300,000/- has been incurred during the year for a Research to improve the efficiency of production process.
 - Foreign Travelling cost was Rs 1,500,000/-. This includes cost incurred for the family trip of a Director amount of 650,000/- and balance was incurred for an engineer to participate for a training.
4. Gratuity provision account as of 31st March 2023 is as follows.

	Rs.
Balance as at 01.04.2022	6,500,000
Provision for the year (Charged to administration expenses)	4,750,000
Paid during the year	(5,950,000)

Balance as at 31.03.2023	5,300,000
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5. Distribution expenses include following:

- Customers' entertainment cost was Rs 698,000/-
- An electric name board cost of Rs 1,500,000/-
- The company has donated Rs.3,400,000/- worth of medical equipment to the medical faculty of the University of Jaffna.
- After taking the recovering actions, the amount of Rs. 500,000 has been written off as bad debt.

6. The provision for doubtful debt account is as follows.

	Rs.
Balance as at 01.04.2022	2,500,000
Provision for the year (Charged to Distribution expenses)	1,750,000
Balance as at 31.03.2023	4,250,000

7. Details of the property plant and equipment is as follows.

	Land	Buildings	Vehicles	Office Equipment	Furniture	Computer	Computer Software	Total
Cost								
Balance 01.04.2022	250,000,000	150,000,000	45,000,000	10,500,000	4,500,000	8,900,000	-	468,900,000
Additions		75,000,000				1,250,000	7,500,000	83,750,000
Disposal			(12,000,000)					(12,000,000)
Balance 31.03.2023	250,000,000	225,000,000	33,000,000	10,500,000	4,500,000	10,150,000	7,500,000	540,650,000
Depreciation								
Balance 01.04.2022		78,000,000	32,000,000	6,500,000	1,750,000	6,700,000		124,950,000
Charge for the year		2,760,000	3,000,000	1,050,000	450,000	890,000		8,150,000
Disposal			(11,100,000)					(11,100,000)
Balance 31.03.2023		80,760,000	23,900,000	7,550,000	2,200,000	7,590,000		122,000,000
Carrying value	250,000,000	144,240,000	9,100,000	2,950,000	2,300,000	2,560,000	7,500,000	418,650,000

- A car purchased in 2021/2022 for the use of managing director is Rs. 12,000,000/-
- During the year, 03 lorries purchased in 2020/21 were sold for Rs 8,000,000
- Software purchased during the year is amortized in 10 years as per the agreement.
- Other than those mentioned, all other assets as of 01st April 2022 were purchased during the year of assessment 2019/2020

8. Other information

- Taxes paid on self-assessment basis for the year of assessment 2022/23 was Rs.1,500,000/-
- All other expenses of the business are allowed for income tax purposes.

You are required to:

Assess the following of Rose Ltd. for the year of assessment 2022/23:

(a) Assessable Income.

(b) Taxable Income.

(c) Gross Income Tax Payable, and,

(d) Balance Income Tax Payable.

(N.B: The reasons for allowing or disallowing any expenses should be clearly stated.)

Question No 02

Mr. Zoysa who is a resident individual is legal officer of a Private Limited company. The following information relating to his income for the year of assessment 2022/2023(hereinafter referred to as the 'year'):

1. Income from Employment:

- Gross salary - Rs.450,000/- per month.
- A bonus equal to one month's salary was paid in April 2022.
- The company has provided a motor car (1000 cc) with a driver.
- He lives in a rented house in Colombo by paying a monthly rent of Rs.50,000/-. The company reimbursed Rs.40,000/- per month.
- In December 2022, he was sent to participate to a foreign conference in France. The Company has provided air ticket and other facilities worth of 560,000/-.
- Medical bill reimbursement under the medical scheme of the company was 175,000/-. This facility is available for all the employees of the company.
- APIT was deducted with effect from 01st January 2023 since Mr Zoysa has not given consent for deduct the APIT for first nine months. Tax deducted from 01.01.2023 to 31.03.2023 was Rs. 341,000

2. Investment Income

Source	Amount (Rs)	Received Date	Remarks
Dividend	100,000	25/08/2022	Distributed on Dividend Received
Rent	50,000 per month	Monthly	WHT was not Deducted
Interest	65,000 (Gross)	30/06/2022	ABC Bank

Interest	95,000 (Net)	15/01/2023	PQ Bank – WHT was deducted
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3. Business Income

Mr. Zoysa is running a small-scale coffee shop and income statement for the year ended 31st March 2023 is as follows.

	Rs.	Rs.
Sales	6,950,000	
Cost of Sales	(4,100,000)	
Gross Profit		2,850,000
Salaries	625,000	
Donations to Village Temple	394,000	(1,019,000)
Net Profit		1,831,000

4. Mr. Zoysa has made following payments during the year.

- Medical Insurance premium – Rs .24,000/- per month
- Education fee of Rs. 165,000 was paid for his son on 20th January 2023.
- Purchase of shares in a listed company – Rs. 250,000 on 07th August 2022.

5. In February 2023, he has donated health utensils worth of Rs.100,000/- to the Apeksha Hospital Maharagama and he has donated goods worth of Rs.150,000/- to a school in August 2022.

6. Mr. Zoysa made self-assessment tax payments amount of Rs 225,000/- during the year .

You are required to:

Assess the following for Mr Zoysa for the year of assessment 2022/23:

- Taxable Income.
- Gross Income Tax Payable.
- Balance Income Tax Payable / (overpaid),
- Exempt Income, if any.

Answers

Question No 01

Important Note : Amendments to the income tax for resident companies were made from 01st October 2022 and calculation (1st method) is done based on that as first 6 months and last 6 month. However 02nd method is also allowed to apply at AAT examination assuming all the amendments are effective from 01st April 2022 considering convenience of the students

1st Method

	1st 6 months	2nd 6 Months	Total
Income from Business (Note 01)	9,821,500	9,821,500	19,643,000
Income from Investment (Note 02)	1,600,000	500,000	2,100,000
Assessable Income	11,421,500	10,321,500	21,743,000
Donation to University – To Government (3,400,000)	(1,700,000)	(1,700,000)	(3,400,000)
Taxable Income	9,721,500	8,621,500	18,343,000
Gross Income tax Liability			
Tax Liability	1st 6 months	2nd 6 Months	Total
01st 6 Months			
On Dividend Income (600,000 @ 14%)	84,000		84,000
On Interest @ 24%	240,000		240,000
On Business Income @ 18% (Manufacturing)	1,461,870		1,461,870
02nd 6 months			
30% on total Taxable income		2,586,450	2,586,450
	1,785,870	2,586,450	4,372,320
Tax credit			
AIT on Interest (Rs.500,000 @ 5%)			(25,000)
Self Assessments			

		(1,500,000)
Balance Income Tax Payable		2,847,320

02nd Method

Assuming all income tax amendments made during year of assessment 2022/23 are effective from 01st April 2022 and marks will be awarded for this method at AAT examination

Income from Business (Note 01)	19,643,000
Income from Investment (Note 2)	2,100,000
Assessable Income	21,743,000
Donation to University – To the government (3,400,000)	(3,400,000)
Taxable Income	18,343,000
Income Tax Liability on taxable income @ 30%	5,502,900
Tax Credits	
AIT – Interest (1,500,000 @ 5%)	(75,000)
AIT – Dividend (600,000 @ 15%)	(90,000)
Self Assessments Payments	(1,500,000)
Balance Income Tax Liability	3,837,900

Note 1 - Business Income

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Profit Before tax	35,750,000	
<u>Investment Income</u>		
Divident Income		1,450,000
Interest Income		1,475,000
Disposal of Assets		7,100,000

Depreciation	8,150,000	
Research – Additional 100% allowed		300,000
Foreign Travelling (family trip)	650,000	
Foreign Travelling - Rs.850,000 - Allowed	-	
Gratuity Provision	4,750,000	
Gratuity Paid		5,950,000
Customers' entertainment cost	698,000	
Name Board - capital nature	1,500,000	
Donation	3,400,000	
Bad debt - Allowed	-	
Bad Debt General Provision	1,750,000	
Land - No Capital Allowance (CA)		
Building (225,000,000/20)		11,250,000
A car used by Managing director - No C/A		-
Balance Motor vehicles (21,000,000/5)		4,200,000
Office Equipment (10,500,000/5)		2,100,000
Furniture (4,500,000/5)		900,000
Name board (1500000/5)		300,000
Computers (10,150,000/5)		2,030,000
Soft ware (7,500,000/10)		750,000
Assessable charge		
Sale Proceed 8,000,000		
Cost 12,000		
CA (4800) 7,200,000		
Taxable Profit 800,000	800,000	
	57,448,000	37,805,000
Income From Business	19,643,000	

Note 2 - Investment Income

	First 6 Months	2nd 6 Months	Total
Dividend on Profit	600,000		600,000
Dividend on dividend received		Exempt	Exempt
Interest Income - ABC Bank	1,000,000		1,000,000
Interest Income -, PQR (475,000/95*100)		500,000	500,000
	1,600,000	500,000	2,100,000

Question No.2

Amendments to income tax for personal income tax were made from 01st January 2023 and based on that 01st method was calculated. However 02nd method is allowed at AAT examination irrespective of the time period assuming all amendments made during the year of assessment effective from 01st April 2022.

1st Method**Mr Zoysa's Tax Computation****For the year of assessment 2022/23**

	01st 9 months	Last 3 Months	Total
<u>Employment Income</u>			
Salary 450,000 *12	4,050,000	1,350,000	5,400,000
Bonus	450,000		450,000
Vehicle Benefit (30,000 per month)	270,000	90,000	360,000
Housing Benefits (40,000 per month)	360,000	120,000	480,000
Foreign Conference -Not a Taxable income	-	-	-
Medical Bill - Allowed (To all employees)	-	-	-
	5,130,000	1,560,000	6,690,000
<u>Investment Income</u>			
Dividend Income	Exempt		Exempt
Rent Income	450,000	150,000	600,000
Interest Income	65,000		65,000
Interest Income (WHT deducted)			

	100,000	100,000	
	515,000	250,000	765,000
<u>Business Income</u>			
Net Profit	1,373,250	457,750	1,831,000
Donations - Not Allowed	295,500	98,500	394,000
	1,668,750	556,250	2,225,000
Total Assessable Income	7,313,750	2,366,250	9,680,000
Personal Allowance	(2,250,000)	(300,000)	(2,550,000)
Rent Relief	(112,500)	(37,500)	(150,000)
<u>Qualifying Payments</u>			
Medical Insurance (Allowed up to 31.12.2022)	(216,000)		(216,000)
Education expenses (Allowed up to 31.12.2022)		Not Allowed	-
Purchase of Share (Allowed up to 31.12.2022)	(250,000)		(250,000)
Donations - To the Government		(100,000)	(100,000)
Donations - Goods (Not Allowed)	-		
Taxable Income	4,485,250	1,928,750	6,414,000
<u>Gross income Tax Liability</u>			
1st 9 months			
* On First 2,250,000 @ 6%	135,000		135,000
Balance @ 12%	268,230		268,230
<u>Last 3 months</u>			
** First 125,000 @6%		7,500	7,500
Next 125,000 @ 12%		15,000	15,000
Next 125000 @ 18%		22,500	22,500
Next 125,000@ 24%		30,000	30,000
Next 125,000 @30%		37,500	37,500
Balance (1928750-625000) @ 36%			

		469,350	469,350
Gross Income Tax Liability	403,230	581,850	985,080
Total Gross Income Tax Liability	985,080		
APIT	(341,000)		
AIT on Interest	(5,000)		
Self Assessment	(225,000)		
Balance income tax Payable	414,080		

* For one year 3,000,000 therefore 9 months 2,250,000

** For one year 500,000 therefore 3 months 125,000

02nd Method

Assuming all the amendments made during the year assessment 2022/23 are effective from 01st April 2022 irrespective of the time period and this is allowed to apply at AAT examination

Employment Income

Salary 450,000 *12	5,400,000
Bonus	450,000
Vehicle Benefit (30,000 per month)	360,000
Housing Benefits (40,000 per month)	480,000
Foreign Conference -Not a Taxable income	-
Medical Bill - Allowed (To all employees)	-
	<u>6,690,000</u>

Investment Income

Dividend Income	Exempt
Rent Income	600,000
Interest Income	165,000
	<u>765,000</u>

Business Income

Net Profit

	1,831,000
Donations - Not Allowed	<u>394,000</u>
	<u>2,225,000</u>
Total Assessable Income	9,680,000
Personal Allowance	(1,200,000)
Rent Relief (600,000 @25%)	(150,000)
Qualifying Payments	
Life Insurance	Not Allowed
Education expenses	Not Allowed
Purchase of Share	Not Allowed
Donations - To the Government	(100,000)
Donations - Goods (Not Allowed)	<u> </u>
Taxable Income	<u>8,230,000</u>
Tax Liability	
On First 500,000 @ 6%	30,000
Next 500,000 @12%	60,000
Next 500,000 @ 18%	90,000
Next 500,000 @ 24%	120,000
Next 500,000 @30%	150,000
Balance @ 36%	<u>2,062,800</u>
Gross Income Tax Liability	2,512,800
APIT	(341,000)
AIT on Interest (165,000@5%)	(8,250)
Self Assessment payments	<u>(225,000)</u>
Balance income tax payable	<u>1,938,550</u>

Note – Banks are required to deduct WHT on Interest