

REVISION - VAT ON FINANCIAL SERVICES

Surekum Bank PLC (SBP) is a licensed commercial bank. The bank prepares its financial statements on the basis of the calendar year. Per the statement of comprehensive income for the period from 01 January 2021 to 31 December 2021, the profit before income tax was Rs. 3,317,562,000. It was arrived at after charging VAT on financial services amounting to Rs. 848,683,000, book depreciation of Rs. 407,750,000 and the following personnel expenses:

	Rs.
Salaries	1,563,400,000
Other allowances	958,394,000
Bonuses	224,653,000
Employer's contribution to EPF	187,608,000
Employer's contribution to ETF	46,902,000
Employer's contribution to the pension fund	93,804,000
Contribution to the savings fund	22,000,000
Gratuity provision	10,720,000
Total	3,107,481,000

The following information was extracted from the statements of accounts as well as the returns on financial services submitted for the above period.

- Per the returns submitted by SBP bank for the taxable periods relating to 01 January 2021 to 30 June 2021 and 01 July 2021 to 31 December 2021, the economic depreciation was Rs. 366,250,000.

Notes:

- Assume that there is no income from non-financial services.

Required

(a) Compute the following for 2021:

(i) Total value addition

(ii) VAT payable on financial services

(10 marks)

(b) Advise the bank with regard to the submission of the return, annual adjustments and payments etc. on VAT on financials services.

(7 marks)