

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

PROFESSIONAL-II EXAMINATION-SPRING (SUMMER), 2005

Sunday, the 29th May, 2005

786

BUSINESS TAXATION

Time Allowed—2 Hours 45 Minutes

Maximum Marks—80

- (i) Attempt SIX questions, including MCQ. Question No. 5 is compulsory and carries 20 marks. All other questions carry 15 marks each.
- (ii) Answers must be neat, relevant and brief.
- (iii) Show computations where necessary.
- (iv) In marking paper, the examiners take into account clarity of exposition, logic of arguments, effective presentations, language and reference to relevant Laws, where appropriate.
- (v) Read the instructions printed on the top cover of answer script CAREFULLY before attempting the paper.
- (vi) 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.
- (vii) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.

		Marks
Q. 2(a)	Who is treated as "Person" under Section 80 of the Income Tax Ordinance, 2001?	7
	(b) Define the following with reference to Income Tax Ordinance, 2001.	8
	(i) Resident and non-resident person	
	(ii) Resident individual	
	(iii) Resident company.	
Q. 3(a)	Explain the circumstances under which registered person is not entitled to re-claim or deduct input tax.	6
	(b) Define the following terms under the Sales Tax Act, 1990.	9
	(i) Tax fraud	
	(ii) Time of supply	
	(iii) Retail price	

- | | <i>Marks</i> |
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| Q. 4 (a) Under what circumstances, a person is liable to pay additional tax under section 205 of the Income Tax Ordinance, 2001? And at what rate? | 8 |
| (b) Under what circumstances, additional tax levied under Section 205 of Income Tax Ordinance, 2001 can be reduced? | 3 |
| (c) When does additional payment for delayed refund become payable by the department to the assessee under Income Tax Ordinance, 2001. | 4 |

Q.5. Following are the details of income of Mr. A. Rehman for the financial year ended June 30, 2004, who is employed with a company as Senior Manager.

Salary income:

Pay	: Rs. 60,000 per month
House rent allowance	: Rs. 27,000 per month
Utilities	: Rs. 8,000 per month
He was provided with a company maintained car of 800 cc, partly for business and partly for his personal use. The cost of the car to the company was Rs. 500,000.	

Rental income:

Annual letting value of property	: Rs. 372,000
(including Rs. 120,000 for furniture and fixtures).	
Durint the year property remained vacant for 4 months.	
Ground rent paid	: Rs. 8,000
Business Income	: Rs. 200,000

Capital gains :

Cost of shares of unlisted companies (bought in 1986)	: Rs. 500,000
Sale proceeds of shares	: Rs. 600,000

Investments :

- Investment in share of listed companies	: Rs. 180,000
- Premium paid for life annuity eligible under Section 63	: Rs. 45,000

Required :

Compute taxable income and tax liability of Mr. A. Rehman for the year. Prepare and present all necessary workings. 20

	<i>Marks</i>
Q. 6(a) Define "Fee for Technical Services" under Income Tax Ordinance, 2001.	4
(b) How are following determined under the Income Tax Ordinance, 2001?	
(i) Fair market value	4
(ii) Income of Joint owners	3
(c) Explain the term "Profit on debt" as described in Income Tax Ordinance, 2001.	4
Q.7 (a) What are the provisions of Central Excise Act , 1944 with regard to:	
(i) Determination of tariff value and rate of duty.	2
(ii) Collection of excess duty.	2
(b) Define following terms as used in the Central Excise Act, 1944.	
(i) Freight forwarding agent	2
(ii) Wholesale dealer	2
(c) Explain the composition of the Appellate Tribunal and qualification of its members as described in Section 194 of the Customs Act, 1969.	7
Q.8 (a) Discuss provisions contained in Section 137 of the Income Tax Ordinance, 2001, relating to due date of payment.	8
(b) Elaborate the procedure for applying and grant of approval for change of year from "normal tax year" to "special tax year".	7

THE END