**19214**

**Taxation Management**

**2019**

**Short**

**1-Kibor**

The Karachi Interbank Offered Rate, commonly known as KIBOR, is **a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Karachi wholesale (or "interbank") money market**. The banks used it as a benchmark in their lending to corporate sector. Kibor rate is set by Financial Market Association of Pakistan

**2-Capital Asset**

Capital assets are significant pieces of property such as **homes, cars, investment properties, stocks, bonds, and even collectibles or art**. For businesses, a capital asset is an asset with a useful life longer than a year that is not intended for sale in the regular course of the business's operation.

**3-Difference bw normal and transitional tax year**

**Normal Tax Year**  
  
A period of 12 months ending on 30th June  
1-07-2011---to---30-06-2012  
  
**Special Tax Year**  
  
A period of 12 months ending on any date other than 30th June  
1-10-2012---to---30-09-2013  
  
**Transitional Tax Year**  
  
Whenever there is a change in tax year the period in between the normal tax year and special tax year is treat as transitional tax year.

**4-two examples of partly agriculture and non agricultural income**

**Growing & Manufacturing of tea**

**Growing & Manufacturing of coffee**

**Growing & Manufacturing of rubber**

**5-RCT**

RCT is **a withholding tax that applies to certain payments by principal contractors to subcontractors in the construction, forestry and meat-processing industries**. The rates of tax are 0%, 20% and 35%

**6-importance of differentiate bw revenue and capital expenditure**

Typically, the purpose of CAPEX is **to expand a company's ability to generate revenue and earnings**. Conversely, revenue expenditures are the operational expenses for running the day-to-day business and the maintenance costs that are necessary to keep the asset in working order. In simple terms, **capital receipts don't affect the profit or loss of the business**; for example, we can say that the sale of long-term assets is one sort of capital receipt. But revenue receipts affect the profit or loss of a company.

**7-difference between exempt and non taxable**

**Exempt sales**  
Exempt sales are based on the business or entity making the purchase. This means that the business or entity making the purchase is exempt from paying sales tax. Refer to [this guide](https://help.avalara.com/Avalara_AvaTax_Update/Exemption_Reason_Matrix_for_US_and_Canada) for common reasons that a business would be exempt from paying sales tax.

**Non-taxable sales**  
Non-taxable sales are based on the product or service being sold. This means that the product or service being sold is not taxable in the taxing jurisdiction. This is determined based on several factors, including the addresses you use in the transaction and the [Avalara tax code](https://help.avalara.com/Avalara_AvaTax_Update/Avalara_tax_codes) that you use for the product or service.

**8-Treatment of loan to employee**

**not found**

**9-Examples of income from other sources**

* Income from subletting of a house property by a tenant.
* Casual income.
* Insurance commissions received by the assessee.
* Family pension payments received by the legal heirs of dead employees.
* Interest on bank deposits and deposits with companies.

**10-Best Judgement Assesment**

A best judgement assessment is **an income tax assessment which is performed by the assessing officer with limited knowledge about the financial circumstances of the assessee**. Assessees may fail to give the assessing officer adequate co-operation regarding the assessment procedure.

**LONG**

**Q-1Provident Fund**

A provident fund​ is **an investment fund that is voluntarily established by Employer and employees to serve as long term savings to support an employee's retirement**. Sources of fund: Employee's contribution: The amount deducted from the employee's salary at a rate of 2% – 15%.

**Treatment of various types of Provident Fund**

**For inclusion in total income and exemption from income tax**

**4 Types of Provident Fund**

1. **Recognized Provident Fund**

All establishments with 20 or more employees are subject to the Provident Fund Act of 1952. The establishments covered by the scheme have the option of applying for the government-approved scheme or founding their own Provident Fund trust. The establishments can join the PF (Provident Fund) Act 1952, which is a recognized provident fund, which is a government-approved system. Alternatively, the employer and employee of the organization may form a trust to establish a provident fund scheme, with funds invested in accordance with the Provident Fund (PF) Act of 1952. Before it can be labeled as a recognized provident fund, the scheme must be approved by the commissioner of income tax.

1. **PPF (Public Provident Fund)**

For the general population, the government has established a provident fund. By creating a public provident fund account with an authorised bank, anyone can contribute to this scheme. Amounts ranging from INR 500 to INR 1,50,000 can be deposited. Following the completion of 15 years, the PPF (Public Provident Fund) corpus can be entirely withdrawn.

1. **Statutory Provident Fund**

The Provident Funds Act of 1925 established this plan. It is intended for government employees, accredited educational institutions, railways, universities, and other similar organizations. The General Provident Fund is another name for Statutory Provident Fund. The government adjusts the interest rates on General Provident Funds on a regular basis. Employees in the private sector are not covered by the General Provident Fund (GPF).

1. **Unrecognized Provident Fund**

If the commissioner of income tax does not approve the provident fund program established by the employer and employee (as described in Recognized Provident Fund), the scheme is considered unrecognized.

**Related Read:**[**How to Link Aadhar with EPFO?**](https://ebizfiling.com/blog/link-aadhar-with-epfo/)

**Tax Treatment of Provident Fund**

1. **Tax on Recognized Provident Fund**

When an employer’s contribution to a provident fund reaches 12 percent, it is taxed. The employee’s contribution to the provident fund is taxed.

Tax will be deducted if the rate of interest credited to the provident fund is greater than 9.5 percent. The retirement payment is tax-free if the following conditions are met:

* If the employer-provided 5 years or more of continuous service.
* If the employee was fired for a variety of reasons, including health concerns, the employer’s decision to stop doing business, and so forth.
* If an employee resigns and then returns to work for another company.
* If the employee’s complete credit balance is transferred to his or her account under a pension system under section 80CCD.

1. **Tax on PPF (Public Provident Fund)**

The contribution of an employer to a provident fund is taxed. The interest and retirement payments credited to the provident fund are tax-free.

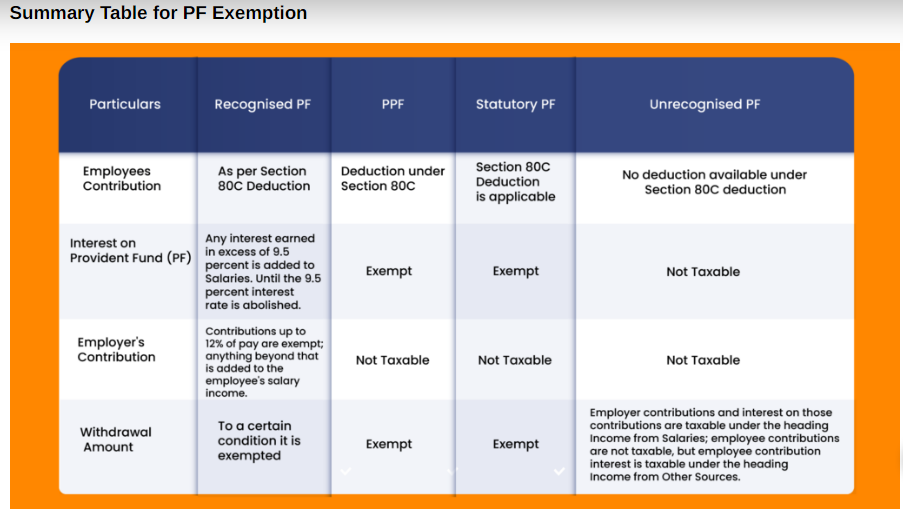
1. **Tax on Statutory Provident Fund**

The employer’s contribution to the provident fund is tax-free, while the employee’s contribution is taxed. Tax-free interest and retirement payments are credited to the provident fund.

1. **Tax on Unrecognised Provident Fund**

Employer contributions to a provident fund are tax-deductible. Under the following circumstances, the retirement payment is taxable:

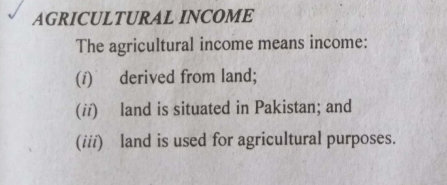
* Under the heading Salaries, payments received in respect of the employer’s contribution and interest are taxed.
* Payments received in exchange for interest on an employee’s contribution are taxable as income from other sources.
* Payments received in exchange for an employee’s contribution are not taxed.

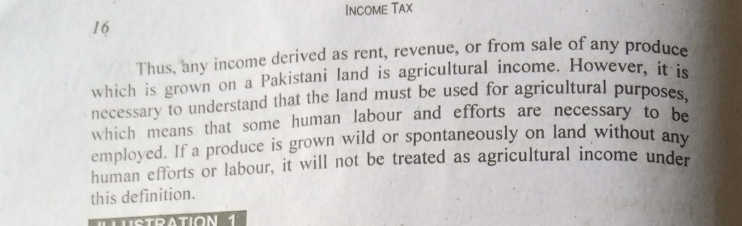


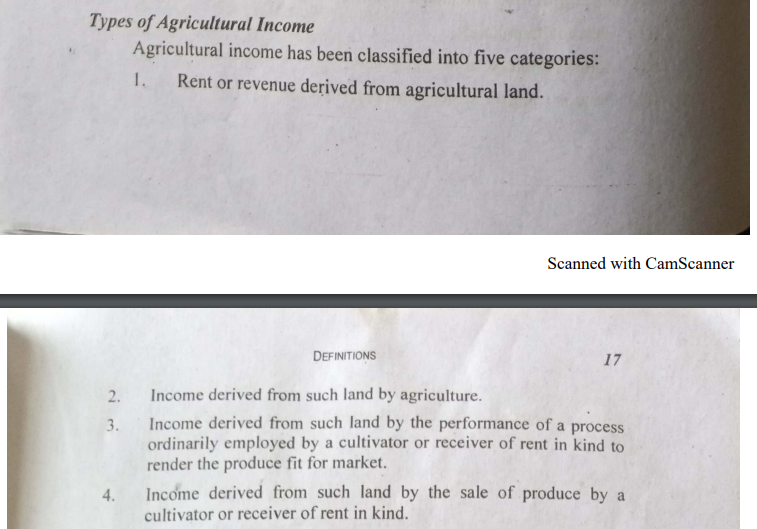
**Conclusion**

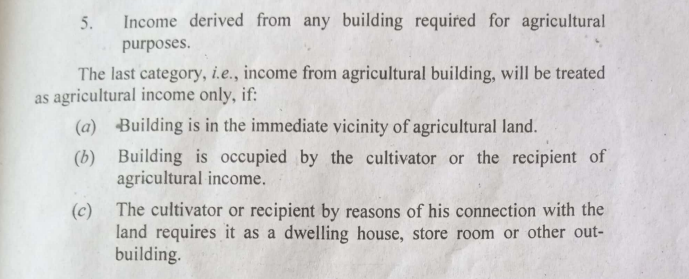
The government has established numerous types of provident funds to encourage employees to save for their social security. In many circumstances, the employer also contributes a specified proportion of the employee’s salary to these accounts. The full amount of the donation, plus interest, is credited to the employee’s account. He will be paid from this money when he retires, as well as on other significant events. The employee’s heirs will receive the entire sum if he dies.

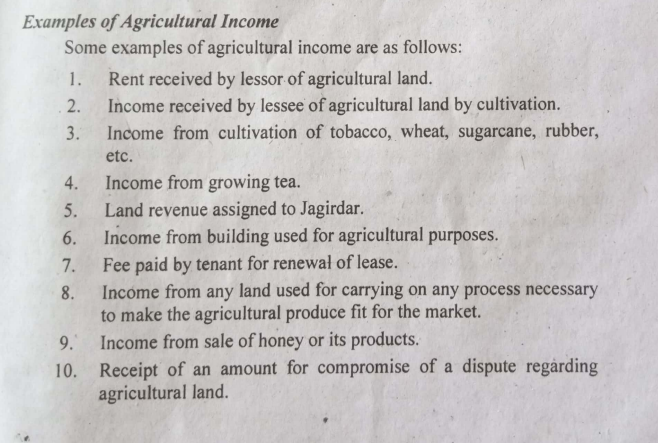
**Q-2 Agricultural income**

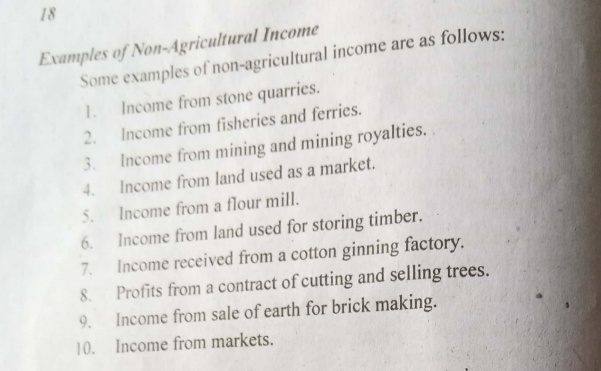


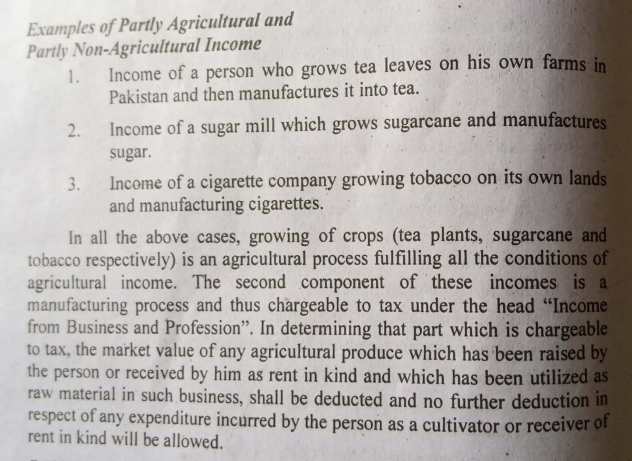












**Agricultural income is exempted from the tax in Pakistan.**