

### Income from Profession 10 Marks

**Income from Business:** Profession is a service related business by using and exercising own skill in the society like doctors, engineers, Chartered Accountant, lawyer etc.

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

| Particulars  | Amount | Amount      |
|--|--------|-------------|
| Service income   | xxx    |             |
| Consultation fee   | xxx    |             |
| Bad debt recovered   | xxx    |             |
| Visiting fee   | xxx    |             |
| Legal fee  | xxx    |             |
| Prize and gift received related to profession                          | xxx    |             |
| Amount received in lieu of accepting due to restriction of profession. | xxx    |             |
| Royalty received related to professional work (writer, author)         | xxx    |             |
| Sales of old news paper, books magazine                                | xxx    |             |
| Surgical charge/ X-ray charge  | xxx    |             |
| Compensation received related to Profession                            | xxx    |             |
| Miscellaneous income   | xxx    |             |
| Sales of medicine  | xxx    |             |
| Commission received  | xxx    |             |
| Advisory fee   | xxx    |             |
| sundry income  | xxx    |             |
| Income from dancing/ singing / script playing                          | xxx    |             |
| <b>Gross income from Profession</b>                                    |        | <b>Xxxx</b> |
| Less: Allowable deduction  |        |             |
| Salary paid, interest paid, rent paid                                  | xxx    |             |
| Electricity fee, telephone, internet charge                            | xxx    |             |
| Administrative expenses  | xxx    |             |
| Travelling expenses  | xxx    |             |
| Repair and maintenance cost/ vehicle expenses                          | xxx    |             |
| Purchase of newspaper  |        |             |
| Bad debt   | xxx    |             |
| Depreciation on professional assets/ Books ( D group)                  | Xxx    |             |
| Audit fee  | Xxx    |             |
| Life insurance premium of employee paid by employer                    | Xxx    |             |
| Insurance of professional assets                                       | Xxx    |             |
| Miscellaneous expenses   |        |             |
| Hospitality expenses   | Xxx    |             |

|  |     |     |
|--|-----|-----|
| Office and administrative expenses               | Xxx |     |
| Printing and stationary expenses                 | Xxx |     |
| Sundry expenses                                  | xxx |     |
| Total allowable deduction                        |     | Xxx |
| Adjusted Taxable income before processional loss |     | Xxx |
| Less: Professional loss (Up to previous 7 years) |     | Xxx |
| Adjusted taxable income before PCC and R&D       |     | Xxx |
| Less: Pollution control cost(PCC)                |     | Xxx |
| Research and Development cost(R&D)               |     | xxx |
| Net Assessable income from Profession            |     | Xxx |

### Income from investment

| Particulars   | Amount |
|---|--------|
| Dividend from non-resident company                  | Xxx    |
| Interest from private party/unorganized sector      | Xxx    |
| Royalty from natural resources                      | Xxx    |
| Royalty received(except income profession)          | Xxx    |
| Compensation received                               | Xxx    |
| Rent received letting computer, computer, machinery | Xxx    |
| Rent form sub-letout / subletting house             |        |
| 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 profession/ Business/ employment)

| Particulars   | Amount | Amount     |
|---|--------|------------|
| Assessable income from Business/ profession   | 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<br>-1/3 of total assessable income xxx<br>-20% of annual salary +CIT+ Retirement fund xxx<br>-Maximum 300000<br>(whichever is less) | Xxx    |            |
| b. Contribution to Social security fund(SSF)<br>-1/3 of assessable income<br>-31% of Annual salary +CIT+ Retirement fund<br>Maximum 500000<br>(which ever less)   | Xxx    |            |
| c. Donation to tax exempt organization:   | xxx    |            |

|   |     |  |
|---|-----|--|
| <p>-5% of Adjusted Taxable income before PCC and R&amp;D +<br/>Investment income xxx<br/>-Actual donation given xxx<br/>-100000 (whichever is less)</p>   |     |  |
| <p>d. Donation to Prime minister disaster relief fund, National reconstruction fund<br/>(actual donation paid is fully allowable deduction)</p>   | Xxx |  |
| <p>e. Remote area deduction or exemption<br/>Area A=50000, B=40000,C=30000,D=20000 E=10000</p>  | Xxx |  |
| <p>f. Life Insurance Premium(LIP) Exemption:<br/>Maximum Limit=40000<br/>Actual LIP paid (self only)=xxx<br/>(Whichever is less)<br/><b>Note: LIP of son, daughter, wife diyako xa vane xodne or narakhne</b></p> | Xxx |  |
| <p>g. Health insurance Premium(HIP) Exemption<br/>Maximum Limit=20000<br/>Actual HIP paid(self only) xxx<br/>(Whichever is less)</p>  | Xxx |  |
| <p>h. Residential Building insurance<br/>Maximum 5000<br/>Actual premium paid xxx<br/>(whichever is less)</p>   | Xxx |  |
| <p>i. Pension exemption<br/>Single:25% of 500,000<br/>Couple: 25% of 600,000<br/>Actual pension received xxx=13 month salary (whichever is less)</p>  | Xxx |  |
| <p>J. Disable individual exemption:<br/>Single:50% of 500,000</p>   |     |  |

|   |            |            |
|---|------------|------------|
| Couple: 50% of 600,000                                      | Xxx        |            |
| H. Foreign allowance exemption<br>-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> |

#### Statement /Computation of Tax Liabilities

| Individual  | Rate       | For couple              | Rate |
|---|------------|-------------------------|------|
| 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%  |
| Add: Capital Gain Tax:  |            |                         |      |
| Gain on sale of share and securities 5%,7.5%, 10% xxx                       |            |                         |      |
| Gain on sales land and building 5%, 7.5% xxx<br>(> 5years=5%, <5 years=7.5) |            |                         |      |
| Gain on sale of non-business chargeable assets 10% xxx                      |            |                         |      |
| Total Tax Liability   | xxx        |                         |      |
| Less: Advance tax paid (Advance TDS)  | xxx        |                         |      |
| Medical tax credit  | xxx        |                         |      |
| Foreign tax credit  | xxx        |                         |      |
| <b>Net Tax Payable/Refundable</b>   | <b>xxx</b> |                         |      |

Note for profession/investment

| S.N | Included items ( Rakhne)   | Not included ( Narakhne)  | Remarks                                   |
|-----|--|---|---|
| 1   | Interest from unorganized sector/<br>private party or individual               | Interest from bank, Interest<br>from Govt. Bond, Interest<br>from mutual fund, fixed<br>deposit.      | 6 % final(<br>bank), 5%<br>final ( other) |
| 2.  | Gift from client   | Gift form friend  |   |
| 3   | Salary paid to wife or son   | Salary paid to house servant  |   |
| 4   | Income received of next year or<br>previous year( if cash basis<br>accounting) | Income receivable of current<br>year / outstanding income or<br>expenses( if cash basis)              |   |
| 5   | Donation to tax exempt organization<br>or approved by IRD                      | Donation to Tax payer<br>(private) organization or<br>unapproved by IRD.                              |   |
| 6   | Advance income received (cash basis)   | Agriculture income received   | Not taxable                               |
| 7   | House rent received by sole<br>proprietorship firm or Entity or<br>company     | House rent received by<br>individual  | 10% final                                 |
|     | Accured or income receivable( if<br>accrual basis) eg. Legal fee receivable    | Accured income, (If cash<br>basis) eg. Legal fee receivable   |   |
|     | Outstanding or payable expenses (if<br>accrual basis) eg. O/s salary           | Outstanding or payable<br>expenses (if cash basis) eg.<br>O/s salary                                  |   |
|     |  | Dividend received from<br>resident bank   |   |
|     |  | Gain from matured life<br>insurance, mutual fund,<br>government securities                            | 5% final                                  |
|     |  | Provision for tax, tax paid   |   |
|     | Life insurance premium (self)  | Life insurance premium<br>(wife/son)  |   |
|     |  | Purchase of fixed assets, sold<br>of fixed assets, capital<br>expenditure                             |   |
|     |  | Repayment of bank loan, Loan<br>received from bank, payment<br>to creditors, received from<br>debtors |   |

|  |                                     |   |             |
|--|-------------------------------------|---|-------------|
|  |                                     | Domestic expenses, personal expenses/ Drawing |             |
|  | Royalty, interest collection charge | Gift, pension collection charge               |             |
|  |                                     | Income from part time work, occasional basis  | 15% final   |
|  |                                     | Domestic expenses, personal expenses/ Drawing |             |
|  |                                     | Lottery income/ causal gain                   | 25 % final  |
|  |                                     | Rent from machinery, furniture letout         | 10% advance |

**Receipt and Payment Diyako xa vane= cash basis ko hisab ho**

**Income and expenditure account diyako xa vane= Accural basis ko hisabl ho**

Note: house rent received by individual personal house (Ram Hari ) final TDS xodne

Hose rent received sole proprietor business/ company/entity investment ma rakhne. Net vanema after TDS vaneme 0.90 le deivide garera gross up garera investment ma rakhne

Eg House rent received by ABC traders Rs.90000(net)=  $90000/0.90= 100000$  investment ma rakhne.

House rent received staff quarter business ma raknne.