

## Income from Business and Profession 15/25+2 Marks

### Income from Business 15 Marks

### Income from Profession 10 Marks

**Income from Business:** Business income is relating to trading business, service business and manufacturing business.

#### 1. Computation of Assessable income from Business for income year 2080/81

Particulars	Amount	Amount
Sales /Service income	xxx	
Refund of custom duty	xxx	
Bad debt recovered	xxx	
Sales of business trading assets(stock)	xxx	
Gain on sale of business chargeable assets	xxx	
Prize and gift received related to business	xxx	
Amount received in lieu of accepting due to restriction of business.	xxx	
Income related change in accounting method	xxx	
Exchange gain	xxx	
Underpayment of interest or interest saving on subsidy loan	xxx	
Compensation received related to business	xxx	
Rent from staff quarter related to business	xxx	
House rent received by Sole proprietorship business	xxx	
Direct income from investment related to business	xxx	
Interest income related to business	xxx	
Income from long term contract	xxx	
Commission received	xxx	
Discount received	xxx	
Miscellaneous income/sundry income	xxx	
<b>Gross income from Business</b>		<b>xxxx</b>
Less: Allowable deduction		
Cost of trading stock (COTS)	xxx	
Salary paid, interest paid, rent paid	xxx	
Electricity fee, telephone, internet charge	xxx	
Administrative expenses	xxx	
Selling expenses, commission expenses	xxx	
Repair and maintenance cost	xxx	
Allowable depreciation	xxx	
Bad debt	xxx	
Legal fee	Xxx	
Audit fee	Xxx	

Life insurance premium of employee paid by employer	Xxx	
Insurance of stock	Xxx	
Insurance of business assets	Xxx	
Miscellaneous expenses		
Discount allowed	Xxx	
Commission paid	Xxx	
Hospitality expenses	Xxx	
Office and administrative expenses	Xxx	
Printing and stationary expenses	Xxx	
Sundry expenses	xxx	
Total allowable deduction		Xxx
Adjusted Taxable income before business loss		Xxx
Less: Business loss (Up to previous 7 years)		xxx
Adjusted taxable income before PCC and R&D		Xxx
Less: Pollution control cost		Xxx
Research and Development cost		xxx
Net Assessable income from Business		xxx

#### Income from investment

Income Head	Amount
Dividend from non-resident company	Xxx
Interest from private party/unorganized sector	Xxx
Royalty from natural resources	xxx
Royalty from writing books( except income profession)	xxx
Compensation received	Xxx
Rent received( Except final TDS)	xxx
Gain on sale of share securities	Xxx
Gain on sale of non-business chargeable assets	Xx
Gain on sale of land and Building	Xxx
Gift received related to investment	Xxx
Bad debt recovered etc.	Xxx
Total Assessable income	Xxx
Less: Allowable deduction	
Royalty, interest collection charge	Xxx
Other allowable deduction	Xxx
<b>Net Assessable income from investment</b>	<b>xxx</b>

## 2. Statement of Taxable Income(For individual business/ sole proprietorship Business)

Particulars	Amount	Amount
Assessable income from Business	xxx	
Assessable income from investment	xxx	
Assessable Employment	xxx	
<b>Total Assessable Income</b>		<b>Xxx</b>
Less: Allowable Deduction		
a. Contribution to Approved Provident Fund and CIT or retirement fund -1/3 of total assessable income xxx -20% of annual salary +CIT -Maximum 300000 (whichever is less)	Xxx	
b. Contribution to Social security fund(SSF) -1/3 of assessable income -31% of Annual salary +CIT Maximum 500000 (which ever less)	xxx	
c. Donation to tax exempt organization: -5% of Adjusted Taxable income before PCC and R&D + Investment income xxx -Actual donation given xxx -100000 (whichever is less)	xxx	
d. Donation to Prime minister disaster relief fund, National reconstruction fund (actual donation paid is fully allowable)	Xxx	
e. Remote area deduction or exemption Area A=50000, B=40000,C=30000,D=20000 E=10000	Xxx	
f. Life Insurance Premium(LIP) Exemption: Maximum Limit=40000 Actual LIP paid (self only)=xxx (Whichever is less)	Xxx	
g. Health insurance Premium(HIP) Exemption Maximum Limit=20000 Actual HIP paid(self only) xxx (Whichever is less)	Xxx	
h. Residential Building insurance Maximum 5000 Actual premium paid xxx (whichever is less)	Xxx	

I. Pension exemption Single:25% of 500,000 Couple: 25% of 600,000 Actual pension received xxx=13 month salary (whichever is less)	Xxx	
J. Disable individual exemption: Single:50% of 500,000 Couple: 50% of 600,000	Xxx	
H. Foreign allowance exemption -75% of foreign allowance	Xxx	
<b>Net Taxable Income (including capital gain if)</b>		<b>Xxx</b>
<b>Less: Capital gain(if)</b>		
Gain on sale of share and securities	<b>Xxx</b>	
Gain on sales land and building	<b>Xxx</b>	
Gain on sale of non-business chargeable assets	<b>Xxx</b>	<b>xxx</b>
<b>Net Taxable after capital gain(if)</b>		<b>xxx</b>

**3. Statement of Taxable Income(For Entity or Company or industrial company)—Pvt Ltd. Ltd.**

Particulars	Amount	Amount
Assessable income from Business	xxx	
Assessable income from investment	xxx	
<b>Total Assessable Income</b>		<b>Xxx</b>
a. Normal Donation to tax exempt orgn. -5% of Adjusted Taxable income before PCC and R&D + Investment income xxx -Actual donation given xxx -100000 (whichever is less)	xxx	
b. Special Donation to Tax exempt orgn. -10% of Adjusted Taxable income before PCC and R&D + Investment income xxx -Actual donation (given) xxx -1000000 (whichever is less)	xxx	
c. Donation to Prime minister disaster relief fund, National reconstruction fund (actual donation paid is fully allowable)	Xxx	
<b>Net Taxable income</b>		<b>Xxx</b>

Note: Normal Donation: Donation Given to Non- profit organization(approved by IRD) given by individual or company like Donation to Govt. school, Govt. hospital, Municipality, Registered temple, registered political party, registered club etc.

Donation given to Private or profit motive orgn( unapproved by IRD) is not allowable deduction like Private school, hospital, local club, local temple, private business.

Special Donation: Donation given to promotion and protecting religious heritage Like Pasupati Area Development Trust (PADT), Lumbini Area Development Trust (LDAT), Sport development (CAN,ANFA) etc are falls under special donation. Only company or entity are eligible to give Special donation.

Individual person or sole proprietorship firm are not eligible for special donation, they are only eligible for normal donation.

#### Statement /Computation of Tax Liabilities

- For sole proprietorship Business or individual business or Business Run by Person ( Hari, Shyam)

<b>Individual</b>	<b>Rate</b>	<b>For couple</b>	<b>Rate</b>
Up 500000	0 %	Up 600000	0%
Next 200000	10%	Next 200000	10%
Next 300000	20%	Next 300000	20%
Next 1000000	30%	Next 900000	30%
Next 3000000	36%	Next 3000000	36%
Balance (above 5000000)	39%	Balance (above 5000000)	39%
<b>Add:Capital Gain Tax:</b>			
Gain on sale of share and securities 5%,7.5%, 10% xxx			
Gain on sales land and building 5%, 7.5% xxx (> 5years=5%, <5 years=7.5)			
Gain on sale of non-business chargeable assets 10% xxx			
<b>Total Tax Liability</b>		xxx	
<b>Less: Advance tax paid (Advance TDS)</b>		xxx	
<b>Medical tax credit</b>		xxx	
<b>Foreign tax credit</b>		xxx	
<b>Net Tax Payable/Refundable</b>		<b>xxx</b>	

Statement of Tax Liability in case of company/Entity/ Special industry

Particulars	Amount
Net Taxable income x 20%( industry) or 25%(Company)	Xxx
Less: Advance Tax Paid	Xxx
Foreign Tax Credit	Xxx
Net Tax payable/ Refundable	xxx

**Tax rate for Company Business or entity business:**

Types of Business	Normal Tax	Rebate	Applicable Tax
Normal company	25%	-	25%
Special industry(company)	25%	5%	20%
Constructing and operating cable car, sky bridge, tunnel	25%	10%	15%
Export related business	25%	5%	20%
Bank and financial institution	30%	-	30%
Non-life insurance and other financial transaction related business	30%	-	30%
Tobacco , alchol, cigarettes related industry	30%	-	30%
Telecom and internet related business	30%	-	30%
Capital market, securities, merchant banking, commodity market, broker.	30%	-	30%
Money transfer( IME)/Remittance Business	30%	-	30%
Petroleum Business under 2040 act	30%	-	30%
Special Industry Remote area/ Undeveloped area	20%	18%	2%
Special Industry under Underdeveloped	20%	16%	4%
Special industry under Less developed	20%	14%	6%

**Importance Notes for Income from Business**

**Points Not included in Business Income**

- ✓ Final withholding(Final TDS) income like Dividend from Resident company(Net), Interest from Bank(net), House rent received(net) by individual. But rent received by business/company is included income.
- ✓ General reserve, capital reserve, Profit and Loss A/c.
- ✓ Refund of income Tax is not included in income but refund of custom duty is included in business income.
- ✓ Sales of fixed assets or capital assets are capital receipt not included in business income.
- ✓ Loan taken from bank, private party or unorganized sector are liability not included in business income.

- ✓ Other than business income are not included in business income.
- ✓ Income from agriculture, Rent from Agriculture land received by individual is not taxable. However rent from business (vacant land, business land and building) is included in business income.
- ✓ House rent received by individual (not business) is final TDS and rent received sole proprietorship business/entity is included in business income.
- ✓ Gain on partial sold of fixed assets is not included, only if full block is disposed then included in income.

### **Expenses Not allowable deduction**

- ✓ Personal/domestic household expenditure.
- ✓ Capital expenditure like repayment of loan(personal or business loan), purchase of fixed assets ( furniture, land and building, machinery)
- ✓ Expenses incurred while taking loan from bank( service charge, valuation charge, legal charge)
- ✓ Interest paid to bank for personal purpose (like construct residential house, purchase land)
- ✓ Expenses relating to for an individual providing residence, meal, refreshment, entertainment etc. However those expenses relating to business are allowable deduction.
- ✓ Expenses relating to training or higher degree but those expenses directly relating business are allowable deduction.
- ✓ Petty cash expenses up to 500 per time (like tea, stationary, award, emergency medical).
- ✓ Income tax paid, provision for tax, advance tax paid.
- ✓ Fine and penalties to government or local body(late payment of tax, under billing etc). But fine and penalties for late payment of electricity and telephone bill are fully allowable deduction.
- ✓ Expenses incurred for tax free income (like gift, prize).
- ✓ Distribution of profit like transfer to general reserve, provision for dividend and dividend paid.
- ✓ Provision for bad debt and reserve for bad debt.
- ✓ Legal Expenses for income tax appeal, tax processing, against tax officer but legal expenses for protecting patent right, business assets, briefing income tax rule are allowable deduction.
- ✓ Legal expenses for disposal of liability like payment of bank loan or domestic purpose.
- ✓ Drawing, gift to friend are not allowable deduction.

- ✓ Salary paid to wife, son is allowed for deduction when they are employee.
- ✓ Normal Business/ investment loss more than 7 years.
- ✓ Expenses relating to black marketing, tax smugglings are not allowable deduction.
- ✓ Cash payment more than 50000 at a time individual or entity even banking service is available. But in following cases cash payment is allowed for deduction.
  - a. Payment to government of Nepal, constitutional body or bank and financial institution.
  - b. Payment for farmer or producer product primary agriculture product.
  - c. Payment if banking service is not available surrounding 10 KM.
  - d. Payment for retirement contribution.
  - e. At the time of banking service is closed.

**Note: Pension collection charge and gift collection charge are not allowable deduction. However royalty collection charge, interest collection charge is allowed for deduction.**

**Trading and PL account( sales) diayama- Business ko hisab**

**Income and expenditure a/c ( Receipt and Payment a/c)- Profession ko hisab ho**

**व्यवसायबाट हुने आम्दानीको लागि महत्वपूर्ण नोटहरू**

**व्यवसायिक आम्दानीमा समावेश नभएका बुँदाहरू**

❑ अन्तिम रोक्का (अन्तिम TDS) आम्दानी जस्तै आवासीय कम्पनीबाट लाभांश (खुद), बैंकबाट ब्याज (खुद), व्यक्तिले प्राप्त गरेको घर भाडा (खुद)। तर व्यवसाय/कम्पनीले प्राप्त गरेको भाडा आम्दानीमा समावेश गरिएको छ।

❑ सामान्य रिजर्भ, पूँजी रिजर्भ, नाफा र नोक्सान खाता।

❑ आयकर फिर्ता आम्दानीमा समावेश गरिएको छैन तर भन्सार शुल्क फिर्ता व्यवसायिक आम्दानीमा समावेश गरिएको छ।

❑ स्थिर सम्पत्ति वा पूँजीगत सम्पत्तिको बिक्री पूँजीगत रसिद हो जुन व्यवसायिक आम्दानीमा समावेश गरिएको छैन।

❑ बैंक, निजी पक्ष वा असंगठित क्षेत्रबाट लिइएको ऋण व्यवसायिक आम्दानीमा समावेश गरिएको छैन।

❑ व्यवसायिक आम्दानी बाहेक अन्य व्यवसायिक आम्दानीमा समावेश गरिएको छैन।

❑ कृषिबाट प्राप्त आय, व्यक्तिले प्राप्त गरेको कृषि जग्गाको भाडा कर योग्य छैन। यद्यपि व्यवसायबाट प्राप्त हुने भाडा (खाली जग्गा, व्यावसायिक जग्गा र भवन) व्यवसायिक आम्दानीमा समावेश गरिएको छ।

❑ व्यक्ति (व्यवसाय होइन) ले प्राप्त गरेको घर भाडा अन्तिम TDS हो र एकल स्वामित्व व्यवसाय/संस्थाले प्राप्त गरेको भाडा व्यवसाय आयमा समावेश गरिएको छ।

स्थिर सम्पत्तिको आंशिक बिक्रीमा प्राप्त लाभ समावेश गरिएको छैन, यदि पूर्ण ब्लक निकास गरिएको छ भने मात्र आयमा समावेश गरिएको छ।

खर्चहरू स्वीकार्य कटौती छैन

❑ व्यक्तिगत/घरेलु घरायसी खर्च।

❑ ऋण भुक्तानी (व्यक्तिगत वा व्यावसायिक ऋण), स्थिर सम्पत्तिको खरिद (फर्निचर, जग्गा र भवन, मेसिनरी) जस्ता पूँजीगत खर्च

❑ बैंकबाट ऋण लिँदा भएको खर्च (सेवा शुल्क, मूल्याङ्कन शुल्क, कानुनी शुल्क)

❑ व्यक्तिगत उद्देश्यका लागि बैंकलाई तिरेको ब्याज (जस्तै आवासीय घर निर्माण, जग्गा खरिद)

❑ आवास, खाना, जलपान, मनोरञ्जन आदि प्रदान गर्ने व्यक्तिको लागि सम्बन्धित खर्च। यद्यपि व्यवसायसँग सम्बन्धित ती खर्चहरू स्वीकार्य कटौती हुन्।

❑ तालिम वा उच्च डिग्रीसँग सम्बन्धित खर्चहरू तर व्यवसायसँग प्रत्यक्ष रूपमा सम्बन्धित ती खर्चहरू स्वीकार्य कटौती हुन्।

❑ प्रति समय ५०० सम्मको सानो नगद खर्च (जस्तै चिया, स्टेशनरी, पुरस्कार, आपतकालीन चिकित्सा)।

❑ आयकर तिरेको, करको लागि व्यवस्था, अग्रिम कर तिरेको।

☐ सरकार वा स्थानीय निकायलाई जरिवाना र जरिवाना (करको ढिलो भुक्तानी, अन्डर बिलिङ आदि)। तर बिजुली र टेलिफोन बिलको ढिलो भुक्तानीको लागि जरिवाना र जरिवाना पूर्ण रूपमा स्वीकार्य कटौती हो।

☐ करमुक्त आयको लागि गरिएको खर्च (जस्तै उपहार, पुरस्कार)।

☐ सामान्य रिजर्भमा स्थानान्तरण, लाभांशको लागि व्यवस्था र भुक्तानी गरिएको लाभांश जस्ता नाफाको वितरण।

☐ खराब ऋणको लागि व्यवस्था र खराब ऋणको लागि आरक्षित।

☐ आयकर अपील, कर प्रशोधन, कर अधिकारी विरुद्धको लागि कानूनी खर्च तर पेटेन्ट अधिकार, व्यावसायिक सम्पत्ति, ब्रीफिंग आयकर नियमको सुरक्षाको लागि कानूनी खर्च स्वीकार्य कटौती हो।

☐ बैंक ऋण भुक्तानी वा घरेलु उद्देश्य जस्ता दायित्व निपटानका लागि कानूनी खर्च।

☐ चित्रकला, साथीलाई उपहार स्वीकार्य कटौती होइन।

☐ श्रीमती, छोरालाई कर्मचारी हुँदा तलब कटौती गर्न अनुमति छ।

☐ सामान्य व्यवसाय/लगानी घाटा ७ वर्षभन्दा बढी।

☐ कालोबजारी, कर तस्करीसँग सम्बन्धित खर्चहरू कटौती गर्न अनुमति छैन।

☐ एक पटकमा ५०००० भन्दा बढी नगद भुक्तानी व्यक्ति वा संस्थाले बैंकिङ सेवा उपलब्ध गराए पनि। तर निम्न अवस्थाहरूमा कटौतीको लागि नगद भुक्तानी गर्न अनुमति छ।

a. नेपाल सरकार, संवैधानिक निकाय वा बैंक तथा वित्तीय संस्थालाई भुक्तानी।

b. किसान वा उत्पादक उत्पादन प्राथमिक कृषि उत्पादनको लागि भुक्तानी।

c. १० किलोमिटर वरिपरि बैंकिङ सेवा उपलब्ध नभएको खण्डमा भुक्तानी।

d. अवकाश योगदानको लागि भुक्तानी।

e. बैंकिङ सेवा बन्द भएको समयमा।

नोट: पेन्सन सङ्कलन शुल्क र उपहार सङ्कलन शुल्क कटौती गर्न अनुमति छैन। यद्यपि रोयल्टी सङ्कलन शुल्क, ब्याज सङ्कलन शुल्क कटौतीको लागि अनुमति छ।

व्यापार र PL खाता (बिक्री) खाता - व्यवसायको हिसाब

आय र खर्च खाता (रसिद र भुक्तानी खाता)- पेशा को हिसाब