

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Summer (May) 2011 Examinations

Tuesday, the 24th May 2011

**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.**

**Marks**

**Q.2 (a)** Define the following terms under the Income Tax Ordinance, 2001:

- (i) Business **03**
- (ii) Charitable purpose **03**
- (iii) Employment **03**

**(b) (i)** To whom a company may issue shares of the company under “employee share scheme”? **03**

**(ii)** List down any six sources of income under the head “Income from other sources” as per section 39 of the Income Tax Ordinance, 2001. **03**

**(c) (i)** From the following information, compute the amount of “Income from Property” chargeable to tax for the year ending June 30, 2010: **03**

	<u>Rs.</u>	
Rent of the property	50,000	(per month)
Forfeited amount under a contract for the sale	100,000	
Refundable security deposit	500,000	
Annual maintenance charges paid by the owner of the property	25,000	

**(ii)** List down the conditions in respect of a person not liable to pay tax on “Income from property”. **02**

**Q.3 (a)** Define the following terms under the Income Tax Rules, 2002:

- (i) Entertainment **02**
- (ii) E-intermediary **02**

**(b)** List down the minimum books of account, documents and records of taxpayers with business income upto Rs. 200,000 under Rule 30 of the Income Tax Rules, 2002. **06**

**(c) (i)** List down any three prescribed qualifications for registration as an income tax practitioner under Rule 86 of the Income Tax Rules, 2002. **03**

**(ii)** Discuss the situations causing an end of the duration of registration of an income tax practitioner under Rule 88 of the Income Tax Rules, 2002. **03**

PTO

**Q.4 (a)** Which particulars does a tax invoice contain under section 23 of the Sales Tax Act, 1990? **04**

**(b)** The following information relate to XYZ (Pvt) Ltd., for the month ended December 31, 2010:

	<u>Rs.</u>
Taxable supply	5,000,000
Exempt supply	1,000,000
Zero-rated supply	2,000,000
Total supply	8,000,000
Purchase of raw materials used in taxable and zero-rated supply	4,500,000
Purchase of raw materials used in exempt supply	550,000

**Required:**

Compute the amount of sales tax liability/refund of the company.

**08**

**Q.5** Mr. Hussain Ahmad is an officer in a public listed company. He derived the following salary income during the tax year ended June 30, 2010:

	<u>Rs.</u>	
• Basic salary	50,000	(per month)
• House rent allowance	22,500	(per month)
• Utility allowance	5,000	(per month)
• Medical allowance	6,000	(per month)
• Leave encashment	50,000	
<b>(i)</b> Company also provided him with a 800CC car valuing Rs. 600,000 as per books of accounts. The car is used for official and personal purposes.		
<b>(ii)</b> He has paid Zakat of Rs. 25,000 to an approved institution.		
<b>(iii)</b> He paid a donation of Rs. 20,000 to a charitable institution for which a tax credit is allowed under section 61.		
<b>(iv)</b> He paid a donation of Rs. 10,000 to an approved institution as specified in clause (61) of part 1 of second schedule.		
<b>(v)</b> He received a pension amounting to Rs. 7,000 p.m. from his past employment in the government.		

**Required:**

Compute the amount of taxable income and tax liability of Mr. Hussain for the tax year 2010.

**20**

**Q.6 (a)** Who are required to obtain registration u/s 13 of the Federal Excise Act, 2005? **03**

**(b)** At what rate a default surcharge is payable by a person not paying the duty due under section 8 of the Federal Excise Act, 2005 and how the period of default is reckoned? **03**

**(c) (i)** Which goods are dutiable u/s 18 of the Customs Act, 1969? **03**

**(ii)** List the goods on which duties shall be repaid as drawback u/s 35 of the Customs Act, 1969. **03**

**THE END**

**TAX RATES FOR SALARIED TAXPAYERS FOR TAX YEAR 2010 (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%

Provided further that where the total income of a taxpayer marginally exceeds the maximum limit of a slab in the Table, the income tax payable shall be the tax payable on the maximum of that slab plus an amount equal to:

- |       |   |              |
|-------|---|--------------|
| (i)   | 20% of the amount by which the total income exceeds the said limit where the total income does not exceed | Rs. 550,000  |
| (ii)  | 30% of the amount by which the total income exceeds in each slab but total income does not exceed         | Rs.1,050,000 |
| (iii) | 40% of the amount by which the total income exceeds in each slab but total income does not exceed         | Rs.2,250,000 |