

MGT 218: Fundamentals of Taxation and Auditing

Full Marks: 100

Pass Marks: 35

Duration of the course: 150 Lecture hours

Course Objectives

The objective of this course is to provide students with the knowledge of general principles and practices of tax law in Nepal and develop in them the basic skills required to solve practical problems regarding Income Tax and VAT and enable for preparing tax returns.

The course further aims to provide students with the basic knowledge, concepts, objectives, importance and procedure of auditing, thereby enabling them to handle internal audit of concerned organizations.

Course Description

This course contains two parts: taxation and auditing in taxation students will be familiarized with the topics such as conceptual foundation, taxation of income in Nepal, definition of basic terms under income tax act, Tax accounting and timing, quantification, allocation and characterization of amounts, capital and revenue, classification and status of an assessee (tax payer), heads and sources of income, computation of taxable income and tax liability from employment, computation of taxable income and tax liability from business, computation of taxable income and tax liability form investment, tax administration and official documentations, penal provision, value added tax (VAT). In auditing students will be familiarized with the topics such as conceptual foundation, planning an audit, internal check and control, vouching, verification and valuation, audit report, auditing standard.

Course Details

Part – I: Taxation

Unit 1: Conceptual Foundation

LH 5

Meaning and objectives of tax. Classification of taxes and their merits and demerits, Canons of taxation.

Unit 2: Taxation of Income in Nepal

LH 3

Historical background of evolution of income tax in Nepal, Features of income Tax Act, 2058 Relations of Income Tax Act with other Laws: Constitution, Finance Act, Income Tax Rules, Provisional Tax Realization. Act, Legal precedents established by court

Unit 3: Definition of basic terms under Income Tax Act

LH 2

Unit 4: Tax Accounting and Timing

LH 2

Accounting based on Cash, Accounting on accrual basis, Bad debts and its recovery. Long term contract.

Unit 5: Quantification, Allocation and Characterization of Amounts

LH 4

Unit 6: Capital and Revenue	LH 3
Capital and Revenue receipts, Capital and Revenue expenditure, Capital and Revenue loss	
Unit 7: Classification and Status of an Assessee (Tax Payer)	LH 6
Natural person and entity, Resident and nonresident, Single and couple, Special provision for Natural Person, Entities and Retirement Savings	
Unit 8: Tax Exemptions, Concessions, Tax Rates and Withholding Payments	LH 10
Reduction Allowed (common deduction) while computing Taxable	
Income: Contribution to retirement fund, Contribution made to philanthropic purpose (donation/gift).	
Expenses Disallowed for Deduction	
Unit 9: Heads and Sources of Income	LH 2
Concepts, Classification: Income from Employment, Income from Business, Income from Investment, Casual gain. Sources of Incomes: Domestic and Foreign	
Unit 10: Computation of Taxable Income and Tax Liability from Employment	LH 12
Income included under the head of employment. Non taxable/non chargeable income. Valuation of perquisites, Allowable reduction	
Unit 11: Computation of Taxable Income and Tax Liability from Business	LH 16
Income included under head of business. Admissible expenses	
Unit 12: Computation of Taxable Income and Tax Liability from Investment	LH 6
Income included under head of investment. Income from the disposal of non-business chargeable assets. Admissible expenses	
Unit 13: Taxation on Capital Gain	LH 3
Unit 14: Computation of Total Taxable Income (in case of more than one source of income) and Tax Liability	LH 4
Unit 15: Provision for losses	LH 4
Unit 16: Tax Administration and Official Documentations	LH 6
Tax authorities and their powers, rights and duties. Rights and duties of taxpayers. Documentation. Record keeping and Information collection	
Unit 17: Income Return and Tax Assessment	LH 3
Unit 18: Payment, Collection (recovery/realization), Remission, Refund and Set Off	LH 4
Unit 19: Penal Provision	LH 4
Provision of fees and interest, Provision of penalties for offences	
Unit 20: Administrative Review and Appeal	LH 2

Unit 21: Value Added Tax (VAT) **LH 12**
Concept of VAT. Origin and evolution of VAT. Principle governing VAT. Types of VAT. Method of computing VAT. Method of collection/realization and refund of VAT. Penalties and Appeal, Difference between VAT and Sales Tax

Unit 22: Contribution of Income Tax and Value Added Tax to National Revenue and Tax Revenue in Nepal. **LH 2**

Part – II: Auditing

Unit 1: Conceptual Foundation **LH 11**
Meaning, scope, objectives and advantages of audit. Evolution of auditing practices in Nepal. Accounting, auditing and investigation, Types of errors and frauds. Detection and prevention of errors and frauds with practical dealings. Types of auditing, qualities, qualification, appointment and rights and duties of an auditor.

Unit 2: Planning an Audit **LH 6**
Preparation before an audit: instruction to client, distribution of work to audit staff. Audit programme: contents, techniques and preparation of audit programme. Audit note books: objectives, contents. Audit working papers: concept, objectives and advantages.

Unit 3: Internal Check and Control **LH 9**
Internal check: concept, objectives, characteristics, advantages and disadvantages. Internal control: concept and characteristics. Internal audit: concept, importance, role of internal auditor, internal audit and statutory audit. Test checking: concept, factors to be considered while test checking, advantages and limitations. Routine checking: concept, advantages and disadvantages.

Unit 4: Vouching, Verification and Valuation **LH 5**
Concept, importance and objectives. Difference between vouching, verification and valuation. Consideration before vouching

Unit 5: Audit Report **LH 2**
Concept, contents and types of audit report

Unit 6: Auditing Standard **LH 2**
Concept, objectives and importance of Auditing Standard

Books for Taxation

Basic Books:

1. Lekhi, R.K., *Public Finance*, Kalyani Publishers, New Delhi.
2. Government of Nepal, *Income Tax Act, 2058 with amendment*.
3. Government of Nepal, *Income Tax Rules, 2059 with amendments*.
4. Government of Nepal, *Value Added Tax Rules, 2052 with amendments*.
5. Government of Nepal, *Value Added Tax Rules, 2053 with amendments*.
6. Government of Nepal, *Finance Act*.
7. Government of Nepal, *Economic Survey*.

References

1. Dhakal, K.D., Pandey, B. and Bhattarai, R., *Fundamentals of Taxation* (updated edition), M.K. Publishers and Distributors, Kathmandu.
2. Kandel P.R. and Lamsal, R., *Tax Laws and Tax Planning in Nepal* (updated edition), Benchmark Education Support Pvt. Ltd., Kathmandu.
3. Amatya S.K., Sapkota, P.P. and Thapa, K.B., *Taxation in Nepal* (updated edition), G. Seven Publication Pvt. Ltd, Kathamandu
4. K.C., J.B., *Tax Laws and Tax Planning: Theory and Practice* (updated edition), Khanal Books and Stationery, Kathmandu.
5. Bhattarai, I. and Koirala, G.P., *Taxation in Nepal* (updated edition), Asmita Books Publishers and Distributors Pvt. Ltd., Kathmandu
6. Sundaram, K.P.M. and Andley, K.K., *Public Fianance: Theory and Practice*, S.Chand and Co., New Delhi.

Books for Auditing

Basic Books:

1. Ramaswamy, M.S., *Auditing*, S. Chand and Co., New Delhi.
2. Saxena, R.G., *Principles of Auditing*, Himalayan Publishing House, Bombay.

References:

1. Dhakal, K.D., Bhattarai, I and Koirala, G.P., *The Principles and Practice of Auditing*, Asmita Books Publishers and Distributors Pvt. Ltd., Kathmandu.
2. Tandon, B.N., *Practical Auditing*, S.Chand and Co., New Delhi.
3. Pandey, D.L., *Auditing*, Asia Books Distributors Pvt. Ltd., Kathamandu.
4. Government of Nepal, *Auditing Act, 2048 with amendments*.
5. Government of Nepal, *Company Act, 2063 with amendments*.
6. Auditing Standards Board of Nepal, *Nepal Standard on Auditing*.