

# TAXATION IN NEPAL

## SYLLABUS

Course No. : MGT 312  
 Nature of the Course : Concentration Area (Account)

Full Marks: 100  
 Pass Marks :35

### Course objectives

The objectives of the course are to provide the students about knowledge of general principles and practices of tax laws in Nepal and develop in them basic skill required to work as tax officers or tax consultants in the private sector.

### Contents

#### Conceptual Foundation LH 3

- Meaning and objectives of tax • Classification of taxes • Canons of taxation

#### Taxation of Income in Nepal LH 4

- Historical background of evolution of income tax in Nepal • Features of Income Tax Act, 2058 • Income tax act and its relation with other laws: Constitution, Finance Act, Income Tax Rules, Provisional Tax Realization Act, Legal precedents established by court

#### Definition of Basic Terms LH 5

##### Income:

- Concepts, recurring and non-recurring, receipts and accrual, cash and in kinds, gross and net income
- Income year and assessment year • Other basic terms used in Income Tax Act

#### Tax Accounting and Timing LH 2

- Cash basis accounting • Accrual basis accounting
- Bad debts and its recovery • Long-term contract

#### Special Provision LH 2

- Natural Person • Entries • Retirement

#### Qualification, Allocation and Characterisation of Amounts LH 2

- Qualification • Allocation • Characterisation

#### Classification and Status of an Assesse (Tax Payer) LH 2

- Natural personal and entity • Resident and non-resident • Single and couple

#### Exemptions and Concessions LH 3

- Tax-exempt organization • Exempted amounts to individual and couple • Exemptions and concessions for business • Other exemption: including final deduction at source

#### Expenses Expressly Disallowed for Deduction LH 2

- Personal and domestic expenses • Income tax paid under this Act, fines and penalties • Expenses made

- for acquiring tax free income • Cash payment in excess of Rs. 50,000 at a time • Distribution of profits by an entity • Expenses not relating to earning of income • Capital expenditure and capital loss • Other expenditures not allowed

#### Reductions allowed while Computing Taxable Income LH 1

- Contribution to recognized refinement fund
- Contribution made to philanthropic works (Donation)

#### Capital and Revenue LH 2

- Capital and revenue income • Capital and revenue expenditure • Capital and revenue loss

#### Heads and Sources of Income LH 2

- Concept of heads of income • Classification of heads of income: Income from employment (Remuneration), Income from business profession, vocation, Income from investment, Sources of Incomes: Domestic and Foreign

#### Income from Employment (Remuneration) LH 2

- Concept of Employment (Remuneration) • Employer and employee relationship • Employment and self-employment • Computation of income from employment: Incomes included under the head of employment (remuneration), Pay, salary, wages, salary in lieu of leave, overtime pay, fees, commissions, prizes, gifts, bonus, and payment for other facilities including pension and perquisites, Allowances: dearness, personal, cost of living subsistence, rent entertainment, Transportation, Discharge or reimbursement of cost incurred by an individual or an associate of the individual for personal use, Payments made to an individual as per agreement under any conditions of the employment, Payments for redundancy or loss or termination of employment, Retirement contribution paid by the employer to a retirement fund in respect of employee, and retirement payments. Other payments made in respect of employment; Dashain Kharcha, Tihar Kharcha, reimbursement of personal and family expenses. Other amounts included under chapter 6 and 7 tax laws. Compensation received from the insurance company.

**Valuation of perquisites:**

- Vehicle provided for personal and official use
- Rent free accommodation for personal purpose
- Facilities provided by employer in the form of water, electricity, telephone
- Bills directly paid by employer
- Services paid by employer

**Other Incomes**

- Income received from third party on behalf of employer
- Income received from person other than employer
- Interest paid on soft loans
- Reductions allowed while computing assessable (Net) income from employment (remuneration): Contribution made to approved retirement fund: Provision fund and pension fund, • Citizen investment fund

**Amounts excluded while computing Income from employment (Remuneration):**

- Payment received after final tax deduction at source (Final withholdings) free meal or refreshment provided to all employees, • Reimbursement of cost incurred on discharge of official duty, • Payments in small amount

**Income from Business and Profession: LH 25**

- Method of computation net income from business, profession or vocation, Concept, Income included under the head of business, profession or vocation, Profit of gain from business, or profession and service fees, Disposal or sale of trading stock i.e. inventories, Net gain on disposal of business assets, Liabilities forgone, Gain on sale of depreciable assets used in business, Gift received from parties, Compensation received in restraint of business, Investment related income received from a person connected to business., Incomes are to be included under chapter 6 and 7 of IT Act 2058, (a) Income under chapter 6., Unpaid amount of outstanding expenses, Gain on exchange rate, Bad debts recovered, (b) Income under chapter 7, Compensation received against loss, Interest on bank account, Admissible expenses while computing net income from business and profession: General deduction, Interest, Cost of trading stock including under and over valuation of stock, Repair and improvement cost, Pollution control cost, Research and development cost, d cost, Business losses

**Income from Investments LH 15**

- Concept • Computation of income from investment
- Incomes included under the head, Dividend, interest, natural resource payment, rent, royalty, gain from investment insurance, gain from an unapproved retirement fund retirement payment made by an approved retirement fund, Net gains from the disposal of the non-business chargeable assets of the investment, Net gain on the disposal of depreciable assets of the investment, Gift received from parties,

Retirement contribution including those paid to a retirement fund excluded under the head employment, Compensation received in restraint of investment, Other amounts required to be included under chapter 6 and 7, Other incomes not included in any other head of incomes, Admissible expenses while computing net income from investment, General expenses, Interest, Depreciation, Investment loss

**Computation of Net (Assessable) Income,****Taxable Income and Assessment of Tax Liability LH 5**

- Statement of Total Income: Net (Assessable) income from employment, Net (Assessable) income from business, Net (Assessable) income from investment

Reduction allowed while computing total income: Contribution to recognized retirement fund, Donation/gifts to tax exempt organizations, Assessment of Tax liability, For natural resident person, Exemptions- Personal limit- remote area, life insurance, Tax rate, Medical tax credit, For non-natural person or entity

**Income from disposal of Non-Business Chargeable Assets LH 4**

- Assets included in NB chargeable assets
- Condition for disposal • Computation of gain or losses

**Set off Carry Forward of Losses LH 4**

- Set off carry forward of business losses • Set off of investment losses

**Assessment, Collection, Recovery and Refund of Tax LH 7**

- Filing of returns • Returns of income not required
- Extension of time to file return of income
- Assessment of tax, Self-assessment, Best judgment assessment (Jeopardy assessments), Amended assessment, Collections, Installment, Withholding (TDS), Presumptive, After assessment, Forced collection: Charge over of assets, Action on seized (charged) assets, Prohibition order for departure, Liability of tax from receiver, Recovery of tax from person owing money to tax debtor, Recovery of tax from agent of non-resident, Legal action against unpaid tax, Tax concession (Remission), Refund and adjustment of tax paid in advance

**Tax Administration: Tax Authorities and Their Powers, Rights and Duties LH 8**

- His Majesty's Government • Director General
- Deputy Director General • Chief Tax Administrator
- Director • Chief tax officer • Tax officer and other officers • Right and duties of assessment (Tax payer)
- Duties of other persons for tax deduction at source



**Penalties and Appeal** LH 3**House and Land Tax (Based on Local Self-Governance Act, 2055)** LH 10

- Concept of house and land tax • Origin of house and land tax in Nepal • Classification of house and land • Tax-exempt house and land • Valuation of house and land • Assessment of house and land tax • Rights and duties of property holder • Rights and duties of local governments relating to house and land tax • Collection, realization and refund of house and land tax • Penalties and appeal

**Value Added Tax (VAT)** LH 12

- Concept of VAT • Origin and evolution of VAT • Principles governing added income statement • Method of computation of VAT • Role of VAT • Method of collection, realization and refund of VAT • Method of keeping records of VAT • Comparative studies of sales tax, excise duties and VAT

**Basic Books:**

1. Lekhi, R.K. (2004), *Public Finance*, Kalyani Publishers, New Delhi.
2. Sudharam, K.P.M. and Andley, K. K. (1998), *Public Finance: Theory and Practice*, S. Chand and Company Ltd., New Delhi.

3. *Income Tax Act, 2058 with amendments*
4. *Income Tax Rules, 2059 with amendments*
5. *Local Self-Governance Act, 2056 with amendments*
6. *Local Self-Governance Rules, 2056 with amendments*
7. *Value Added Tax Act, 2052 with amendments*
8. *Value Added Tax Rules, 2053 with amendments*
9. *Finance Act*

**References**

1. Amatya, S.K., Dr. Pokharel, B.B., Dahal R.K., *Taxation in Nepal*, M.K. Publishers and Distributors, Kathmandu
2. Kandel P.R., *Tax Laws and Tax Planning in Nepal*, Buddha Academic Publishers and Distributors Pvt. Ltd. Kathmandu
3. Aryul, K.P. and Poudel S.P., *Nepal Ma Aaya Kar*, Bhundi Puran Prakashan, Kathmandu.
4. Kandel, P.R., *Nepal Ko Bartman Kar Byabastha*, Buddha Academic Publishers and Distributors Pvt. Ltd., Kathmandu.
5. Mallik, Bidhyadhar, *Nepal Ko Adhunik Aaya Kar Pranali*, Smt. Anita Mallik, Kathmandu
6. Rai, I.M. and Banskota N.P., *Nepal Ko Kar Pranali*, Kumari Pustak Prakashan, Kathmandu.
7. Shrestha, K.M. Sing & Pandey K.C., *Aaya Kar Ain 2058 Ek Parichaya*, Smt. Ratneswori Shrestha, Kathmandu.
8. Singh, S.K. (2004), *Public Finance in Theory and Practice*, S. Chand and Company Ltd. New Delhi.

**Model Question****Attempt all question:**

1. Define Tax. Describe its type giving suitable example. [2+3]
  2. State the meaning of canon of convenience with an appropriate example. [2+3]
  3. Enumerate the various expenses, which are expressly disallowed for deduction while computing the assessable (net) income of an assessee. [5]
- Or, Write any five rights of tax officer as laid down in Income Tax Act, 2058. [5]
4. A wholesaler purchased a rice cooker at an invoice price of Rs. 1,100. He incurred Rs. 100 on it as selling expenses and sold it to the retailer at 5% margin. The retailer sold the same to the consumer at a margin of 12% on selling price.

**Required:** (a) Value added by wholesaler and retailer (b) Value Added Tax at each stage of sale. [2+3]

5. Mr. Mohan, works as an Accountant in a private concern. He submitted the following statement of his income and expenditures for the previous year.
  - Salary Rs. 8,000 p.m.
  - Dahain Karcha Rs. 5,000
  - Local allowance 10% of his salary.
  - Medical bill reimbursed by the employer Rs. 5,000
  - Contribution to recognized provident fund from both side equally at 10%.
  - He purchased dress for his job of Rs. 1,000
  - Claimed Rs. 200 p.m. as transport expense to go to office and back.

**Required:** Assessable (net) income from employment.

6. Mr. Bimal Shrestha, a senior officer of a government owned organization, submitted the following particulars of his incomes and expenditures during the previous year.
  - Net salary including Dashain Kharcha after deducting provident fund and income tax deducted at source Rs. 1,61,500
  - Contribution to recognized provident fund Rs. 18,000

- Income tax deducted at source Rs. 15,500
- Dearness allowance Rs. 2,000 p.m.
- Saving from travelling and daily allowance Rs. 10,000
- Amount received after expiry of life insurance policy Rs. 1,80,000 (net)
- Education expenses paid by the employer 24,000
- Car facility provided by the employer
- Driver allowance provided by the employer Rs. 3,500 p.m. Actual amount paid to driver was Rs. 3,000 p.m.
- Telephone expenses paid by him Rs. 1,000 p.m. However telephone allowance provided by the employer was Rs. 1,500 p.m.
- Donation to renovate an old temple Rs. 4,500.

**Required:** (a) Assessable (net) income from employment. (b) Statement of taxable income (total income). (c) Tax liability. [5+2+1]

7. Dr. Ananta is a Professor in Central Department of Tribhuvan University. He was promoted to this post on 1st Mangsir 2056 at a salary scale of Rs. 14,000 - 400 - 15,600. Tribhuvan University follows the same rule applicable to HMG in respect of annual increment. Other details furnished by Dr. Ananta for the previous year are as follows:

- Chairmanship allowance Rs. 350 p.m.
- Paper setting remuneration 4 sets @ Rs. 425 per set (net)
- Examinership remuneration Rs. 7,650 (net)
- Meeting allowance @ Rs. 170 per meeting for 6 meetings (net)
- House facility with guard allowance of Rs. 4,000 p.m.

Dr. Ananta claimed the following expenses for deduction

- He is a member of recognized provident fund and contributes 10% of his salary. Employer also contributes an equal amount.
- He has appointed the guard by himself and has paid Rs. 3,000 per month as his salary.
- He donated Rs. 15,000 to University Teachers' Association.
- He purchased books of Rs. 8,000 for his professional use.

**Required:** (a) Assessable (net) income from employment. (b) Statement of taxable income (total income). [5+2]

8. Mr. Suman furnished the following particulars of his income for the previous year.

- Assessable (net) income from employment Rs. 175,000
- Assessable (net) income from business Rs. 85,000
- Assessable (net) income from investment Rs. 15,000

He claimed the following expenses for deduction

- Donation to Bir hospital Rs. 75,000
- Liability foregone by a creditor not included in above business income Rs. 10,000 [5]

**Required:** Tax liability of Mr. Suman.

9. What do you mean by 'Tax Payment in Installment.' State the provisions in this regard. [2+3]

OR What do you mean by threshold limit in value added tax? State the current provisions in this regard.

10. Mr. Kaphle is a permanent employee in government service and was posted outside the country as a representative of the government. He left Nepal on Falgun 30 of the previous year. He received US \$ 2,200 per month as foreign allowance of his own and US \$ 700 p.m. for his dependents. The exchange rate applicable for US \$ is Rs. 75 per dollar. He was drawing Rs. 10,500 per month as his salary while he was in Nepal.

**Required:** (a) His residential status (b) Taxable income. [2+3]

11. The following is the receipts and payment account of a musician for the previous year: [5+2]

Receipts	Rs.	Payments	Rs.
To Opening balance	1,50,000	By Purchase of car	2,00,000
To Fees for composition of lyrics	3,00,000	By Remuneration to the staff	1,50,000
To Fee for music direction	1,00,000	By Office rent	24,000
To Fee for music training	50,000	By Office rent	24,000



To Royalty from Radio Nepal	25,000	By Interest collection charge on money landing	500
To Income from agriculture	10,000	By Domestic expenses	30,000
To Interest on private money lending	30,000	By Collection charge on interest on securities	500
To Interest on taxable government securities	20,000	By Telephone charges	4,000
		By Electricity charges	4,000
		By Donation	20,000
		By Balance c/d	2,26,000
	6,85,000		6,85,000

**Required:** (a) Assessable net income from profession. (b) Statement of (total income).

12. Mr. Susan furnished the following particulars of his income and expenditures for the previous year:

• Interest on private money lending transactions	Rs. 50,000
• Interest on fixed deposit	Rs. 20,000
• Royalty from natural resources	Rs. 150,000
• Interest on non taxable government securities	Rs. 10,000
• Gifts from Mayos Noodle Consumption (net)	Rs. 150,000
• Dividend from foreign investment where there is no agreement to avoid double tax (net)	

Expenditures claimed:

- Expenses relating to natural resource Rs. 3,000
- Income tax paid in foreign investment Rs. 20,000
- Interest collection charges on lending transactions Rs. 2,000

**Required:**

- Assessable (net) income from investment.
- Tax liability.

[4+2]

13. Mr. Thapa has two houses in Kathmandu Metropolitan city. The details are as follows:

	1st House	2nd House
Mode of Construction	RCC frame structure	kiln bricks with mud mortar
Year of completion	Chaitra 30, 2054	Magh 15, 2040
Total area of house	3,000 sq. ft.	1,500 sq. ft.
Land and compound of house	2 ropani	1 ropani
Government valuation of land (for tax purpose)	30 lakhs per ropani	10 lakhs per ropani

**Required:** (a) Valuation of house and land. (b) Tax liability.

[5+2]

14. The following are the operating result of a company during the last 6 years.

Year	1	2	3	4	5	6
Profit/(Loss)	(50,000)	(60,000)	10,000	20,000	(30,000)	40,000

Company paid donation of Rs. 30,000 in the fifth year.

**Required:** Taxable income of the business giving explanation whenever necessary.

[5]

15. A company provided the following details about its fixed assets under group D.

• Depreciation base value of assets as on 1st Shrawan 2059	Rs. 10,00,000
• New addition of such asset on 1st Aswin costing	Rs. 2,00,000
• Further addition of new such item on 15 Baishak 2060 costing	Rs. 3,00,000
• Disposed of one of the assets having book value of Rs. 200,000 on 1st Shrawan, 2059 during the year at par.	

**Required:** (a) Amount of depreciation to be charged for the current year. (b) Depreciation base of asset at the year-end. (a) Tax liability

[3+2]

16. Given is the trading and profit and loss account of Mr. A, a trader for the previous year.

	Rs.		Rs.
To Opening stock	50,000	By Sales	800,000

To Purchases	4,50,000	By Closing stock	100,000
To Freight	20,000		
To Custom duty	30,000		
To Gross Profit c/d	350,000		
	<b>900,000</b>		<b>900,000</b>
To Salaries	300,000	By Gross profit b/d	350,000
To Office expenses	30,000	By Gains on sale of business assets	50,000
To Electrical charges	10,000	By Gain on sale of non business assets	30,000
To Telephone charges	10,000		
To Interest loan	2,000	To Prize received concerning to business	25,000
To Discount	3,000	By Amount received for accepting restrictions regarding business	300,000
To Donation to Pashupati Area Development Trust	1,00,000	By Gain on change in depreciation method	30,000
To Income tax paid in advance	20,000	By Bad debts recovered	20,000
		By Commission	10,000
To Bonus to staff	20,000		
To Depreciation	10,000		
To Bad debts	4,000		
To Pollution control cost	200,000		
To Advertisement	10,000		
To Travelling and daily expense	5,000		
To Net profit c/d	91,000		
	<b>8,15,000</b>		<b>8,15,000</b>

**Additional information:**

- Office expenses include Rs. 5,000 spent by the proprietor to purchase stationery for his children.
- 20% of the telephone charge paid for his personal use.
- Half of electrical charges was related to his residential house.
- Depreciation charged as per rule on depreciated base value of asset.
- Loan taken to the extent of 50% was used for his personal purpose.
- Bad debts was not allowed by tax office for deduction due to lack of evidence.
- Travelling and daily allowance was paid as per the rule, however the staff had spent only Rs. 4,000.
- Half to the bad debts recovered was allowed previously.
- The cost price of closing stock was Rs. 100,000 but the market price was Rs. 80,000.

**Required:** (a) Assessable (net) income from business. (b) Assessable (net) income from investment (c) Statement of taxable income (total income) [16]

**OR** Mr. Shah is a practicing lawyer. He keeps his books of account on cash basis, and his summarized receipts and payments account for the previous year is given below:

**Receipts and Payments Account**

Receipts	Rs.	Payments	Rs.
To Balance b/d	20,000	By Salaries to staffs	2,20,000
To Consultancy fees	300,000	By Rent of office	80,000
To Legal fees	200,000	By Entertainment expenses	5,000
To Directors fees (net)	30,000	By Furniture purchased	30,000
To Dividends from resident company	20,000	By Office expenses	70,000
To Loan from bank	200,000	By Income Tax paid in advance	10,000
To Lottery income (net)	50,000	By Car expenses	40,000
To Agriculture income	40,000	By Interest on loan	35,000
To Gain on sale of land	75,000	By Domestic expenses	150,000
To Interest received on taxable govt. securities (net)	5,000	By Commission	50,000

To Miscellaneous income	55,000	By General repair	20,000
		To Donation to political party (registered)	100,000
		To Balance c/d	185,000
	995,000		995,000

**Additional information:**

- Domestic expenses include Rs. 10,000 tuition fee paid for his son and Rs. 10,000 paid for stationery for office.
- Interest was paid to bank. Loan was taken for professional purpose and was used on it.
- Lawyer had received a special commission of Rs. 25,000 from the client but had not shown in the account.
- Life insurance premium of Rs. 10,000 was charged to office expense.
- Charge depreciation on furniture as per rule.

**Required:** (a) Assessable (net) income from profession. (b) Assessable (net) income from investment. (c) Statement of taxable (total) income. (d) Tax liability. [8+2+3+2]

**NB:** Note that this is not the final shape of question paper. Weight contained can vary where necessary.

**1. CONCEPTUAL FOUNDATION**

- 2069 Q.No. 1**  
Define 'Tax'. Give three objectives of taxation. [2+3]
- 2068 Q.No. 1**  
Describe briefly the importance of tax to the government. Also state the types of tax with suitable examples. [3+2]
- 2068 Q.No. 3**  
Explain with suitable examples the canon of equality. [5]
- 2067 Q.No. 3**  
Describe in brief the canon of diversity with appropriate example. [3+2]
- 2066 Q.No. 1**  
Define the term tax. Explain its types with suitable examples. [5]
- 2066 Q.No. 2**  
Describe, in short, the objectives of Income Tax Act, 2058. [5]
- 2066 Q.No. 3 OR**  
Explain in short the canons of economy and neutrality in taxation. [5]
- 2065 Q.No. 1**  
Define indirect tax. Give three examples of indirect tax. [5]
- 2065 Q.No. 2**  
Describe in short the objectives of taxation. [5]
- 2065 Q.No. 3 OR**  
Describe in short the canons of Equity and Elasticity in taxation. [5]
- 2064 Q.No. 1**  
What are the different types of tax? Briefly explain with examples. [5]
- 2064 (Old) Q.No. 4**  
What do you mean by canon of economy? Write in brief with suitable example. [3+2]
- 2063 Q. No. 1**  
Write, in short, the objectives of taxation. 5
- 2062 (C) Q.No. 1**  
Define 'Indirect Tax' give three examples of indirect tax. [2+3]
- 2061 (C) Q. No. 1**  
Give the concept of 'Canon of Equality' with a suitable illustration. [5]



16. 2061 (F) Q. No. 1  
Write in short the objectives of tax. [5]
17. 2061 (F) Q. No. 2  
Explain any two cannons of taxation with appropriate examples. [5]
18. 2060 (C) Q. No. 1  
What are the various types of tax? Explain with examples. [5]
19. 2060 (F) Q. No. 1  
State the meaning of direct tax clearly. Give three examples of such tax. [2+3]
20. 2059 (C) Q. No. 1 OR  
Define 'Indirect Tax'. Give three examples of indirect tax. [2+3]
21. 2059 (F) Q. No. 1  
What do you understand by 'Cannon of Equity'? Give an appropriate example. [5]
22. 2058 (C) Q. No. 1  
Briefly explain different classes of tax. [5]
23. 2058 (F) Q. No. 1  
What do you know about Cannon of Taxation? [5]
24. 2056 (F) Q. No. 1  
Define the term tax. State its objects. [2+3]

## 2. TAXATION OF INCOME IN NEPAL

1. 2067 Q.No. 1  
Define the term 'Non-business Assets' under Income Tax Act 2058 with example. [3+2]
2. 2067 Q.No. 2  
Enumerate any five features of Income Tax Act 2058. [5]
3. 2063 Q. No. 2  
Write, in brief, the relation of Income Tax Act with Finance Act. 5
4. 2062 (C) Q.No. 2  
Write short notes with example where necessary:  
a. Medical tax credit  
b. Assessment year [2.5+2.5]
5. 2062 (F) Q.No. 2  
Write in brief any five features of Nepal Income Tax Act. [5]
6. 2061 (C) Q. No. 2  
State in brief how the term 'Natural Resource Payment' is defined in Income Tax Act, 2058. [5]
7. 2061 (F) Q. No. 3  
Write in short, any five features of Income Tax Act, 2058. [5]
8. 2059 (F) Q. No. 1 OR  
Write in brief the provisions relating to 'Double Taxation'. [5]
9. 2058 (C) Q. No. 1 OR  
Give the basic differences between income tax act and finance act [5]
10. 2058 (F) Q. No. 1 OR  
Briefly explain the evolution of Income Tax in Nepal. [5]
11. 2057 (F) Q. No. 1  
What are the basic difference between Income Tax Act and Finance Act? Also state their inter-relationship. [3+2]
12. 2056 (C) Q. No. 1  
What are the different sources of incomes that fall under income Tax Act? Explain each source, in brief. [5]
13. 2056 (F) Q. No. 1 OR  
Briefly explain the features of Income Tax Law of Nepal. [5]



### 3. EXEMPT AMOUNTS, CONCESSIONS, TAX RATES AND WITHHOLDING PAYMENTS

1. 2069 Q.No. 3  
Enumerate any five tax exempt amounts under Income Tax Act (section: 10). [5]
2. 2066 Q.No. 3  
Write in short, the tax exempt amounts under the section 10 of Income Tax Act, 2058. [5]
3. 2064 (Old) Q.No. 2  
List out the tax exempt incomes as stated in IT Act, 2058. [5]
4. 2063 Q. No. 3  
Give the concept of withholding of tax (tax deducting at source). Write any five final withholding payments on prescribed in prevailing Income tax Act. 5
5. 2062 (F) Q.No. 3 OR  
Explain in brief the incomes exempted from tax. [5]
6. 2061 (F) Q. No. 3 OR  
Write in short the tax exempted incomes under Income Tax Act, 2058. [5]
7. 2059 (F) Q. No. 13  
State any five tax exempted income under section 42 of Income Tax Act. [5]
8. 2056 (F) Q. No. 2  
What is the basic concept of exemption in tax law? Give five items of income, which are exempted from tax relating to ministers. [3+2]

### 4. DEDUCTIONS NOT ALLOWED

1. 2069 Q.No. 2  
Write short notes with example where necessary: [2.5+2.5]
  - a. Previous year
  - b. Tax deduction at source
2. 2065 Q.No. 3  
Enumerate expenses which are expressly disallowed as deduction while calculating net assessable income of an assessee. [5]
3. 2064 Q.No. 2  
Describe any five expenses which are not allowed to deduct while computing net (assessable) income. [5]
4. 2061 (C) Q. No. 3OR  
State the various expenses which are expressly disallowed for deduction while computing net (assessable) income of an assessee. [5]
5. 2060 (F) Q. No. 3  
Give the meaning of 'Deduction of Tax at Source'. State the consequences for not complying of this provision. [3+2]
6. 2059 (C) Q. No. 3  
Write any five inadmissible expenses while computing net income from business. [5]
7. 2058 (C) Q. No. 12 OR  
Explain briefly the previous relating to deduction of tax at source. [5]
8. 2057 (C) Q. No. 2  
What do you mean by 'Tax Deduction at Source'? What are the provisions in the Act regarding tax deduction at source? [2+3]
9. 2057 (F) Q. No. 1 OR  
Explain in brief any five expenses which are expressly disallowed by income tax Act for deduction. [5]

**10. 2057 (F) Q. No. 6**

What do you mean by 'Deduction of Tax at Source'? Why and employer prefers to deduct tax at source? Write about the consequences of not deducting tax at source. [2+1+2]

**5. TAX ACCOUNTING AND TIMING**

N/A

**6. QUANTIFICATION, ALLOCATION AND CHARACTERIZATION OF AMOUNTS**

N/A

**7. CAPITAL AND REVENUE**

N/A

**8. INCOME FROM EMPLOYMENT****THEORETICAL QUESTIONS****1. 2064 Q.No. 3**

Explain the provisions regarding the contribution to an approved retirement fund. [5]

**NUMERICAL PROBLEMS****2. 2069 Q.No. 5**

Mr. Prem is an Under-Secretary of Nepal Government furnished the following particulars of his income for the previous year:

- Salary Rs. 11,000 p.m.
- Chief of the office allowance Rs. 2,000 p.m.
- Dearness allowance 10% of salary.
- He is a member of provident fund.
- He has received Dasain Bonus and car facility from the employer.
- During the year he purchased journals of Rs. 5,000.

**Required:** Net (Assessable) Income from Employment. [5]

**3. 2069 Q.No. 6**

Given below is the income and expenditure statement of Miss Gurung, a Chief Administrative Officer of a NGO, for the previous income year:

- Net salary received (after deduction of tax at source and provident fund) including Dashain allowance of Rs. 285,000.
- Income tax deducted at source Rs. 10,000.
- Her own contribution to the provident fund is Rs. 30,000. Employer's has also contributed an equal amount.
- Project allowance 10% of salary.
- Meeting allowance Rs. 8,500 after TDS.
- She has paid life insurance premium of Rs. 12,000 on a policy worth Rs. 150,000. House rent paid by her was Rs. 60,000.
- During the year she received interest from bank deposit Rs. 47,000 and pension from previous employer Rs. 75,000.

**Required:** (1) Net (Assessable) Income from Employment. (2) Tax liability [6+2]

**4. 2069 Q.No. 7**

Mr. A joined a private firm as an Assistant Financial Director on 1<sup>st</sup> Shrawan 2059 at a pay scale of Rs. 12,000 - 1200 - 24000. He submits following details for the previous income year:

- Bonus equal to two months basic salary.
- Medical allowance 5% of salary.
- Dasain Bonus equal to one month salary.



- d. A domestic servant @ Rs. 1,000 p.m. is provided for his domestic service.  
 e. He is also provided with a rent free accommodation for which the firm pays Rs. 3,000 p.m. as rent to the owner.  
 f. He has contributed 10% of salary towards an unrecognized provident fund and the firm has also contributed an equal amount.  
 g. His other income for the same period are:  
 i. Income from writing articles Rs. 10,000 (Net).  
 ii. Royalty from writing books Rs. 60,000.  
 h. He has claimed donation to Nepal Sports Council Rs. 15,000 and transportation expenses Rs. 7,000 for deduction.

**Required:**

- ① Net (Assessable) Income from Employment.  
 ② Statement of Total Taxable Income

[5+2]

**5. 2069 Q.No. 8**

Mrs. Binita, a lecturer of Law Campus furnished the following particulars of her income for the previous year:

a. Net (Assessable) Income from employment	Rs. 130,000
b. Net (Assessable) Income from Profession	Rs. 180,000
c. Net (Assessable) Income from Investment	Rs. 30,000

She disclosed the following additional information:

- a. Examinership remuneration Rs. 6,000 and bad debts recovered from clients Rs. 20,000 are not included in above particulars.  
 b. Donation given to a public campus Rs. 15,000 and depreciation on assets used in profession Rs. 10,000 are not adjusted in above income.

**Required:** Statement of Total taxable Income.

[5]

**6. 2068 Q.No. 5**

Mr. Tibrewala, an employee of a business firm has submitted the following incomes and expenditures for the previous year:

Salary	Rs. 15,000 p.m.
Dearness allowance	Rs. 5,000 p.m.
Dashain Kharcha	Rs. 1,000 p.m.
Tuition fee for his children paid by the employer	Rs. 1,000 p.m.
He is member of a recognized provident fund.	
He paid life insurance premium of Rs. 16,000 for the insured sum of Rs. 200,000.	
He has claimed domestic expenses of Rs. 12,000 and transportation expense of Rs. 15,000.	

**Required:** (a) Net assessable Income from employment

[5]

**7. 2068 Q.No. 6**

Mr. Lama, an Inspector of Police, in Nepal Government, disclosed the following details of his incomes and expenditures of the previous year.

- Salary Rs. 9,500 p.m.
- Meeting allowance @ Rs. 340 per meeting for 30 meetings (TDS)
- Vehicle facility for official and personal purpose
- Savings from TADA Rs. 3,000. TADA was paid as per the government provision.
- Free lunch facility of Rs. 50 per lunch for 30 days on an average.  
It was provided by the government to all employees equally irrespective of their official position.
- Dashain allowance equal to one month salary.
- His contribution towards recognized provident fund was 10% of salary. Employer also contributed equally.
- Mr. Lama took his voluntary retirement on 1<sup>st</sup> Baishak of the previous year. He was drawing Rs. 7,500 monthly pension since his retirement date.

- Mr. Lama donated Rs. 10,000 to a cricket club of his locality. Club is registered in government office.

**Required:** (a) Net (Assessable) Income from Employment (b) Statement of Total Taxable Income

[5+2]

**8. 2068 Q.No. 7**

Mr. Tamang, a senior officer of a corporation, submitted the following details of his incomes and expenditures for the previous year:

- Net salary, (after deducting provident fund, income tax deducted at source including dashain allowance) Rs. 209,500.
  - His contribution to Recognised Provident Fund was Rs. 24,000.
  - Tax deducted at source Rs. 26,500.
  - He was receiving business promotion allowance of Rs. 1,500 per month.
- Other facilities provided by the employer were.

- House facility
- Car facility
- Insurance premium paid by the employer Rs. 4,000 actual premium Rs. 15,000 on a policy of Rs. 200,000 on his own life.
- Dashain allowance equal to one month's salary.
- Employer also contributed 10% of the salary to the Recognised Provident Fund.
- Telephone facility for both official and private purpose. Average monthly bill paid by the employer was Rs. 1,500. Telephone was used at 3 : 2 ratio on his official and private work respectively.

He donated Rs. 15,000 to a tax exempt organization.

**Required:** (a) Net (Assessable) Income from Employment (b) Statement of total Income (c) Tax liabilities

[5+2+1=8]

**9. 2067 Q.No. 5**

Mr. Mahesh an employee of a private firm furnished the following details of his income and expenditure during the income year:

- Annual salary including Dasain Kharcha (equal to one month salary)-Rs. 156,000.
- Contribution to a recognised provident fund from both side - 10%.
- Clothing allowance - Rs. 1,000 p.m.
- Dearness allowance - Rs.4,000 p.m.

Expenses claimed

- Food and clothing expenses - Rs.7,500.
- Medical expenses for his wife - Rs. 15,000.

**Required:** Assessable Income from employment

[5]

**10. 2067 Q.No. 6**

Mrs. Arati joined a government job as on 1st Shrawan 2059 at a scale of Rs.12,500 - 500 - 17,000 - EB - 1,000 - 20,000. Others details of her income and expenditure for the relevant income year are as follows:

- Travelling and daily allowance - Rs.5,000.
- Medical bill reimbursed by the office - Rs.20,000.
- Car facility along with driver and fuel.
- Driver salary Rs.4,000 per month paid by the employer.
- Interest on fixed deposit - Rs. 19,000.
- Interest from unorganised sector - Rs.30,000 (gross)
- House rent allowance - Rs.3,000 per month.
- During the year, she has donated Rs.5,000 to the poor students.
- Life insurance premium - Rs. 10,000 (insured sum Rs.200,000)
- Income from natural resource - Rs.34,000 (net).

**Required:** (a) Assessable income from employment (b) Statement of total taxable income (c) Tax liability

[5+2+1=8]



**11. 2067 Q.No. 7**

Mr. Gyan Gurung an employee of a Joint Venture Bank submitted the following details of his income and expenditure for the previous income year:

- Net salary after deduction of tax at source and his contribution to the recognised provident fund @ 10% of his salary Rs.215,250.
- Tax deducted at source - Rs.22,350.
- Dasain Kharcha - Rs.25,000.
- Bank has provided house facility without guard,
- Emergency medical treatment paid by the Bank - Rs.500.
- Local allowance - Rs.3,000 p.m.

Expenses claimed

- Domestic expenses - Rs.80,000.
- Education expenses - Rs.50,000.

**Required:** (a) Assessable Income from employment (b) Statement of Total taxable income [5+2]

**12. 2066 Q.No. 5**

Mr. Lama, an employee of a trading concern, has submitted his following incomes and expenditures for the previous year.

- Salary Rs. 15,000 p.m.
- Entertainment allowance Rs. 1,200 p.m.
- Vehicle allowance Rs. 500 p.m.
- Dashain expenses Rs. 8,000
- Employer's contribution to unrecognized provident fund 10% of annual salary.
- He has claimed for books purchased of Rs. 10,000.
- Medical treatment expenses of his brother paid by him were Rs. 5,000.
- Life insurance premium of Rs. 7,000 was also paid by him on the life policy amount of Rs. 200,000.

**Required:** Net (Assessable) Income from Employment. [5]

**13. 2066 Q.No. 6**

Mr. Sherpa is working in a government office as a civil servant since last six years on pay scale of Rs. 14,000-300-16,700. The other details of his incomes and expenditures of the previous year are listed below:

- Dearness allowance 20% of his annual salary
- Accommodation facility provided by the office with free of cost, but rent paid by the office of Rs. 5,000 p.m.
- Water and telephone charges of Rs. 500 p.m. and 1,000 p.m. respectively were paid by employer on behalf of Mr. Sherpa.
- He is a member of recognized provident fund. He and his employer contributed 10% each towards its.
- Education expenses of his son paid by the employer of Rs. 12,000.
- Salary of three months received in advance (current year).
- Life insurance premium of Rs. 3,000 paid by his employer (on a policy amount of Rs. 100,000).
- He had received natural resources payment of Rs. 102,000 (after TDS).
- He had donated of Rs. 4,000 to a local club of his locality.
- He had opted single for the submission of his return of income.

**Required:**

(a) Net (Assessable) Income from Employment (b) Statement of Total Taxable Income [5+2]

**14. 2066 Q.No. 7**

Mr. Rai, an employee of a government owned organization, had submitted the following incomes and expenditures for the previous year.

- Net salary, including dashain expenses of Rs. 17,000, received was (after deducting amount contributed to provident fund and income tax deducted at source) of Rs. 188,900.
  - Amount contributed to recognized provident fund Rs. 22,100.
  - Amount of income tax deducted at source of Rs. 10,000.
  - Bonus provided by the employer equal to two months salary.
  - House rent allowance Rs. 1,500 p.m.
  - Mr. Rai enjoyed a car facility and used equally for official and private purpose. The fuel expenses of Rs. 10,000 and driver's salary per month of Rs. 5,000 was provided by the office.
  - Dividend received from resident company of Rs. 47,500 (net)
  - Interest received from private loan of Rs. 20,000.
  - He was also provided a loan of Rs. 250,000 at a concessional rate of 5% p.a. by the office. But the prevailing market rate of interest is 10% p.a.
  - He received director fees and meeting allowance of Rs. 42,500 (Net).
- He has claimed the following expenses for deduction:
- Periodicals of Rs. 10,000
  - Life insurance premium of Rs. 5,000.
  - Dividend collection charges of Rs. 1,000.
  - Donation to a government school of Rs. 10,000.
  - Transportation expenses of Rs. 300 p.m.
  - Legal expenses incurred for arranging loan from the employer of Rs. 500.

**Required:** (a) Net (Assessable) Income from Employment (b) Statement of Total Taxable Income. [5+3]

**15. 2065 Q.No. 5**

Mr. Karki is an employee of a company. He had furnished the following particulars of his incomes and expenditures for the previous year.

- Salary Rs. 12,500 p.m.
- Dearness allowance 25% of his salary income
- Transportation allowance Rs. 500 p.m.
- House rent allowance Rs. 1,000 p.m.
- Dashain allowance equal to one month's salary
- He is a member of recognized provident fund and has contributed 10% of his salary.
- He had claimed for periodicals expenses of Rs. 500 p.m.
- Education expense of his son paid by him was Rs. 1,500 p.m.

**Required:** Net (Assessable) income from employment. [5]

**16. 2065 Q.No. 6**

Mr. Gautam an employee of government office was appointed on 1st Shrawan 2058 with a pay scale of Rs. 12,000- 500-1700. The other particulars of his incomes and expenditures of previous year are given below:

- Entertainment allowance Rs. 500 p.m.
- Dearness allowance Rs. 800 p.m.
- Vehicle allowance Rs. 1500 p.m.
- Residential facility provided by the office
- House keeper's salary provided by office Rs. 3,000 p.m.
- Life insurance premium of Rs. 5,000 paid by employer (on a policy of Rs. 150,000)
- Telephone and electricity bill of Rs. 1000 p.m. and 1500 p.m. respectively were paid by the office.
- Approved medical expenses spent by him of Rs. 15,000
- Overtime payment made by his office was Rs. 10,000
- Remote area allowance Rs. 2500 p.m.
- He is a member of recognized provident fund.
- His office is located at Zone B



• He had donated Rs. 10,000 to an approved tax exempt organization during the income year.

**Required:** (a) Net (Assessable) Income from Employment [5]

(b) Statement of Total taxable income [2]

**17. 2065 Q.No. 7**

Mr. Adhikari an employee of a private company had submitted the following details of his incomes for the pervious year.

- Net salary received Rs. 2,04,000
- Contribution to provident fund 10% of salary and an equal amount was contributed by the employer.
- Income tax deducted at source was Rs. 22,800
- House rent allowance at Rs. 2500 p.m.
- Life insurance premium paid by employer of Rs. 7000 (on a policy amount of Rs. 180,000)
- Vehicle facility provided by the office and used for private and official purpose equally.
- Business promotion allowance Rs. 50,000
- During the year he has not received Dashain allowance
- Meeting allowance Rs. 60,000 (Net)
- Remote area allowance Rs. 2,000 p.m.
- Company provided him the accommodation facility free of cost but company paid rent of Rs. 4,000 p.m.
- He received interest from private investment Rs. 150,000
- Payment received from natural resources Rs. 110,500 after TDS.

He claimed the following expenses for deduction:

- Education expenses of his son of Rs. 1,500 p.m.
- Transportation expenses of Rs. 300 p.m.
- House rent paid for his residence of Rs. 3,000 p.m.
- Donation to a public school of Rs. 5,000.
- Interest collection charges of Rs. 4,000
- He is working at 'C' Zone.

**Required:** (a) Net (assessable) income from employment [5]

(b) Statement of Total taxable income. [3]

**18. 2064 Q.No. 5**

Mr. Thapa is a senior administrative officer in a company. He furnished the following particulars of his income for the previous year.

- a. Salary Rs. 20,000 p.m.
- b. Dearness allowance 10% of salary
- c. House rent allowance Rs. 3,000 p.m.
- d. Bonus equal to one months salary
- e. Vehicle facility is provided by the employer.
- f. Dashain expenses allowance as per government's rules.
- g. Contribution to recognised provident fund 10% of salary.

**Required:** Net (assessable) income from employment. [5]

**19. 2064 Q.No. 6**

Mrs. Karki is a school teacher, submitted the following particulars of her income and expenditure during the previous year.

- a. Net salary received Rs. 108,000.
- b. Income tax deducted at source Rs. 5,400.
- c. Contribution to the provident fund Rs. 12,600 and an equal amount was contributed by the employer.
- d. The school has provided housing facility to her family.
- e. Reimbursement of her medical bills from the school Rs. 10,000.
- f. Examinership remuneration from the SLC Board Rs. 10,200.
- g. Interest from lending money to private parties Rs. 68,000 (after TDS).

- h. Dashain expenses allowance from employer equal to one months salary.  
 i. Donation to district hospital Rs. 7,000.

**Required:** (a) Net (assessable) income from employment. (b) Statement of total taxable income (c) Tax liability. [4 + 2 + 1]

**20. 2064 Q.No. 7**

Dr. Devkota joined a nursing home as a medical officer on 1st Shrawan 2053 at a pay scale of Rs. 20,000 - 500 - 23,000 - EB - 700 - 30,000 plus non-practising allowance 20 percent of starting salary. The nursing home is located at remote area - 'D'. He has submitted the following details of his income for the previous year.

- i. Remote area allowance 25 percent of salary
- ii. Dashain expenses allowance equal to one month salary.
- iii. His life insurance premium paid by the employer- Rs. 12,000 for the insured sum of Rs. 200,000.
- iv. Scholarship provided by the employer to his son equal to 20 percent of salary.
- v. House rent provided by the employer Rs. 5,000 p.m. but he spent Rs. 6,000 p.m. for this purpose.
- vi. Stationery bill of his daughter paid by employer Rs. 500.
- vii. Contribution to recognized provident fund 10% of salary.
- viii. During the previous year the employer had sent him to Kathmandu to attend a short term seminar. For this purpose he was provided with travelling and daily allowance Rs. 30,000.
- ix. Royalty income from natural resources Rs. 70,000.
- x. Scholarship provided by Indian Embassy to his daughter Rs. 60,000.

**Required:** (a) Net (assessable) income from employment. (b) Statement of total taxable income. (c) Tax liability. [5+1+2]

**21. 2064 (Old) Q.No. 6**

Mr. B is an employee of a private firm. He submitted the following details of his incomes and expenditures for the previous year:

- Salary Rs. 10,000 p.m.
- Dashain kharcha allowance equal to 15 days salary
- Local allowance Rs. 1,500 p.m.
- House facility is provided by the employer.
- A guard has been appointed in his resident by the employer, whose salary was Rs. 4,000 per month in the previous year.
- Donation of Rs. 5,000 was paid to a tax exempt organization.

**Required:** (a) Net (assessable) income from employment. (b) Statement of total taxable income. [3 + 2]

**22. 2064 (Old) Q.No. 7**

Mr. R, a Dy. General manager of a government corporation, submitted the following details of his income and expenditures for the previous year.

- Net salary, after deducting provident fund and income tax source including Dashain Kharcha Rs. 170,350.
- Contribution to the provident fund Rs. 19,200
- Local allowance Rs. 1,500 p.m.
- House rent allowance Rs. 2,000 p.m. but the actual rent paid by him was Rs. 10,000.
- Meeting allowance Rs. 360 (net) per meeting for 30 meetings.
- Car facility provided by the employer for both official and private use.
- Employer had paid guard allowance of Rs. 6,000 p.m. where his own contribution was 40% only.
- Mr. R has insured his life on a policy amount of Rs. 200,000. The monthly premium of Rs. 1,000 is being paid equally by the employer and employee.
- He is a member of Recognized Provident Fund and contributes 10% of his salary. Employer also contributes equally.



- Donation to Pashupati Development Trust Rs. 25,000, and Nepal Cricket Association Rs. 10,000.
- Income tax paid in advance Rs. 18,450.
- He received royalty from the publisher for his two books after TDS Rs. 170,000.

**Required:** (a) Net (assessable) income from employment. (b) Net (assessable) income from investment (c) Statement of total taxable income. [5+2+1]

**23. 2064 (Old) Q.No. 8**

Mr. S, a Senior Accountant in government office of Nepal, submitted the following details of his incomes for the previous year:

- Salary Rs. 12,000 p.m.
- Accountant allowance Rs. 1,000 p.m.
- Dashain kharcha Rs. 12,000
- Employer's contribution to provident fund 10%. His own contribution also 10%.
- Interest on fixed deposit Rs. 9,400 was credited in his bank account.
- Interest on private money lending (net) Rs. 8,500.
- He is a law graduate, and frequently handled law cases. He earned Rs. 100,000 from legal practices.

His claims for deduction were:

- Vehicle expenses Rs. 5,000, where Rs. 2,000 was for professional purpose.
- Stationeries Rs. 1,500 for profession.
- Life insurance premium of Rs. 6,000 on a policy of Rs. 100,000 on his own life.

**Required:** (a) Net (assessable) income from employment (b) Net (assessable) income from profession. (c) Statement of total taxable income. [5+1+1]

**24. 2063 Q. No. 5**

Mr. Sharma is working as an employee of a business firm. He submitted the following incomes and expenditures for the previous year.

- Salary Rs. 8,500 p.m.
- Entertainment allowance Rs. 300 p.m.
- Transportation allowance Rs. 1,000 p.m.
- Dashain allowance provided by employer equal to one month salary
- Employer's contribution to recognised provident fund 10% of his salary.
- Electricity bill of employee paid by employer by Rs. 400 p.m.
- He claimed Rs. 250 p.m. as transportation expenses.

**Required:** Net (assessable) income from employment [5]

**25. 2063 Q. No. 6**

Mr. Rajan, a government employee, promoted to a post of Section Officer on 1<sup>st</sup> Shrawan 2055 with pay scale of Rs. 10,000 - 400 - 13,200. The other particulars of his incomes and expenditures of previous year are listed below:

- Dearness allowance Rs. 1,600 p.m.
- Entertainment allowance Rs. 700 p.m.
- Vehicle allowance Rs. 1,200 p.m.
- A helper was provided in his resident by the employer with a salary of Rs. 3,500 p.m.
- Accommodation facility provided by the office
- Life Insurance Premium of Rs. 10,000 paid by employer (on a policy of Rs. 200,000)
- Electricity and telephone bill each of Rs. 500 p.m. were also paid by the office on his behalf.
- Medical allowance Rs. 50,000
- Overtime payment Rs. 25,000
- Remote area allowance Rs. 2,000 p.m.

He claimed the following expenses for deduction:

- ◆ Contribution to recognised provident fund.
- ◆ Half of electricity and telephone bill was used for his office.

- ◆ His office is situated at Zone C.
- ◆ He had donated Rs. 10,000 to an approved organization during the income year.

**Required:** (a) Net (assessable) income from employment (b) Statement of Total Taxable Income [5+3]

**26. 2063 Q. No. 7**

Mr. Gopal, a math teacher, was working in a private school. He had terminated his job on 30<sup>th</sup> Ashwin of previous year. He was receiving the following incomes from the school.

- Salary Rs. 6,000 p.m.
- Salary for extra classes 30% of monthly salary
- Dearness allowance Rs. 1,000 p.m.
- Wardenship allowance Rs. 3,000 p.m.
- School's contribution to unrecognised provident fund was 10% of his salary.
- Amount received for accumulated home and sick leave Rs. 170,000 (Net).

On 1<sup>st</sup> Marga of previous year he joined Butwal Multiple Campus at a pay scale of Rs. 10,200. The other particulars of his salary income for the previous year are given below:

- Chairman allowance Rs. 350
- Campus provided quarter facility free of cost.
- Campus has provided a guard in his quarter with monthly salary of Rs. 5,000, where Mr. Gopal's contribution was Rs. 3,000 p.m.
- Examinership and questions setting remuneration of Rs. 10,000.
- Newspaper and academic allowance Rs. 350 p.m.

He claimed following expenses for deduction:

- He contributed to recognised provident fund 10% of his salary and equal amount was contributed by the campus.
- Donation to Pashupati Area Development Trust Rs. 50,000
- Life insurance premium of Rs. 7,000 on a policy amount of Rs. 170,000.

**Required:** (a) Net (assessable) income from employment (b) Statement of Total Taxable Income 6+2

**27. 2062 (C) Q.No. 5**

Mr. Narayan an employer of a trading company furnished the following particulars of his incomes for the previous year:

- a. Salary Rs. 10,000 p.m.
- b. Electricity bill paid by the employer Rs. 5,000.
- c. Dashain Kharcha Rs 7,000.
- d. Telephone bill paid by the employer Rs. 400
- e. Entertainment allowance 15% of his salary.
- f. He and his employer each contributed to provident fund @ 10% of salary.
- g. He purchased books for his job of Rs. 2,000.

**Required:** Net (assessable) income from employment. [5]

**28. 2062 (C) Q.No. 6**

Mr. Khanal is a joint Secretary of HMG. He submitted the following particulars of his incomes and expenditures during the previous year.

- a. Net salary received Rs. 120,000.
- b. Dearness allowance 10% of salary.
- c. Contribution to the provident fund (own) Rs. 14,000.
- d. Income tax deducted at source Rs. 6,000.
- e. House rent allowance Rs. 10,000 p.a. (But he has paid rent of Rs. 1000 p.a.)
- f. Car facility provided by the employer for both official and private use. For this the employer has expended Rs. 5,000.
- g. Education expenses for his son paid by the employer Rs. 8,000
- h. Salary received in advance Rs. 28,000.
- i. Life insurance premium paid by Mr. Khanal on his own life policy of Rs. 200,000 Rs. 15,000.



- j. He received royalty from Natural Resources of Rs. 85,000 after TDS.  
 k. Donation to Tribhuvan University Rs. 10,000.  
**Required:** (a) Net (assessable) income from employment (b) Statement of Total Taxable Income. (c) Tax liability (ignore special fee of 1.5%) [5+2+1]

**29. 2062 (C) Q.No. 7**

Mr. Pathak is a senior accountant of a government owned organization located at remote area 'C'. He was promoted to this post on 1<sup>st</sup> Ashwin 2055 at a salary of Rs. 15,000- 300 – 16,500 EB- 500 – 18,000.

Other details furnished by Mr. Pathak for the previous year are as follows:

- Accounting allowance Rs. 1,000 p.m.
- Meeting allowance @ Rs. 255 per meeting for 12 meetings (net)
- Telephone bill reimbursed by the organization Rs. 1,000.
- Life insurance premium paid by the employer Rs. 5,000 for the insured sum of Rs. 100,000.
- Interest income from personal loan provided Rs. 25,000.
- He is a member of recognised provident fund and contributes 10% of his salary. Employer also contributes an equal amount.
- House rent paid by Mr. Pathak for the year Rs. 10,000.
- Remote area allowance Rs. 2,000 p.m.

**Required:**

- Net (assessable) income from employment
- Statement of Total Taxable Income. [5+2]

**30. 2062 (F) Q.No. 5**

Mr. Pradhan, works as a Personal Assistant to Finance Director in private firm. Following are the details of his incomes and expenditures for the previous year.

Incomes:

Salary Rs. 12,000 p.m.  
 Dearness allowances 10% of salary

He was paid Dashain allowance equal to 50% of his monthly salary.

Other facilities provided by the employer were:

Electricity bill Rs. 200 p.m.  
 Telephone bill Rs. 300 p.m. (telephone was used equally for official and personal purpose)

He contributed 10% of his salary towards and unrecognised provident fund.

He claimed Rs. 500 p.m. as transport expenses.

**Required:** Net (assessable) Income from Employment. [5]

**31. 2062 (F) Q.No. 6**

Mr. Kharel, a Joint-Secondary in HMG/Nepal disclosed his following incomes and expenditures for the previous year.

Salary	Rs. 12,500 p.m.
Dearness allowance	Rs. 1,000 p.m.
Savings from TADA	Rs. 50,000
Transportation allowance	Rs. 300 p.m.
Servant was provided with a drawing salary of	Rs. 2,000 p.m.
The following expenses were paid by the office directly:	
Electricity charge	Rs. 300 p.m.
Water charge	Rs. 200 p.m.
Telephone bill	Rs. 600 p.m.

Mr. Kharel retired on 1<sup>st</sup> Jetha of the previous year.

He received pension @ Rs. 9,500 p.m.

Mr Kharel claimed the following expenses for deduction:

- Contribution to Recognized Provident Fund
- 50% of servant salary was contributed by him as per agreement.

- 30% of Telephone bill was used for his personal work, and rest for official use.
- In the previous year, he worked fully in a remote district classified as Zone B. He was receiving 25% of his current salary as Remote Area Allowance during that time.
- He donated Rs. 15,000 to construct a public playground to Nepal Football Association during the year.

**Required:** ① Net (Assessable) Income from Employment ② Statement of Total Income [5+3]

**32. 2062 (F) Q.No. 7**

Mr. Pandit, a senior Doctor in Bir Hospital suddenly quits his job on 30<sup>th</sup> Paus of the previous year. He was receiving the following remunerations from the hospital.

- Salary Rs. 20,000 p.m.
- Non-practising allowances 100% of salary
- Director's allowance Rs. 1,000 p.m.
- Hospital had provided him with a rent-free quarter for which the hospital paid rent of Rs. 3,000 p.m.
- His contribution to Recognized Provident Fund was 10%, the employer's contributions equally.
- After termination from this job, he received following amounts after deducting tax at source.  
Rs. 400,000 From Recognized Provident Fund  
Rs. 100,000 From the accumulated sick leave

On 1<sup>st</sup> Chaitra, he joined Kathmandu Model Hospital at a salary scale of Rs. 25,000-Rs. 2,000-Rs.35,000. Besides salary, the following agreements were signed between him and the hospital.

- Non-practising allowance 100% of salary
- House facility Free of rent
- Car facility with fuel and driver
- The hospital had appointed a guard in his residence, whose remuneration was Rs. 6,000 p.m., where Dr. Pandit's contribution was Rs. 2,000 p.m.
- Hospital had installed a telephone line in his resident. The total bill raised during the period was Rs. 10,000. He claimed 75% of the calls were used for office purpose.
- Hospital has provided Free-Launch to all employees irrespective of their official position at a subsidised rate of Rs. 50 per meal. (Assumes 26 working days in a month)

His claims for deduction were:

- His contribution to Recognized Provident Fund was 10% of salary and employer also contributed equally.
- Life Insurance Premium of Rs. 8,000 on a policy of Rs. 150,000 on his own life.

**Required:** ① Net Income from Employment ② Statement of Total Income [6+2]

**33. 2061 (C) Q. No. 5**

Mr. X works, as an accountant, in a sole trading firm. Following are the details of his incomes furnished by him for the previous year.

- Salary Rs. 7,500 p.m.
- Accountant allowance Rs. 500 p.m.
- Dashain Karcha equal to one month's salary
- Transport allowance Rs. 300 p.m.
- Employer's contribution to unrecognised provident fund 10% of his salary.

He claimed the following expenses for deduction.

- Transport expenses Rs. 200 p.m.
- Contributions to unrecognised provident fund 10% of salary.

**Required:** Net (assessable) income from employment.

[5]

**34. 2061 (C) Q. No. 6**

Mr. Y., a DGM of Nepal Oil Corporation, submitted the following income and expenditures for the previous year.

- Net salary, after deducting provident fund, income tax at source, including Dashain Kharcha was Rs. 223,450.



- Contribution to recognised Provident Fund 10% Rs. 26,400.
  - Tax deduction at source Rs. 36,150.
  - Car facility was provided by the employer including driver's salary and petrol expenses. Driver is drawing Rs. 4,500 p.m. as his salary. Vehicle was used for both private and official purpose equally.
  - Telephone expenses of Rs. 2,000 p.m. was paid by the employer. It was also used equally for both purposes.
  - Corporation has provided the facility of a cook also and has paid a monthly allowance of Rs. 4,000. Mr. Y has contributed Rs. 3,000 p.m. on this facility.
  - Dearness allowance was Rs. 1,000 p.m.
  - Entertainment allowance was Rs. 10,000 p.a.
- He claimed the following expenses for deduction:
- Donation to Lumbini Development Trust Rs. 20,000 and to a public school Rs. 3,000.

**Required:**

- Net (assessable) income from employment.
- Statement of total taxable income.
- Tax liability (ignore special fee)

[5+2+1]

**35. 2061 (C) Q. No. 7**

Mr. Z, is an Executive Director in NARC. He was promoted to this post on 1st Shrawan 2052, at a salary scale of Rs. 12,000 - 500 - 16,000. The other details provided by him for the previous year are as follows:

- Director allowance Rs. 2,500 p.m.
- Meeting allowance Rs. 850 (net) per meeting for 24 meetings
- Examinership remuneration from Public Service Commission Rs. 17,000 (net).
- Interest on fixed deposit (net) Rs. 18,800.
- Car facility with fuel but without driver. However, the employer has paid driver's allowance of Rs. 6,000 p.m. Where his own contribution was Rs. 2,000 p.m. as agreed.
- Employer has also provided a free quarter for his accommodation.
- A gardener and a cook were also provided by the employer. Their salaries were Rs. 5,000 and Rs. 4,000 respectively. His contribution towards these facilities were Rs. 6,000 and Rs. 2,000 respectively.

He claimed the following expenses for deduction

- He is a member of recognised Provident Fund contributing 10% of his salary towards this fund.
- Excess contribution made to the gardener.
- Salary of guard Rs. 1,500 p.m. who was appointed by himself.
- Donation to Nepal Football Association Rs. 4,000.

**Required:** (a) Net (assessable) income from employment. (b) Statement of total taxable income. [5 + 2]

**36. 2061 (F) Q. No. 5**

Mr. Shrestha is an employee of a business firm has submitted the following incomes and expenditures for the previous year.

- |  |                 |
|--|-----------------|
| • Salary   | Rs. 10,000 p.m. |
| • Dearness allowance   | Rs. 500 p.m.    |
| • Dashain kharcha  | Rs. 10,000      |
| • Tuition fee of his son paid by the employer  | Rs. 1,000 p.m.  |
| • He is member of recognized provided fund.  |                 |
| • He paid life insurance premium of Rs. 6,000 for the insured sum of Rs. 200,000.          |                 |
| • He has claimed domestic expenses of Rs. 10,000 and transportation expenses of Rs. 5,000. |                 |

**Required:** Net (assessable) income from employment.

[5]

**37. 2061 (F) Q. No. 6**

Mr. Adhikari an employee of government office has submitted the following incomes and expenditures for the previous year.

• Salary	Rs. 12,000 p.m.
• Dearness allowance	Rs. 1,500 p.m.
• Income tax paid by employer	Rs. 3,000
• Entertainment allowance	Rs. 500 p.m.
• Life insurance premium paid by employer	Rs. 6,000
• Best employee award from employer	Rs. 10,000
• Family allowance	Rs. 30,000
• Dashain allowance provided by employer as per government rules.	
• Car facility provided by employer.	
• Donation was paid to approved institution of Rs. 10,000	
• Children education expenses paid by him of Rs. 12,000.	

**Required:** (a) Net (assessable) Income from Employment.

(b) Statement of Taxable Income. (c) Tax liability (ignore special fee)

[5+2+1]

**38. 2061 (F) Q. No. 8**

Mr. Rajesh an employee of government owned organisation has submitted the following particulars of his incomes and expenditures of previous year.

- Salary scale 12,000 - 350 - 14,100 EB 400 - 15,700
- Date of appointment 1st Shrawan, 2053
- Local allowance Rs. 400 p.m.
- Entertainment allowance Rs. 600 p.m.
- House facility provided by employer
- Annual increment in salary is calculated on the basis of government rules and regulations.
- Project allowance Rs. 700 p.m.

He has claimed the following expenses for deduction:

- Contribution to provident fund 10% his salary and employer also contributes an equal amount.
- Income tax for the current year Rs. 3,000
- Education expenses of his brother Rs. 10,000
- Life insurance premium of Rs. 5,000 for this insured sum of Rs. 150,000
- Donation to Eye Hospital Rs. 8,000

**Required:** (a) Net (Assessable) income from employment.

[5]

(b) Statement of taxable income.

[2]

**39. 2060 (C) Q. No. 4**

Mr. Bharat resigned from A Co. on 1<sup>st</sup> Baishakh in previous year where he was working at a monthly salary of Rs. 10,000.

The other details of his income and expenses for the previous year are as follows:

- House rent allowance: 1000 p.m.
- Gratuity Rs. 100,000
- Medical expenses from the employer Rs. 25,000
- Bonus equal to two months salary
- Income from lottery: Rs. 30,000

He claimed the following deductions:

- Contributions to provident fund 10% of salary
- Vehicle expenses to attend the office Rs. 6,000
- Lottery collection charges Rs. 5,000

**Required:** Net income from remuneration.

[5]

**40. 2060 (C) Q. No. 6**

Mr. Suresh is a government servant and he submitted the following incomes and expenditures for the previous year:

- Pay scale Rs. 8,000-200-10,000 EB 250-12000

- Dearness allowance Rs. 5,000
- Deputation allowance of three months starting pay.
- Bonus equal to one and half month's salary
- Commission received from his employer of Rs. 5,000
- His minor son earned from cross word puzzled of Rs. 6,000
- Date of appointment 1<sup>st</sup> Shrawan 2052.

He claimed for the following expenses for deduction:

- Advance tax paid of Rs. 6,000
- Contribution to recognized provident fund 10% of salary
- Donation to approved religious trust of Rs. 7,000
- Collection charges of crossword puzzled income Rs. 200.
- Life insurance premium (on policy amount of Rs. 80,000) Rs. 5,000

**Required:** ① Statement of Total net income ② Net tax payable

[6+2]

**41. 2060 (C) Q. No. 9**

Following incomes and expenditure of Mr. Gopal an employee of government office are provided to you for the previous year.

• Net salary (after deducting advance tax and his own contribution to recognised provident fund) Rs. 71,000 (advance tax paid Rs. 1,000 and his own contribution to RPF Rs. 8,000)	
• Employers contribution to RPF	Rs. 8,000
• House rent allowance	Rs. 500 p.m.
• Free gas supply by employer for every two months of	Rs. 650
• Insurance premium paid by employer (for his own policy amount of Rs. 120,000)	Rs. 8,000
• Children education allowance	Rs. 500 p.m.
• Local allowance of	Rs. 400 p.m.
• Winning from lottery	Rs. 10,000
• Interest on fixed deposit from NBL	Rs. 5,000

He claimed the following expenses for deduction:

• Collection charges fro lottery and interest of	Rs. 600
• Transportation expenses for his regular hob	Rs. 2,000
• Maintenance expenses of his private car	Rs. 1,000

**Required:** ① Net income from remuneration ② Net income form other sources ③ Net tax payable

[5+1+2]

**42. 2060 (C) Q. No. 11**

Mr. X an employee of a business firm submitted the following incomes for previous year:

- Salary Rs. 6,500 p.m.
- Project allowance Rs. 350 p.m.
- Travelling allowance Rs. 1,200 p.m.
- House rent allowance Rs. 500 p.m.
- Medical allowance Rs. 350 p.m.
- Prize received Rs. 13,000
- Interest on investment Rs. 5,000
- Donation to a campus Rs. 6,000

He claimed the following expenses for deduction:

- Contribution to URPF @ 10% of his salary
- Conveyance expenses Rs. 200 p.m.
- Collection charges of interest Rs. 100
- Book purchased Rs. 1,000
- His own life insurance premium Rs. 3,500
- His wife's life insurance premium Rs. 2,500

**Required:** Net income from Remuneration

[5]



**43. 2060 (F) Q. No. 6**

Mr. Shankar, permanent senior accountant of a government office, furnished the following incomes and expenditures of the previous year:

• Salary	Rs. 9,500 p.m.
• Dearness allowance	Rs. 500 p.m.
• Remote area allowance	Rs. 1,000 p.m.
• Account allowance	Rs. 800 p.m.
• Telephone facility provided by his employer	Rs. 12,000
• Dashain Kharcha	Rs. 11,000
• Salary in lieu of (annual) leave	Rs. 18,000
• Vehicle allowance	Rs. 300 p.m.
• Salary received from a part time job	Rs. 15,000
• Rent received by letting out machinery	Rs. 20,000
• Interest from fixed deposit (net)	Rs. 30,000
• Profit on sale of investment	Rs. 10,000

He claimed the following expenses for deduction:

• Contribution to PF 12% percent of salary and his employer also contributed an equal amount.	
• Rent collection charge	Rs. 300
• Depreciation on machinery	Rs. 2,000
• Tuition fees of his children	Rs. 4,000
• Life insurance premium on policy amount of Rs. 100,000	
• Amount donated on Prime Minister Relief Fund	Rs. 5,000

**Required:** ① Net income from Remuneration ② Statement of net total income [6+2]

**44. 2060 (F) Q. No. 7**

Mr. Gopal Sharma, a Sr. Officer in RNAC, disclosed the following particulars of his income for the previous year:

i. Salary per month	Rs. 10,000
ii. Allowance per annum:	
• Dearness allowance	Rs. 18,000
• Elasticity bill	Rs. 10,000
• Dress allowance	5,000
• Vehicle allowance	6,000
• House rent allowance	12,000
iii. Medical expenses met by employer	Rs. 20,000
iv. Rent received by sub-letting out	Rs. 22,000

His claims for deduction were:

• Contribution to recognized provident fund	
• Vehicle expenses for official duty	Rs. 4,000
• Rent paid to house let out	Rs. 10,000
• Donation to a public school	Rs. 6,000

**Required:** ① Net income from remuneration ② net income from the other sources  
③ statement of total income [4+1+2]

**45. 2059 (C) Q. No. 4**

Mr. Shrestha is promoted to the post of Senior Officer on 1<sup>st</sup> Shrawan 2055 at a pay-scale of Rs. 9,000-400-11,000. He submitted the following particulars of his income for the previous year.

Dearness allowance is 10% of basic salary	
Telephone facility	Rs. 1,200 p.m.
Dashain Kharcha equal to 2 months salary	

Fixed amount of Rs. 75,000 for business promotion on expenses a year. He is a member of recognized provident fund where he has contributed 10% of salary however the employer contributed 12%.

On query made by the Income Tax Officer, he disclosed the following information:

Royalty from writing articles	Rs. 15,000
Interest on fixed deposit	Rs. 5,000
Money found on the street	Rs. 100,000

He claimed the following expenses for deduction:

- Contribution to Citizen Investment Fund 10%
- Expenses of his son Rs. 8,000
- Vehicle expenses Rs. 5,000
- Commission to agent for letting property Rs. 12,000
- Collection costs Rs. 5,000 each on royalty income and interest income.
- Donation of Rs. 5,000 and life insurance premium of Rs. 3,000 were paid.

**Required:** ① net income from remuneration ② Net income from other sources ③ Statement of total income [4+2+2]

**46. 2059 (C) Q. No 10**

Mr. Thapa works as an accountant in a business firm. He furnished the following particulars of his income for the previous year ended 31<sup>st</sup> Ashad.

Salary	Rs. 12,000 p.m.
Accounting allowances	Rs. 1,500 p.m.
Bonus equal to one and half month salary	
Dashain Kharcha equal to 10% of annual salary.	
Interest on investment	Rs. 40,000
Amount received from sale of land	Rs. 75,000
Telephone charges met by the Co.	Rs. 2,000

He claimed the following expenses for deduction:

Contribution to recognized provident fund:	10% of salary
Interest collection charge	Rs. 5,000
Commission to broker for sale of land	Rs. 7,000
Donation to Nepal Eye hospital	Rs. 10,000
Transportation expenses Rs. 500 p.m. to attend office.	
Children educational expenses	Rs. 10,000

**Required:** ① Net income from remuneration ② Statement of total income [6+2]

**47. 2059 (C) Q. No. 11**

Mr. Narayan and employee of a business furnished the following particulars of his income for the previous year:

- Basis salary Rs. 5,500 p.m.
- Rent free accommodation provided for which a rent of Rs. 2,000 p.m. was paid by the employer.
- Telephone bill paid by the employer Rs. 6,000
- Electricity bill paid by the employer Rs. 1,200
- He and his employer contributed on provident fund @ 12% each.
- Contribution to Citizen Investment Trust Rs. 2,000
- Life insurance premium paid by employer for his own and his wife equality of Rs. 5,000

**Required:** Taxable income of Narayan. [5]

**48. 2059 (F) Q. No. 4**

Mr. Sharma, a government employee, furnished the following details of his income and expenditure during previous year. He is a member of Government Provident Fund.

Salary	Rs. 8,500 p.m.
Dashain Kharcha one month salary	
Medical allowance	Rs. 2,000 p.m.
Vehicle allowance	Rs. 500 p.m.

On query made by Income Tax Officer, he disclosed the following information: