

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



New Fall (E) 2011, April 2012 Examinations

Thursday, the 19th April 2012

**BUSINESS TAXATION (S-302)**  
**STAGE – 3**

Time Allowed : 02 Hours 45 Minutes

Maximum Marks: 80

Roll No.:

- (i) Attempt ALL questions.
- (ii) Answers must be neat, relevant and brief.
- (iii) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, effective presentation, language and use of clear diagram/ chart, where appropriate.
- (iv) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
- (v) Use of non-programmable scientific calculators of any model is allowed.
- (vi) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
- (vii) Question No.1 – “Multiple Choice Question” printed separately, is an integral part of this question paper.
- (viii) **Question Paper must be returned to invigilator before leaving the examination hall.**

	<b>Marks</b>
<b>Q.2 (a)</b> In the light of the Section 6 of the Income Tax Ordinance, 2001 relating to Pakistan-source royalty and fee for technical services received by a non-resident person, answer the following:	
<b>(i)</b> At which rate shall the tax be imposed?	<b>01</b>
<b>(ii)</b> On which amount shall the tax be imposed?	<b>01</b>
<b>(iii)</b> On which types of royalty / fee for technical services this section shall not apply?	<b>03</b>
<b>(b)</b> Section 13 of the Income Tax Ordinance, 2001 deals with the valuation of perquisites provided by an employer for the purposes of computing the income of an employee for a tax year chargeable to tax under the head 'salary'. How the following perquisites shall be treated?	
<b>(i)</b> Services of a housekeeper, driver, gardener, or other domestic assistant.	<b>02</b>
<b>(ii)</b> Utilities provided by the employer.	<b>02</b>
<b>(iii)</b> Obligation of an employee to repay an amount owing by the employee to another person is paid by the employer.	<b>02</b>
<b>(iv)</b> Loan made to the employee by the employer with no profit payable or the profit payable is less than benchmark rate.	<b>02</b>
<b>(c)</b> Answer the following as per Section 16 of the Income Tax Ordinance, 2001:	
<b>(i)</b> Mr. Abubakar rented out his flat to Mr. Munnaf. At the time of rent agreement Mr. Abubakar received an amount from the tenant, which is not adjustable against monthly rent. How this amount shall be treated?	<b>02</b>
<b>(ii)</b> If on termination of the tenancy, the above mentioned amount is refunded to the tenant before expiry of ten years and the house is not let out to any other person, how this situation shall be treated?	<b>02</b>
<b>(iii)</b> Where the circumstances as mentioned in (ii) above occur and the property is let out to another person (succeeding tenant) and from the succeeding tenant an amount is received which is not adjustable against rent, how the refund of the deposit of old tenant and the receipt of the new deposit shall be treated?	<b>03</b>

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- Q.3 (a)** As per Section 29 of the Income Tax Ordinance, 2001 relating to 'Bad Debts' reply the following:
- (i) Under what conditions a person shall be allowed deduction for bad debts in a tax year? **04**
- (ii) What will be the maximum amount of deduction? **01**
- (iii) Where a person was allowed a deduction in a tax year for bad debt and in a subsequent tax year the person receives in cash or kind any amount in respect of that debt, how this amount shall be treated? **04**
- (b)** (i) In the light of Rule 87 of the Income Tax Rules, 2002 describe the procedure for the registration of income tax practitioners. **05**
- (ii) What is the duration of the registration of a person as an Income Tax Practitioner under Rule 88 of the Income Tax Rules, 2002? **02**
- Q.4 (a)** Define the following terms as given in the Sales Tax Act, 1990:
- (i) Firm **01**
- (ii) Open market price **01**
- (b)** (i) Under Section 23 of the Sales Tax Act, 1990, a registered person making a taxable supply is required to issue a serially numbered tax invoice at the time of supply of goods containing certain particulars. What are these particulars? **05**
- (ii) Can the above mentioned invoice at (b) (i) be issued by an unregistered person? **01**
- (c)** What are the penalties in respect of the following offences under Section 33 of the Sales Tax Act, 1990?
- (i) A person who fails to maintain records required under Section 22 and 24 of this Act or the rules made thereunder. **02**
- (ii) Any person who obstructs an authorized officer in the performance of his official duty in general or in respect of Section 31 of the Act. **02**
- Q.5** Mr. Abdul Rehman is Chief Accountant in a multinational company. He is assumed to have received the following perks during the tax year 2012:

<b>Income from Salary:</b>	<b>Rs.</b>
Basic salary	412,500
House rent allowance	182,800
Utilities	40,600
Employer's contribution to recognized provident fund	31,950
Medical allowance	37,300
Leave encashment	50,600
T.A / D.A for official duty	33,300
Bonus	82,500

During the year, tax has been deducted on salary at Rs.26,500. Further he has paid Zakat at Rs.35,000 under the Zakat and Ushar Ordinance and Rs.56,000 as donation to an approved institution.

Mr. Abdul Rehman has been provided with a 1300cc car which cost Rs.1,250,000 to the company. The car is used for both personal and official purposes.

**Capital Gain:**

	<u>Rs.</u>
Capital gain on buying and selling of shares of an unlisted company (shares were held for eight months).	52,000

**Income from Property:**

Four years ago he rented out his house for a monthly rent of Rs.24,000. At that time he also received Rs.120,000 from the tenant as deposit which is not adjustable against monthly rent. During the current tax year he received Rs.288,000 as rent.

**Required:**

Compute taxable income and tax liability of Mr. Abdul Rehman for the tax year 2012. **20**

**Q.6 (a)** Section 3(1) of the Federal Excise Act, 2005 enumerates the types of goods and services on which duties of excise specified in the First Schedule are levied. What are those goods and services? **05**

**(b) (i)** As per Section 93 of the Customs Act, 1969 under which conditions the owner of the goods lodged in a warehouse shall be allowed access to the goods? **02**

**(ii)** Who shall pay the expense incurred in providing access of the owner to the warehoused goods? Also mention the receiver of such amount and the time of payment. **02**

**(c)** In the light of the Federal Excise Act, 2005, define the following terms:

**(i)** Establishment **01**

**(ii)** Conveyance **01**

**(iii)** Import and export **01**

**THE END**

**TAX RATES FOR SALARIED TAXPAYERS FOR TAX YEAR 2012(EXTRACT)**

Sr.#	Taxable Income			Tax Rate
1.	Where the taxable income exceeds	Rs.550,000	but does not exceed Rs.650,000	4.50%
2.	Where the taxable income exceeds	Rs.650,000	but does not exceed Rs.750,000	6.00%
3.	Where the taxable income exceeds	Rs.750,000	but does not exceed Rs.900,000	7.50%
4.	Where the taxable income exceeds	Rs.900,000	but does not exceed Rs.1,050,000	9.00%
5.	Where the taxable income exceeds	Rs.1,050,000	but does not exceed Rs.1,200,000	10.00%
6.	Where the taxable income exceeds	Rs.1,200,000	but does not exceed Rs.1,450,000	11.00%

**TAX RATES FOR INCOME FROM PROPERTY FOR TAX YEAR 2012**

Sr. #	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5% of the gross amount exceeding Rs.150,000.
(3)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.12,500 plus 7.5% of the gross amount exceeding Rs.400,000.
(4)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.57,500 plus 10% of the gross amount exceeding Rs.1,000,000.