

ACC 203: Corporate Taxation in Nepal

Credits: 3

Lecture Hours: 48

Course Objectives

The objectives of the course are to provide the students with basic knowledge of corporate tax in Nepal and develop in them basic skills required to serve as tax administrators or tax consultants in the Nepalese society.

Course Description

This course contains basic concept, definition of basic terms, classification and status of tax payer (Assesses), quantification, allocation and characterization, tax exemptions, concessions, deduction, tax rates, tax credit and set off loss, meaning and classification sources of incomes, income from business, income from employment (remuneration), tax administration, assessment, tax audit, appeals and penalties, value added tax, customs and excise duty.

Course Details

Unit 1: Basic Concept

LH 2

Concept and meaning of Tax, Objectives of Tax, Types of taxes in Nepal, Cannons/Principles of Taxation, Historical of Income Tax in Nepal

Unit 2: Definition of Basic Terms:

LH 4

Income year and assessment year, Cash and accrual basis of tax accounting system, Capital and revenue nature expenses, Capital and revenue nature incomes, Capital and revenue nature loss, Tax deduction at sources (TDS), Advance tax, excess tax and outstanding tax, Permanent Account number (PAN), E-PAN, Assessable income, adjusted taxable income and net assessable income, Double Taxation Avoidance Agreement (DTAA) and Nepalese status, Foreign Tax Credit, Capital Gain and Tax, other basic terms used in under the income tax Act 2058,

Unit 3: Classification and Status of Tax Payer (Assesses)

LH 2

Natural Person and Entity, Residential and Non- Residential, Individual and Family Status

Unit 4: Quantification, Allocation and Characterization

LH 2

Concept and Definition, Special Quantification of an Asset Transferred, special Quantification of Vehicle Facility, Special Quantification of Accommodation Facility, Special Quantification of Fringe Benefit, Interest Benefit and Indirect Payments,

Unit 5: Tax Exemptions, Concessions, Deduction, Tax Rates, Tax Credit and Set off Loss

LH 4

Presumptive Tax, Exemptions for Individual and Family and Tax Rate, Pension holder Employee, Female Employee, Physically Differently able Employee, Residential and Non Residential Person, Information and Technology (IT) based Industry, Infrastructure Industry, Industry Established in Specified Economic Zone, Rebate and Concession as Per Industrial enterprises act, 2049, Remote Area

Allowance, Withholding Payment, Final Withholding Payment, Deferred Tax, Medical Tax Credit, Provision of Set of Losses,

Unit 6: Meaning and Classification Sources of Incomes,

LH 2

Income from Employment (Remuneration) Income from Business Profession. Vocation, Income from Investment. And Income from Wind Fall Gain

Unit 7: Income from Business

LH 10

Component of Income from Business, Profession or Vocation Computation of Net Assessable Income, taxable income and tax liability of Proprietorship, Partnership and Private Limited

Company (other than Industry, Public Limited and Listed Company) Income included under the Head of Business, Profession or Vocation: Service Fees, Sales of Goods, Net Gain from Disposable of Business Assets, Gain from Disposable of Depreciable Assets, Liabilities Forgone by Trade Creditors, Business Gift and Presents, Compensation Received in Control of Business, Amount Received on Accepting Restrictions, Change in Basis of Accounting Method, Gain from Foreign Exchange Fluctuation, Income of General Insurance, Recovery of Bad Debts, Unpaid amount of Outstanding Expenses, Compensation Received Against Loss, Deduction of Expenses, General Deduction, Interest Expenses, Cost of Goods Sold (Trading Stock), Repair and Improvement Expenses of Depreciable Assets, Pollution Control Expenses, Research and Development Cost, Depreciation Expenses, Business Losses, Disallowable Expenses, Expenses of Domestic or Personal Nature. Income taxes Expenses, Fine and Penalty on Breach of Law, Expenses Incurred for Final Withholding or Tax Exempted Income, Payment in Cash for more than Rs 50,000 at a time, Distribution of an Income by an Entity, Expenses not relating to Earning of Income, Capital Expenditure and Capital Loss ,TDS on Dividend , Disallowed Other than Allowed Expenses, Special Treatment of Bonus Expenses

Unit 8: Income from Employment (Remuneration)

LH 8

Concept of Income from Employment (Remuneration), computation of assessable income from employment, statement of taxable income and tax liability, Inclusion of Taxable Incomes from Employment: Wage and Salary, Amount in Lieu of Leave, Amount for Overtime work, Gift relating to Employment, Bonus, Commission, Allowances: Dearness, Life Subsistence Entertainment, Local Conveyance, Other personal Allowance, Reimbursement or Settlement of Personal Cost, Other payments relating to Employment, Amount for accepting any condition in Employment, Payment for Retirement or Termination or Loss of Employment, Retirement Payment or Contribution of Retirement Fund, Provident Fund. Facility of Vehicle, Accommodation, Kitchen man, Guard, Gardener and Domestic helper, Amount of Food, Snacks, Entertainment, Utilities paid by employer, Interest Saving on the privileged loan from employer and other amount of employment Amount not included in Income from Employment Amount received by an employee for which exemption under Section 10 (ITA-2058), Final Withholding e.g. meeting allowance, retirement payments and accumulated leave before and after Income Tax Act 2058, Uniform, Work-time meals or refreshments provided by the employer in equal terms, Amount prescribed by the Rule, which are too small below Rs.500 at a time, Outstation cost like Travelling allowance and daily allowance etc. Deduction in computing Income from employment: Contribution to provident fund, retirement fund and citizen investment trust, life insurance premium, Donation and remote area allowance

Unit 9: Tax Administration, Assessment, Tax Audit, Appeals and Penalties

LH 4

Tax Authorities and Their power, rights and duties, Right and duties of taxpayers, Assessment of Tax, Self-Assessment, Jeopardy Assessment, Amended Assessment, Deferred Tax, Administrative Review, Appeals to Revenue Tribunal, Fee: non-compliance in documents, Interest: Non-Payment of Tax, Fine and Penalties: Penalty for failure to pay tax and false statement.

Unit 10: Value Added Tax

LH 7

Concept of Value Added Tax, Types of VAT, Method of Calculation of VAT, Development of Value Added Tax, Value Added Tax in Nepal, Need to introduce VAT in Nepal, Threshold and Rate of VAT, Tax Invoice and Abbreviated Tax Invoice, Goods and Services exempted from VAT, Condition for Zero Rate of VAT, Assessment, Collection and Refund of VAT, provision of VAT refund of business firm, Diplomatic entities and Foreign tourist, Comparative studies of sales tax and value added tax and Role of Value Added Tax in total revenue in Nepal

Unit 11: Customs and Excise Duty

LH 3

Basic Concept, Evolution and tax rate structure of Customs and Excise Duty in Nepal, Fine and Penalty for false statement, Pro-forma Invoice, Commercial Invoice and Pragyapan Patra, Automated System for Customs Data (ASYCUDA) Required documents for import and export of goods.

Books for Taxation;

GON, *Income Tax Act*, 2058 with amendment, Kathmandu: Ministry of Finance, Government of Nepal.

GON, *Income Tax Rules*, 2059 with amendment, Kathmandu: Ministry of Finance, Government of Nepal.

GON, *Value Added Tax Act*, 2052 with amendment, Kathmandu: Ministry of Finance, Government of Nepal.

GON, *Value Added Tax Rules*, 2053 with amendment, Kathmandu: Ministry of Finance, Government of Nepal.

MOF. (various years). *Budget Speeches*. Kathmandu: Ministry of Finance, Government of Nepal.

MOF. (various years). *Economic Survey*. Kathmandu: Ministry of Finance, Government of Nepal

References

Aryal, K.P. & Poudel, S.P. *Taxation in Nepal*. Kathmandu: (Updated) Bhundipuran Prakashan Pvt.Ltd.

Dhakal, K.D. Pandey, B. and Bhattarai, R., *Fundamentals of taxation*. Kathmandu: (Updated) MK Publishers and Distributors,

Kandel P.R. and Aryal, K.P. (2072) *Fundamentals of Taxation and Auditing*. Kathmandu: Bhundipuran Prakashan Pvt. Ltd..

Kandel P.R. and Lamsal, R, *Tax Laws and Tax Planning in Nepal*. Kathmandu: (Updated) Benchmark Education Support Pvt.Ltd.

KC J.B. *Tax Laws and Tax Planning: Theory and Practice*. Kathmandu: (Updated) Khanal Books & Stationery Pvt.Ltd.

Lekhi, R.K *Public Finance*. New Delhi, Kalyani Publisher, India.