



THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF PAKISTAN (ICPAP)

Stage	Skills	Course Code	S-401
Examination	Summer-2011	Course Name	Taxation Laws
Time Allowed	03 Hours	Maximum Marks	100

NOTES:

1. All questions are to be attempted.
2. Answers are expected to be precise, to the point and well written.
3. Neatness and style will be taken into account in marking the papers.

Question No 1

(a) Define the following terms under the Income Tax Ordinance, 2001:

- | | |
|----------------------------|---|
| (i) Association of Persons | 4 |
| (ii) Resident Company | 4 |
| (iii) Profit on Debt | 4 |

(b) What are the various amounts received by an employee as profit in lieu of or in addition to salary and wages, which would be considered as part of salary? 8 Marks

Question No 2

(a) Describe the various provisions of the Income Tax Ordinance, 2001 regarding bad debts allow ability. 4

(b) Define the term 'tax avoidance scheme'. 4

(c) (i) State the Rule 4 of the Income Tax Rules, 2002 for valuation of accommodation provided by an employer to the employee for the purpose of computing the income chargeable to tax under the head 'salary'. 6

(ii) Which books of account, documents and records, a taxpayer deriving income chargeable under the head 'income from business' is required to maintain as per the Rule 29 (1) of the Income Tax Rules, 2002? 6

Question No 3

(a) Define the following terms under the Sales Tax Act, 1990:

- | | |
|-----------------------|---|
| (i) Person | 5 |
| (ii) Cottage Industry | 5 |

(b) (i) What are the goods that shall be charged to tax at zero percent under the Sales Tax Act, 1990. 5

(ii) What are the exceptions to the above Rule? 5

Question No 4

Mr. Ahmad is a resident individual and employed in a company. During the year ending on June 30, 2010, following amounts have been paid to him:

	<u>Rs.</u>
Basic pay	27,470 P.M.
House rent	12,362 P.M.
Bonus	54,940
Utilities	2,747 P.M.
Medical allowance	4,247 P.M.
Cost of living allowance	4,121 P.M.
Leave encashment	29,668

(i) He has been provided a company maintained car, which was used partly for official and partly for personal purposes. The employer leased the car from a bank. Fair value of the leased car was Rs.1,200,000 at the inception of the lease.

(ii) He has paid Zakat amounting to Rs.100,000/- to an approved institution.

(iii) He has purchased newly issued shares of listed companies amounting to Rs.250,000/- through initial public offering (IPO).

(iv) He has paid donations to an un-approved institution amounting to Rs.50,000/- and to an approved institution, specified in Clause (61) of Part I of Second Schedule, amounting to Rs.50,000/-.

(v) Capital gain on sale of shares of a private limited company amounted to Rs.25,000. Shares were retained by Mr. Ahmad for more than one year.

(vi) Company provided a driver to Mr. Ahmad and he was paid Rs.6,000 per month.

(vii) Company also provided an interest-free loan to Mr. Ahmad amounting to Rs.500,000 at the beginning of the year. Benchmark rate is 12% for tax year 2010.

Required:

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

(20 Marks)

Question No 5

(a) As per the Customs Act, 1969:

- (i) Under what conditions the drawbacks are not allowable? 3
- (ii) What is the time limit for claiming the refund of overpaid custom duties? 3

(b) Under the Federal Excise Act, 2005, on which excisable goods and services, federal excise duty is levied? 6

(c) Define the following terms under the Federal Excise Act, 2005:

- (i) Non-tariff area 4
- (ii) Establishment 4

ICPAP SAMPLE