

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Fall (Winter) 2009 Examinations

Tuesday, the 17th November 2009

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

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 80

- (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 on 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.

		Marks
Q. 2	(a) M/s. Z. Attari Ltd., has a tax year ending on 30 th June, is feeling difficulty in filing the return in time. You are required to advise the management on the following issues:	
	(i) Who is responsible to file return on behalf of the company and what conditions shall be applicable to the return?	6
	(ii) What procedure the company has to follow if extension in filing is required?	5
	(iii) What penalties shall be applicable in respect of the following contraventions of the law:	
	(a) Failure in furnishing a return;	1
	(b) Non-payment of tax or failure in payment of tax; and	1
	(c) Concealment of Income.	1
	(b) Mr. Nasir has received a notice from the tax authorities declaring him a ‘legal representative’ of his deceased uncle, Dr. Yawar. Mr. Nasir has approached you and sought your expert advice on the following issues:	
	(i) What does the term ‘legal representative’ mean?	1
	(ii) Taxation of income earned by Dr. Yawar prior to his death and the extent of tax liability of Mr. Nasir in respect of such income.	2
	(iii) Legality of the tax assessment proceeding pending against Dr. Yawar at the time of his death.	3
Q. 3	(a) Explain the provisions of section 29 of the Income Tax Ordinance, 2001 with regard to recovery of bad debts in subsequent years.	5
	(b) Discuss the provision of sections 170 & 171 for claiming “refund” under the Income Tax Ordinance, 2001. Also narrate that who is entitled to a refund and how it becomes due.	6
	(c) Enumerate “the prescribed qualification for registration as an income tax practitioner” as provided under Rules 86 of the Income Tax Rules, 2002.	6
	(d) What is the duration of registration for income tax practitioner as per Rule 88 of the Income Tax Rules, 2002?	3

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- Q. 4** The following is the Profit & Loss Account of M/s. Fast Track Company (Pvt) Limited for the year ended on 30th June.

	Rs.		Rs.
Sundry expenses	8,000	Gross Profit	840,000
Office salaries	104,000	Casual income	2,000
Rent, rates & taxes	32,000	Premium on issue of debentures	40,000
Income tax	10,400	Recovered bad debts	
Legal charges	7,200	(allowed in the past)	1,600
Advertisement	20,000	Dividend	8,000
Auditor's fees	24,000		
Cost of issue of debentures	20,000		
Loss on sales of furniture	8,000		
P. F. contribution	28,000		
Bad debts	16,000		
Vehicle expenses	32,000		
Fire insurance premium	28,000		
Communication	3,600		
Provision for taxes	36,000		
Provision for bad debts	16,000		
Liquidated damages	12,000		
Depreciation	160,000		
Net Profit	<u>326,400</u>		
	<u>891,600</u>		<u>891,600</u>

Required:

Compute the net taxable income of the company for the tax year 2010 from the above data after keeping in view the following notes:

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- (i) Sundry expenses include Rs.1,600 paid to an institution not recognized under section 61.
- (ii) Office salaries include Rs.20,000 paid to one of the directors.
- (iii) Provident Fund is recognized by the Income Tax Department.
- (iv) Vehicle expenses are not vouched and verifiable to the extent of Rs.6,000.
- (v) Actual depreciation works out to Rs.136,000 only.

- Q. 5 (a)** Describe the records required to be maintained by registered persons under section 22 of the Sales Tax Act, 1990.

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- (b)** An officer of Sales Tax obtains authority under section 38 of the Sales Tax Act, 1990 for access to premises, stocks and records. Explain the legal provisions in this regard.

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- Q. 6 (a)** Discuss the following matters with reference to the Customs Act, 1969:

(i) Customs duty on Goods Dutiable

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(ii) Deferment of Collection of Duty

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- (b)** How would Federal Excise Officer proceed for recovery of arrears of duty or any other sum under the Federal Excise Act. 2005?

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THE END