ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

LEVEL III EXAMINATION – JANUARY 2026

(304) CORPORATE & PERSONAL TAXATION

Prepared by: Lecturer, Nuwan Sameera

SECTION C

(Total 50 Marks)

Question 08

VGN (Pvt) Ltd is a company engaged in the manufacture of plastic household items. The company sells its products both in the local market and to overseas customer.

Following information extracted from the financial statement for the year ended 31st March 2025.

(1) Net profit before tax for the year ended 31st March 2025 Rs. 92,500,000

(2) Other income included in above profit.

Rent income from investment property	Rs.,2,400,000
Interest income on treasury bills (net)	Rs.1,235,000
Profit on disposal of motor vehicle	Rs. 820,000

(3) Administration and establishment expenses include the following.

- Depreciation charged for the year – Rs. 7,150,000
- Donation to a government-approved disaster relief fund (in cash) – Rs. 1,200,000
- Personal medical expenses of Managing Director borne by the company – Rs. 1,680,000
- Provision for gratuity for the year – Rs. 960,000
- Repairs to privately owned residence of a director – Rs. 145,000

(4) Selling & Distribution expenses include the following.

- Bad debts written off:
  - Trade receivables – Rs. 520,000
  - Advance given to employee written off – Rs. 310,000
- Overseas marketing expenses – Rs. 1,850,000
- Staff entertainment expenses – Rs. 880,000

(5) Finance expenses include the following

- Interest on company term loan – Rs. 2,250,000
- Interest on director's personal credit card settled by the company – Rs. 640,000

(6) Relevant WHT tax on interest has deducted.

(7) The following additional information also provided for to year

i. Property plant and equipment held at 31st March 2025.

Asset	Year Acquired	Cost (Rs.)
Land (factory premises)	2015/2016	15,000,000
Factory building	2019/2020	18,500,000
Delivery van	2021/2022	9,200,000
Motor car (used by director)	2022/2023	13,500,000
Machinery	2020/2021	11,800,000
Office computers	2021/2022	2,400,000
Accounting software	2024/2025	3,200,000

- Estimated useful life of accounting software is five (05) years.
- A machine purchased in 2020/2021 for Rs. 4,500,000 was sold during the year for Rs. 3,900,000. The accounting profit or loss on disposal has been adjusted in arriving at profit before tax.

(8) Gratuity paid during the year Rs. 1,620,000.

(9) Tax loss brought forward from previous year Rs. 8,250,000

(10) Self-assessment income tax payment for the year Rs. 7,500,000

You are required to:

Assess the following of KGD (Pvt) Ltd for the year of assessment 2024/2025.

(a) Assessable income

(b) Taxable income

(c) Gross income tax payable

(d) Balance tax payable / (refund)

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

(Total 25 Marks)

Question 09

Kalana is a Chartered Accountant attached to leading Construction Company in Sri Lanka. As Chief Accountanct. He has given following information for the year of assessment 2024/2025. (Here after referred to as the year)

(1) Income from employment

* Gross salary per month Rs. 300,000
* Arrears salary for the year 2023/24 received during 2024/2025 Rs. 300,000
* The company has provided him car with fuel.
* His sons school fees paid by company Rs. 180,000 for the year
* Medical benefit received from common scheme operated by the company Rs. 300,000
* APIT deducted by company with the consent of Mr.Kalana Rs.36 000

(2) He received a share of profit firm a partnership where he also was a partner during the year Rs.2,300,000 on this applicable partnership tax credit available for Kaveesha is Rs. 108,000

(3) He owns an electric shop also.

Income statement of that business for the year 2024/2025 is as follows.			
Expense	Rs.	Income	Rs.
Purchase	4,100,000	Income	7,250,000
Start salary	900,000		
Rent	300,000		
Electricity	18,000		
Water	7, 000		
Telephone	12,000		
Other expenses	112,000		
Depreciation	200,000		
Donation	50,000		
Net Profit	1,551,000		
	7,250,000		7,250,000

* A computer purchased in 2020/2021, cost Rs. 800,000 was there in the business. Thereis no other asset to claim capital allowance.

(4) Kalana rented his part of residence to a business. Monthly rent Rs. 60,000. No repair made during the year, but rates paid is Rs. 60,000.

(5) He has a fixed deposit in bank, on that gross interest received for the year Rs. 360,000. Relevant WHT deducted.

(6) Kalana made following expenses,

- * Donation to Covid 19 Fund established by the government Rs. 100,000
- * Donation to approved charity which provide care to needy people Rs. 100,000

You are required to:

Asses the following for the year of assessment 2024/2025.

(a) Taxable Income

(b) Gross income tax payable

(c) Balance tax payable and

(d) Exempt income if any

(25 Mark)