

**UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF LAW**

BACHELOR OF LAWS DEGREE EXAMINATION - YEAR IV- 2017

**TAX LAW
(Three Hours)**

Total Number of Questions: 07

Answer any **FOUR** questions and **NO MORE**

(Candidates will be penalized for illegible handwriting.)

1. Nyanthi works as a journalist attached to the "Sandaruwan" Newspaper. Her monthly salary is Rs. 45,000/-. Apart from this, she works as a freelance journalist, contributing a weekly article to another newspaper, for which she gets paid Rs. 2000/- per article. In order to supplement her income she gives private tuition for journalism students, from which she earns approximately Rs. 80,000/- per month. Recently Nyanthi won an international journalism award and the Sandaruwan newspaper paid Rs. 90,000/- for her air ticket and accommodation to go to Thailand to collect the award.

Discuss, with reference to the relevant statutory provisions and case law relating to profits from employment, Nyanthi's income tax liability.

2. Distinguish between a capital gain and a revenue gain with suitable examples, comparing and contrasting the distinctive characteristics of each category.
3. Comment, with reference to the Inland Revenue Act, how the powers of the assessor could be used to the detriment of the taxpayer, and what, if any, amendments you would suggest to make the assessment system more balanced.

4. "Metco Ltd." is a private company. It has incurred the following costs in the year of assessment 2016/2017:

- a) Legal expenses amounting to Rs. 750,000/- in registering the company trademark, which includes both the registration fees and the consultancy fee.
- b) Rs. 800,000/- that was stolen when the company vehicle that was taking it to the bank to be deposited was robbed at gunpoint.
- c) Rs. 600,000/- that was spent on a workshop to train the staff on leadership skills.

The company wishes to deduct these costs from its gross profit to ascertain the assessable income. How would you advise it?

5. Critically analyze the statutory provisions with regard to the appeals before the Court of Appeal under Tax Appeal Commission Act No: 23 of 2011 with special reference to the mandatory requirements to be complied with in stating a case before the Court of Appeal. Your answer should be supported by relevant case law.

6. "Even though the tremendous power of the Commissioner General of Inland Revenue to recover tax in default is needed to strengthen the government tax revenue, it results in some harsh effects on the tax payer."

Critically evaluate the validity of the above statement with reference to the existing statutory provisions of the Inland Revenue Act No. 10 of 2006 and judicial decisions.

7. Vajira, a property developer, was approached by his friend Ananda, who requested him to construct an apartment complex on a 50 perch block of land in Colombo 05. Vajira made all the necessary arrangements and constructed a set of apartments on the land. Vajira and Ananda both received apartments in this building. Later, when Ananda's daughter came to Sri Lanka, Ananda purchased Vajira's apartment for her. Vajira, who was keen to sell the apartment as he realized that it was in a heavily polluted area, made a profit of Rs. 1,000,000/- on the sale and purchased another apartment further away from Colombo with the money. He rented this out, as he had his own house in which he was resident. Vajira was assessed on the profits as income from trade. He wishes to challenge the assessment. Advise him.
