

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?

(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	
(i) 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.		
(ii) He has paid Zakat of Rs. 25,000 to an approved institution.		
(iii) He paid a donation of Rs. 20,000 to a charitable institution for which a tax credit is allowed under section 61.		
(iv) He paid a donation of Rs. 10,000 to an approved institution as specified in clause (61) of part 1 of second schedule.		
(v) 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 |