**Past paper: 2017**

**SHORT QUESTIONS**

**Q)PERSON  
ANS)** a)A individual

B)A company

c) association of person eastablished in Pakistan

d)The federal government ,foreign government

**Q)PRINCIPAL OFFICER?  
ANS) a)** A director ,manager, secretary, agent ,or any similar officer

b) any person connected with management of company whom commissioner inland revenue has served a notice of treating him a principal officer

**Q)CAPITAL ASSET?  
ANS)** capital asset means property of any kind being held by a person.it is immaterial whether the property is connected with business or not .

**Q)TRANSISTIONAL TAX YEAR?  
ANS)** when tax year of any class of person is changed as a result of an order of board it results in the emergence of changing period which is known as transitional tax year. AND IS TREATED AS A SEPARATE TAX YEAR

**Q.:What is capital gain ?**

**Ans:** It means any gain arising from the disposal of capital asset. Such as income shall be chargeable under the head "capital gain" and shall-be deemed to be the income of that year in which disposal took place.

**...................................**

**Q.: When the return is considered to be invalid ?**

**Ans:** The following instances illustrate the circumstances under which return furnished will be treated as invalid.

**(a)**Return which is not signed and verified by the taxpayer or his authorized agent.

**(b)** Return not furnished in the prescribed manner or form.

**(C)** Non-furnishing of wealth statement along with the return of total income, if the total income of last year or present year is Rs. 5,00,000 or more.

**.............….............**

**Q.:What is appellate tribunal ?**

**Ans:**  In case of any dispute between the taxpayers' and tax department an appeal can be made to Appellate Tribunal. This is the highest judicial authority in the matters of tax. It consists of judicial as well as accountant members. The members are appointed by the Federal Government. The decision of the Tribunal on point of facts is final. However, in case of point of law the matter may be referred to High Court. Finance Act, 2010, has added that "Appellate Tribunal" means the Appellate Tribunal Inland Revenue**.** [Section 2(2) ]

**................................**

**Q.:What is provisional assessment?**

**Ans:** If a concealed asset of any person is impounded by any agency or government, the Commissioner may issue a provisional assessment order or provisional amended assessment order for the last completed tax year. In such provisional order the value of the asset will be treated as income of the taxpayer for the last tax year.

**...**.**.............................**

**Q.: Define KAIBOR ?**

**Ans: "**KIBOR means Karachi Inter Bank Offered Rate applicable on the first day of each quarter of the financial year."

This definition has been introduced in the law through Finance Act,2009.

It was necessitated because now the compensation on delayed refunds will be payable on KIBOR. Moreover, for the purpose of additional tax the rate will be used. KIBOR on July 2, 2021 was 6.95%. [Section 2(30AB)]

**Q.: Define whistle blower ?**

**Ans:** Whistle blower is a person who reports concealment or evasion of income tax, due to fraud, corruption or misconduct, to competent authority who can take action against such person or authority committing fraud, corruption or misconduct.

**LONG QUESTIONS:**

**Q1)CAPITAL and REVENUE EXPENDITIURE DIFFERNCE ?  
ANS)**

1. **PURCHASE OF an ASSET**
2. **PERIOD OF BENEFIT**
3. **INITIATION OF BUISNESS**
4. **EXTENSION OF BUISNESS**
5. **PRICIPLE OF EARNING CAPACITY**

**EXAMPLES OF CAPITAL EXPENDITURE**

1. **COST OF ISSUING SHARES AND DEBENTURES**
2. **COST OF EXPERIMENTS**
3. **COST OF FREEHOLD LAND AND BUILDING**
4. **COST OF PATENT TRADEMARK COPYRIGHT**

**Examples of revenue expenditure**

**1)Payment made for use of right**

**2) exhibition expenses**

**3)pension paid to employee**

**4)rent paid on a hired machinery**

**Q2)FEDRAL Board of revenue?**

**ANS)** **POWERS AND FUNCUTIONS:**

**1)DECLARE TAX PERIOD**

**2)METHOD OF ACCOUNTING**

**3)APPOINTMENT OF SUBORDINATES**

**4)APPOINTMENT OF AUDITOORS**

**5)APPOINTMENT OF SURVEYORS**

**6)DELIGATION OF POWER**

**7)DETERMINATION OF JURISDICTION**

**8)APPROVAL OF CHARTABLE INSTITUTIONS**

**9) APPROVAL OFINDUSTRIAL UNDERTAKING**

**10) APPROVAL OF FUNDS**

**11)APPROVAL OF RESEARCH INSTITUTIONS**

**QUESTION)**

**ANS:**

MUHAMMAD ALI TAX YEAR: 2018

TAX YEAR ENDED: 30-60-2020 RESIDENTAL STATUS: RESIDENT COMPOTATION TAX PAYABLE

|  |  |  |
| --- | --- | --- |
| **Income from salary (section 12)** | **RS** | **RS** |
| Basic Salary |  | 500,000 |
| Cost for Living Allowance |  | 30,000 |
| Rant Free Unfurnished |  |  |
| a) Not write |  |  |
| b) 45% of basic salary (500,000\*45%) = 225,000 |  |  |
| Which one is grater A or B |  | 225,000 |
| Medical Allowance |  | 28,000 |
| Medical Facility |  |  |
| Loan Obtained from the Employee @12% of 11,00,000 | 40,000 |  |
| Bench Mark rate @10% so NOT Allowed | 11,00,000 |  |
| **Total Income from salary**  **Income from Property(Section 15)** |  |  |
| **7,83,000** |
| Property Income 250,000 |  |  |
| 1/10 over of un adjustable advance rent (100,000\*1/10) 10,000  (separate tax rates) | 260,000 |  |
| **Income from Business (Section 18)**  Profit From Business  Less un Adjustable loss for previous year | 45,000  35,000 | **10,000** |
| **Income from Business** |  |  |
| **Capital Gain(Section 37)** |  |  |
| Gain on sale of share of public company (Disposal within the period of 12 months) | 75,000 |  |
| (separate tax rates) |  | 12,000 |
| Gain on sale of share of private company (Disposal off within the of 12 months) |  |  |
| **Income from Other Sources(section 39)** |  |  |
| **NO**  **Total Income** |  |  |
| **805,000** |
| Less : SHAUKAT KHANAM MEMORIEL TRUST **90,900** |  |  |
| (Specified in clause 61 of the second schedule) |  |  |
| 30% of total income is Exceed {805,000@30%=241500}  Whichever is low so Allowed | 90,900 |  |
| Less : Children School Fee of Three Children |  |  |
| i. 5% of given amount (50,000@5%) =2500 |  |  |
| ii. 25% of total income (805,000@25%) =201250 |  |  |
| iii. Number of child \* 60,000 (3\*60,000) =180,000  Whichever is less so allowed | 2,500 | 93400 |
| **Total taxable Income** |  |  |
| **711,600** |

|  |  |  |
| --- | --- | --- |
| **Computation of tax Payable**  Income tax on 500,000  Income tax on Balance(711,600-500,000)=211,600@5%  **Gross Tax**  **Amount Allowed for Relief**   * Donation to Government Education Institution 45000 30% of total taxable Income(711600\*30%) =213480 Whichever in less so allowed 45,000 * Contribution to approved fund 40000   20% of total taxable Income(711600\*20%) =142,320 Whichever in less so allowed 40000  **Less Average:**  Gross tax \* Relief / total taxable income 12,580\*85,000 /711600  =1503  **NET TAX**  Add  Property tax 5% of Exceeding amount (260,000 – 200,000) 60,000@5%  Add  Gain on share of Public Company (Disposal within the period of 12 months) 75,000@15%  Less  Tex deducted at source from salary  **Tax payable with returned**  **INCOME COVER UNDER FTR**  WIN a through competition {250,000\*20%} | 2000  10,580 |  |
|  | **12,580** |
| 85,000 |  |
|  | 1503 |
|  | **11,077** |
| 3000 |  |
| **11,250** | 14250 |
|  | 25327 |
|  | 10,000 |
|  | **15327** |
| **50,000** |  |