

# Taxation for Business Decision

FIN 613

Credit hrs. 2

Lecture hrs. 32

Semester II

## Course Description

This course aims at providing essential knowledge of taxation for business decision. The students pursuing this course will study corporate income tax, value added tax, and tax planning in detail. It will assist students to acquire necessary knowledge and skill of corporate tax planning so that they can analyze the effects of taxes on business decisions. This course mainly encompasses the major components of corporate taxation and tax planning like conceptual aspects of corporate taxation, value added tax, tax administration, tax planning, and tax planning for business decision.

## Learning Outcomes

On completion of the course, students are expected to:

- Understand the theoretical concepts of tax and its types
- Assess taxable income, tax liability, and advance tax installments of trading and manufacturing companies
- Compute the amount of value added tax on goods and services at different levels of selling and distribution points
- Explain tax administration system and its various components in the context of Nepal
- Understand the rights and duties of tax payers in Nepal
- Appreciate the significance of tax planning in business entities
- Analyze the effects of taxes on business decisions and suggest appropriate alternative from the view point of tax implication.

## Course Details

### Unit I: Conceptual Foundation of Taxation

5 hrs.

Concepts of tax, direct and indirect taxes; Sources of public revenue in Nepal; Structure of tax revenue in Nepal; Evolution of tax laws in Nepal; Characteristics of Income Tax Act, 2002; Concepts of income taxation: Presumptive taxation, turnover taxation, personal taxation and corporate taxation; Major headings or sources of income: Employment, investment, business, and casual.

### Unit 2: Taxation of Corporate Income

8 hrs.

Assessment of business income: chargeable incomes, allowable deductions, disallowed expenses, assessable income from business; Assessment of investment income: chargeable incomes from investment, allowable deductions, assessable income from investment; Assessment of total income, allowable reductions, tax assessment: flat rate system, total tax liability, adjustment of tax rebates and concessions, tax payable, advance tax payments

in installments; Inter-corporate investment and capital gain tax, Set-off and carry-forward of business and investment losses.

- Unit 3: Value Added Tax 5 hrs.  
Meaning and concept of Value added tax (VAT); Evolution of VAT; Concepts of cascading effect and zero rating; Methods of VAT; Taxable transactions; Tax-exempted transactions; VAT accounting; Tax registration; Tax collection; Tax invoice; VAT refund; Duties of businessmen and customers in VAT system.
- Unit 4: Tax Administration 3 hrs.  
Revenue administration structure in Nepal; Tax registration, Permanent Account Number (PAN), withholding tax, filing of returns; Methods of tax collection; Methods of tax realization; Rights and duties of taxpayers; Administrative review and appeal.
- Unit 5: Tax Planning 4 hrs.  
Tax burden simplification: tax evasion, tax avoidance, tax planning; Major differences among tax evasion, tax avoidance and tax planning; Risks on tax evasion and tax avoidance practices; Basic concepts of tax planning; Needs and objectives of tax planning to modern business corporations; Types of tax planning; Scopes of short-range tax planning, scopes of long-range tax planning; Concepts of tax management.
- Unit 6: Tax Planning for Business Decisions 8 hrs.  
Taxation and business decisions: concepts of tax incentives, effects of deductions, reductions, exemptions, tax holiday, rebates on business decisions; Tax planning for business decisions: selection of business, forms of business incorporation, location of business unit, size of business, timing of future business activities; Capital structure; Leasing or buying business assets, retention or distribution of returns, merging of business units.

Suggested Readings:

- Dhakal, K. D, Bhattarai, I. P., Koirala, G. P. & Bhattarai, R. (2019) *Corporate Taxation*, Kathmandu: Asmita Books Publishers & Distributors.
- Regmi, G. N. & Bharati, C. B. *Corporate Taxation*, Kathmandu: KEC Publication and Distributors.
- Government of Nepal, *Income Tax Act, 2058 and Income Tax Rules, 2059* (with latest amendments)
- Government of Nepal, *Value Added Tax Act, 2052 and Value Added Tax Rules, 2059* (with latest amendments).

*Note: Latest edition of the suggested readings will be used and the faculty may recommend additional reading materials.*