

**INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS
OF PAKISTAN**

PROFESSIONAL-II EXAMINATION-SPRING (SUMMER), 2004

Monday, the 31st May, 2004

831

BUSINESS TAXATION

Time Allowed—3 Hours

Maximum Marks—100

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- (i) Attempt SIX questions, including compulsory question No. 5 which carries 20 marks. All other questions carry 16 marks each.
- (ii) Answers must be neat, relevant and brief.
- (iii) Show computations where necessary.
- (iv) Use of non-programmable scientific calculators of : O Casio fx-82 LB, O Casio fx-82 Super, O Casio fx-350 D, O Casio fx-350 HA models is allowed.
- (v) In marking paper, the examiners take into account clarity of exposition, logic of arguments, effective presentations, and language.
- (vi) Read the instructions printed on the top cover of answer script CAREFULLY before attempting the paper.
- (vii) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
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Marks

Q. 1. Select the correct answer :

- (i) Exemptions and tax concessions are available under 2 _____ of the Income Tax Ordinance 2001.
- (a) First Schedule.
- (b) Second Schedule.
- (c) Third Schedule.
- (d) Sixth Schedule.

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- (ii) The rate of tax to be deducted from payments made to a Non-Resident person on the execution of a turn-key contract is : 2
- (a) 8%
 (b) 6%
 (c) 5%
 (d) 3.5%
- (iii) Income of a Non-Resident member of an Association of Persons, exempt from tax, is treated under Section 93 of the Income Tax Ordinance 2001 as : 2
- (a) The member's share in so much of the total income of the association as is attributable to Pakistan source of income is taxable.
 (b) The member's total income from whatever source is taxable.
 (c) The member's income is wholly exempt.
 (d) None of the above.
- (iv) Under Section 12(3) of the Income Tax Ordinance 2001, employee's tax liability paid by the employer is : 2
- (a) Grossed-up to employee's taxable income.
 (b) Exempt from Income Tax.
 (c) Deducted from employer's total income.
 (d) None of the above.
- (v) Under Section 84 of the Income Tax Ordinance, 2001, an Association of Persons will be resident if its management and control is situated in the tax year : 2
- (a) Wholly or partly in Pakistan.
 (b) Wholly outside Pakistan.
 (c) Both (i) and (ii) above.
 (d) None of the above.
- (vi) Under Section 174 of Income Tax Ordinance, 2001 accounts and documents are maintained for _____ years after end of the year to which they relate : 2
- (a) 3 years.
 (b) 5 years.
 (c) 7 years.
 (d) 10 years.

- | | Marks |
|---|-------|
| (vii) Under Section 58 of Sales Tax Act, 1990, tax liability of a private limited company after its liquidation is recoverable from every person who was its _____ during the relevant period : | 2 |
| (a) Shareholder. | |
| (b) Director. | |
| (c) Employee. | |
| (d) Tax Consultant. | |
| (viii) Under Section 2(15) of Central Excise, Act, 1944, a distributor means : | 2 |
| (a) a person appointed by a manufacturer, in or for a specified area to purchase excisable goods from him for sale to a wholesale dealer in that area. | |
| (b) An agent of manufacturer. | |
| (c) A person who distributes goods of a manufacturer to retailer | |
| (d) None of the above. | |
| Q. 2. (a) What is the tax liability in case of succession to business, otherwise than on death, under Section 98(c) of Income Tax Ordinance 2001 ? | 8 |
| (b) How quarterly Advance Tax is calculated in respect of :
(i) A company. (ii) An Association of Persons, and (iii) An individual ? | 8 |
| Q. 3. Define the following terms : | |
| (a) "Associated Person" under Sales Tax Act, 1990. | 4 |
| (b) "Public Company" under Income Tax Ordinance 2001. | 4 |
| (c) "Person-in-charge" under Customs Act, 1969. | 4 |
| (d) "Excisable Goods & Excisable Services" under the Central Excise Act, 1944. | 4 |
| Q. 4. (a) Explain provisions for carry forward of speculation business losses under Income Tax Ordinance, 2001 | 8 |
| (b) What are the requirements to avail tax credit on investment in shares by a person other than a company under section 62 of Income Tax Ordinance, 2001 ? | 8 |
| Also explain how tax credit is computed on acquisition and its treatment on disposal of shares. | |

Q. 6. (a) What do you understand by "Posting of Sales Tax Officer" under Section 40-B of the Sales Tax Act, 1990 ?

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(b) Describe following provisions under Sales Tax Act, 1990 :

(i) Debit and Credit Notes under Section-9.

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(ii) Exemption from Penalty and Additional Tax under Section 34-A.

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Q. 7. Define the following terms according to Section 2 of the Income Tax Ordinance, 2001 :

(a) Banking Company.

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(b) Debt.

3

(c) Dividend.

6

(d) Income.

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Q. 8. M/S Safi Electronics are engaged in manufacturing of electronic goods and are registered under Sales Tax Act, 1990 as Manufacturer-cum-Exporter. During the month of March, 2004 their Sales/Purchases data were recorded as under :

	<u>Rs.</u>
(i) Local Purchases :	
(a) From Registered Persons.	4,500,000
(b) From Un-registered Persons.	1,200,000
(ii) Imports.	2,300,000
(iii) Utility Bills, (exclusive of G.S.T.) (G.S.T. Rs. 75,000).	500,000
(iv) Sales to Registered Persons.	3,200,000
(v) Sales to Un-registered Persons.	3,600,000
(vi) Exports.	3,000,000

Notes :

1. All the above figures are exclusive of sales tax paid or recovered.
2. The owner also took goods worth Rs. 200,000 for his private use.
3. Purchases include an invoice of Rs. 100,000 dated : 27-2-2004 which was not included in the Sales Tax Return for February, 2004, due to its late receipt.
4. Unadjusted input tax carried forward from last month amounted to Rs. 45,000.

Required :

- (i) Calculate Sales Tax payable by M/s Safi Electronics for the month of March 2004. 10
- (ii) Give necessary explanations, on adjustments if any, to notes number 2, 3 and 4. 6

THE END