

Q.2 (a) Tax Refund

A taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess.

An application for a refund shall be made within two years of the later of :

- (i) the date on which the Commissioner has issued the assessment order to the taxpayer for the tax year to which the refund application relates, or
- (ii) the date on which the tax was paid.

(b) Industrial Undertaking [Section 2(29C)]:

Industrial undertaking means -

- an undertaking which is set up in Pakistan and which employs,
 - (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or
 - (ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy;
- and which is engaged in,—
 - (i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or
 - (ii) ship-building; or
 - (iii) generation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or
 - (iv) the working of any mine, oil-well or any other source of mineral deposits; and
- any other industrial undertaking which the Board may by notification in the Official Gazette, specify.

(c) (i) Records which shall be Issued and Maintained by the Taxpayer Deriving Income from Property:

Every taxpayer deriving income chargeable under the head Income from Property shall issue and maintain the following minimum documents and records:

- Tenancy agreement, if executed

BUSINESS TAXATION – SEMESTER-4**Marks**

- Tenancy termination agreement ,if executed
- Receipts for amount of rent received; and
- Evidence of deductions, claimed in respect of premium paid to insure the building, local rate, tax, charge or cess, ground rent, profit/interest or share in rent on money borrowed, expenditure on collecting the rent, legal services and un-paid rent,

(ii) Petroleum Products:

Every person selling petroleum products to a petrol pump operator shall deduct tax from the amount of commission or discount allowed to the operator at the rate specified in *Division VIA of Part III of the First Schedule.

The tax deductible under sub-section (i) of section 156A shall be a final tax on the income arising from the sale of petroleum products to which sub-section (1) applies.

*Rate of collection of tax under section 156A shall be 10% of the amount of payment.

Q.3 (a) (i) Short Answers of the Questions:

Following are the conditions for association of persons and individuals to qualify as prescribed person

- An association of persons, having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year; or
- An individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year;

(ii) 25% of the amount exceeding Rs.2,500,000

(iii) The income of university or an educational Institution established for educational purposes and for making profit is not exempt from tax.

(iv) The income from export of computer software or IT services or IT enabled services are exempted from tax up to the period ending on June 30, 2016

(v) Income from Other Sources

(b) (i) Methods to Determine Arm's Length Results:

There are four methods to determine arm's length results under Income Tax Rules 2002, which are as follows:

- a. The comparable un-controlled price method
- b. The resale price method
- c. The cost plus method; or
- d. The profit split method

BUSINESS TAXATION – SEMESTER-4**Marks**

- (ii) Where the arm's length result cannot be reliably determined under one of the methods as mentioned at (i) above, the Commissioner may use any method provided it is consistent with the arm's length standard.

(c) Valuation of Accommodation:

The value of accommodation provided by an employer to the employee shall be taken equal to the amount that would have been paid by the employer in case such accommodation was not provided.

Provided that the value taken for this purpose shall, in any case, not be less than forty five percent of the minimum of the time scale of the basic salary or the basic salary where there is no time scale.

Provided further that where House Rent Allowance is admissible @ thirty percent, the value taken for the purpose of this rule shall be an amount not less than thirty per cent of minimum of the time scale of basic salary or the basic salary where there is no time scale.

Q.4

Name of Taxpayer	Mr. Noor	0.25
National Tax Number	xxx	0.25
Tax Year ended on	30th June,2013	0.25
Tax Year	2013	0.25
Personal Status	Individual-Salaried	0.25
Residential Status	Resident	0.25
	Rupees	
Basic salary	840,000	01
Bonus	100,000	01
Dearness allowance	84,000	01
House rent allowance	(N-1) 420,000	01
Medical allowance	(N-2) Nil	
Contribution towards recognized provident fund	(N-3) Nil	
Interest on provident fund	(N-4) Nil	
	1,444,000	01
Capital (loss)	(N-5) Nil	
Income from other sources:		
Remuneration for literary work	120,000	01
Total Income	1,564,000	0.5
Less Zakat paid	(10,000)	01
Taxable Income	1,554,000	01

BUSINESS TAXATION – SEMESTER-4**Marks****Tax Liability**

Tax on income under NTR:

Tax on Rs.1500,000

95,000

01

Tax on Rs.54,000 @ 15%

8,100

103,100

01

Tax on property income:

Tax on Rs.150,000

(N-6)

Nil

Tax on 42,000 @ 5%

2,100

2,100

01

Total Tax Liability

105,200**01****NOTES:****Rupees****N-1** House rent allowance is totally taxable**N-2 Medical Allowance:**

Medical Allowance

80,000

Less 10% of basic salary (840,000x10%)

84,000

01

Nil

N-3 Contribution towards recognized Provident Fund:

Employer's contribution to provident fund(Rs.168,000/2)

84,000

Less: Exempt upto lesser of 10% of salary (924,000x10%)

or Rs.100,000.

(92,400)

Taxable

Nil

01

Nothing will be included in total income of the tax payer as the contribution is within the exemption limit

For the purpose of provident fund, 'Salary' means the basic salary plus the 'dearness allowance' (i.e., Rs.840,000 + 84,000)

N-4 Interest on Provident Fund**Rupees**

Amount of interest credited

300,000

Less exempt upto 1/3rd of Salary (Rs. 924,000/3)**(N-8)**

308,000

Taxable amount

Nil

01**N-5** Capital gain on sale of shares of listed companies is taxable as a separate block of income. **01**

Any loss on such share may be set-off by a person against any gain on sale of some other 'securities'. In case of Mr. Noor, there will be no treatment of loss as he has no gain on sale of securities.

N-6 Income from Property:

Property income is taxable as a separate block of income. Tax is charged on the gross rent at the rate specified in First Schedule.

0.5

BUSINESS TAXATION – SEMESTER-4

	Marks
N-7 Profit on PLS bank account received are taxable under Final Tax Regime hence are not included in total income. Tax deducted is treated as final discharge of tax liability for such income.	01
N-8 Interest credited to a provident fund is exempt upto the higher of one-third of salary or amount of interest calculated @ 16%. As the rate of interest is not given thus one-third of salary shall be treated as exempt.	0.5

Q.5 (a) (i) Person:

Person means,

- An individual;
- A company or association of persons incorporated, formed, organized or established in Pakistan or elsewhere;
- The Federal Government;
- A Provincial Government;
- A local authority in Pakistan;
- A foreign government, a political subdivision of a foreign government or public international organization;

(ii) Input Tax:

Input tax in relation to a registered person, means;

- Tax levied under the Sales Tax Act, 1990 on supply of goods to the persons;
- Tax levied under the Sales Tax Act, 1990 on the import of goods by the person;
- In relation to goods or services acquired by the person, tax levied under the Federal Excise Act, 2005 in sales tax mode as a duty of excise on the manufacture or production of the goods or the rendering or providing the services;
- Provincial sales tax levied on services rendered or provided to the person;
- Levied under the Sales Tax Act, 1990 as adapted in the State of Azad Jammu & Kashmir on the supply of goods received by the person

(iii) Distributor:

Distributor means a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply and includes a person who in addition to being a distributor is also engaged in supply of goods as a wholesaler or retailer.

- Mr. Waqar shall be jointly and severally liable for payment of such unpaid amount of tax with Mr Tanveer.
 - The Board has power to exempt any transaction or transactions through notification in official gazette.

BUSINESS TAXATION – SEMESTER-4**Marks**

- Q.6 (a) (i)** Such person shall pay penalty of five thousands rupees. Provided that in case a person files a return within fifteen days of the due date he shall pay a penalty of one hundred rupees for each day of default.
- (ii)** Such person shall pay a penalty of five thousands rupees or three percent of the amount of tax involved, whichever is higher.
- (iii)** Such person shall pay a penalty of five thousands rupees or three percent of the amount of tax involved, whichever is higher.

(b)

Bashir Coporation Private Limited
Computation of Sales Tax
For the month January 31, 2013

Output Tax

Sales to registered person (N-1)	(8,750,000 x 16%)	Rupees 1,400,000
Exports (N-2)	(1,000,000 x 0%)	0
Total output tax		1,400,000

01**Less input tax**

Purchase from registered persons	(6,000,000 x 16%)	960000
Purchases from non-registered persons (N-3)	-	—
Total input tax		960000
		<u>440,000</u>

01**01****Notes:****N-1**

Sales price of the goods	7,000,000
Discount rate	20% of retail price
Retail price (i.e., sales price plus discount allowed) (7000,000*100/80)	8,750,000

01**N-2**

Exports are zero-rated supplies so these are charged to tax at the rate of zero percent.

01**N-3**

As a non-registered person cannot charge the sales tax on supplies made by him, so his customer cannot claim credit of input tax.

01

Q.7 (a) (i) Particulars of Invoices:

Following are particulars of Invoice to be issued under Federal Excise Act, 2005;

- (i) name, address and registration number of the seller;
- (ii) name, address and registration number of the buyer;
- (iii) date of issue of the invoice;
- (iv) description and quantity of goods or as the case may be, description of services;
- (v) value exclusive of excise duty;
- (vi) amount of excise duty; and
- (vii) value inclusive of excise duty.

(ii) (a) Adjustment:

Adjustment means deduction of amount of duty paid on goods used in the manufacture or production of other goods from the amount of duty payable on such other goods in the prescribed manner.

(b) Duty due:

Duty due means duty in respect of supplies made or services provided or rendered during a month and shall be paid at the time of filing of return.

(b) (i) Rent of Public Warehouse:

The owner shall unless exempted by an order of the Collector or an officer not below the rank of [Assistant Collector or Deputy Collector] authorized by him] pay monthly rent and warehouse dues at such rates as the Collector of Customs may fix.

(ii) Time Period:

Within ten days of its presentation.

(iii) Remedies Available to the Custom Authorities:

The appropriate officer may, in the discharge of such demand (any transfer or assignment of the goods notwithstanding) cause to be sold, after due notice in the Official Gazette, such sufficient portion of the goods as he may select.

THE END