International Islamic University Chittagong

Department of Economics & Banking

Final Examination: Autumn-2018

Program: B.S.S. (Honor's)

Course Code: ACC-3602 Course Title: Taxation and Zakat

Time: 2.5 Hours Full Marks: 50

*Answer **up to 50 marks** of the following questions. All parts of a question must be answered sequentially. Figures in the right margin indicate full marks.*

1. (a) Mr. Abdur Rahman, the owner of a house, let out at a monthly rent of Tk. 9,500. Municipal value the house is Tk. 1,20,000. Calculate the annual value of the house if as per agreement- 04
   (a) The tenant paid the city corporation tax of Tk. 8,000.
   (b) The owner paid the gas and water bill of the tenant Tk. 6,000.

   (b) Abdullah Al Farukis the owner of a house; municipal value of which is Tk. 1,35,000. He can let the house out at a monthly rent of Tk. 10,000. Calculate the annual value when- 03
   (a) The house was fully let out
   (b) Two third of the house was let out and
   (c) The house was fully occupied by the owner.

   (c) Mr. Abdullah Al Mamun is the owner of a house in Chittagong. He has let out the full house at Tk. 1,00,000 per month for commercial purpose and the municipal value of the house is Tk. 13,00,000. What will be the amount of admissible repair and maintenance expense under the following two independent cases? 03
   (a) Actual amount of spent as repair and maintenance Tk. 4,00,000.
   (b) Actual amount spent as repair and maintenance Tk. 3,50,000.

2. (a) Define agricultural income as per the ITO, 1984. 02
   (b) "Any income of a farmer is to be treated as agricultural income"- do you agree? Explain. 03
   (c) Mr. Abdur Rahim's agricultural income are from- Sale of paddy (200 mounds @ Tk. 600 per mound), Sale of Rabi crops Tk. 55,000, Share of lease Tk. 20,000. Mr. Abdur Rahim claimed the following expenses as allowable expenses against these incomes: 05

Expenses	Paddy	Rabi crops	Lease
Cost of seeds	25,000	8,000	2,000
Cost of fertilizer	12,000	3,000	-
Cultivation costs	18,000	1,500	-
Repair expenses	10,500	-	-

Mr. Abdur Rahim failed to provide proper books of accounts for Rabi crops relating to such expenses. Calculate income from agriculture for him.

3. (a) "VAT is an example of indirect tax, as it is ultimately borne by the final consumers."- Explain. 02
   (b) On February 2019, Walton company ltd: producesrefrigeratorof 500 pieces at cost of Tk. 20,000 per unit and sold 400 pieces to Ahmed Electronics-a wholesaler at a profit of 5%. Ahmed Electronics incurred a cost @ Tk. 1000 for maintenance and other expenses and added 10% profit to the price before selling these 400 pieces to Arif Brothers-a retailer. Arif Brothers also incurred a cost @ Tk. 500 for maintenance and added 15% profit to sell 300 piecesto the consumers. Compute VAT in each stage assuming a rate of VAT is 15%. 08

4. (a) Mention the persons who are liable to pay Zakat. 03
   (b) Depict the method of calculating Zakat. 03
   (c) If the tax system is replaced with zakat system in Bangladesh, show your argument whether or not this will bring a benefit to the society in particular and the country in general from the economic view? 04

5. Write note on the followings (any four) 2.5 ×4

(a) Bond washing transaction
(b) TDS
(c) Capital gains
(d) Tax and Zakat
(e) *Nisab*
(f) Zero coupon bond

6. Mr. Abdullah furnished the following particulars of his income in the income year 2017-2018. Considering all of these information, **calculate histotal income and tax liability** for the assessment year 2018-2019: 13 +7

Mr. Abdullah is an executive of a private firm and received basic salary following the pay scale of 45,000 -4,000×5 – 65,000. In the month of June 2018, he received basic salary of Tk. 49,000 and his annual salary increment date is on 1stJune. Moreover, he received house rent allowance Tk. 10,800 per month; Medical allowance Tk. 1,200 per month; Dearness allowance @ 5% of Basic salary. His employer provides him a car for full time use. He also received Tk. 950 per month as entertainment allowance out of which he spends Tk. 4000 during the year. He withdrawn two month' Basic salary in advance and contributes to Recognized Provident Fund (RPF) @ 10% of Basic salary and his employer also contributes the same amount.

Mr. Abdullah received interest from tax exempt securities Tk. 6,100; interest from taxable government securities Tk. 4,750 and interest from debentures Tk. 16,150. Bank charge collection fees of Tk. 1,350 against these total interest by the bank. Mr. Abdullah borrowed Tk. 5,000 @12% to finance investment in debentures.

He is the owner of a three storied building at Chittagong. He resides with his family in the 2nd floor, one flat in the ground floor is let out to a medical chamber and all other flats (in each floor there are two flats) are let out at a monthly rent of Tk. 9,000 per flat. The municipal value of the house is Tk. 6,75,000. The following expenses were incurred in the income year 2017-2018 for that house: Repair expenses Tk. 1,50,000; City corporation tax Tk. 1,200 per quarter; White wash expense Tk. 15,000; Insurance premium Tk. 3,000; Electricity Tk. 5000; Caretaker salary Tk. 2,000 per month (which was paid by the tenants); Land revenue paid Tk. 3,000; Mortgage loan paid Tk. 53,750 of which Tk. 3,750 is interest on loan; interest paid to HSBC Tk. 6,000. One floor was vacant for two and half months during the year.

He sold 20 maunds of paddy @ Tk 850 per maund and rubber of Tk. 20,000. He also earned from lease Tk. 10300.

His income from other sources are: Interest on Fixed deposit Tk. 12,420, Income from writing column in newspaper Tk. 500; Income from sale of forest timber Tk. 32,000; Income from dividend Tk. 27,000. Mr. Abdullah made and incurred investments and expenses during the year: Life insurance premium Tk. 30,000 (policy value Tk. 2,50,000); Purchase of shares from IPO Tk. 25,000; Donation to educational and religious institutions Tk. 8,000; Donation to Zakat fund Tk. 35,500; Donation to local club Tk. 9,000; Spent a sum of Tk. 15,000 as educational expenses of his children; Purchase of ICB certificate Tk. 20,000 and Contribution to Group insurance Tk. 2,000.