**Short Questions**

**Q.1: What is cycle of assessment ?**

**Ans:** The following are the major stages involved in the cycle of assessment :-

1. A person furnished the return of income.

2. Assessment of the return is made and the tax payable by the person is determined.

3.Payment of tax by the taxpayer.

4.Recovery of tax from the defaulter taxpayer.

5. Refund of tax.

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**Q.2: Why is it important to distinguish resident & non- resident person ?**

**Ans:** There are two bacis reason due to which it is necessary to determine whether a person is a resident or non- resident during the tax year:

**1. Incidence of Taxation:**

The income of a resident person is calculated by taking into account both the Pakistan - source income and the foreign - source income.

The income of non- resident person is computed by taking into account only those amounts Which are Pakistan - source income.

**2. Rate of Tax:**

There is a difference in rates of tax for residents and non- residents.

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**Q.3: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.

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**Q.4: 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.

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**Q.5: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) ]

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**Q.6: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.

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**Q.7: 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)]

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**Q.8: Enlist any five deductions made in computing the income from property ?**

**Ans:** Following are the deductions are allowed from property income**:-**

**.** Repairs Allowance

**.** Insurance Premium

**.** Municipal Taxes and Other Local Taxes

**.** Ground Rent

**.** Profit Paid or Payable on Borrowed Money

**.** Profit Paid or Payable on Mortgage

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**Q.9: Define tax year. Enlist its types ?**

**Ans:** The concept of tax year has been introduced in our income tax law through Income Tax Ordinance, 2001. Tax year is a period of time for which tax is to be calculated regarding a person.

**-:Types of Tax Year :-**

**.** Normal Tax Year

**.** Special Tax Year

**.** Transitional Tax Year

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**Q.10: 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.

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**LONG ANSWERS**

**Q.1: Define chief Commissioner. Dicuss power and functions of commissioner Inland revenue ?**

**Ans: Chief Commissioner :**

An officer of Inland Revenue including a Regional Comimissioner of Income Tax and a Director General of Income Tax and Sales Tax may be appointed on this post and will be known as Chief Commissioner Inland Revenue.

**"Powers and functions of chief commissioner Inland Revenue"**

**(1). Supervision of Subordinate Oficers :**

CCIR supervises the Commissioners Inland Revenue and other sub-ed oflicers working within his jurisdiction

**(2). Inspection of Sub-ordinate Officest:**

CCIR may inspect the subordinate officers situated under his jurisdiction to in that the provision of the law and directions given by the board are being compiled with.

**(3).Regulation of Inspection Work:**

CCIR may regulate the inspection work of the commissioner and examine the inspection notes received from the Additional Commissioners and take necessary follow up actions.

**(4).Transfer of Jurisdiction:**

CCIR may transfer the jurisdiction in respect of cases or persons from the Commissioner subordinate to him to another.

**(5).Revision of Orders:**

CCIR may revise certain orders passed by his subordinate authorities.

**(6).Calling the Record:**

CCIR may call for the record of any proceedings relating to issuance of an exemption or lower rate certificate with regards to collection or deduction of tax at source

**(7). Appoint of Subordinates:**

CCIR may appoint any of his subordinate authority with the approval of the Bord**.**

**(8).Any Function Assigned by the FBR:**

CCIR may perform any function assigned to him by the Board.

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**Q.2.(a) :What is provident fund. Explain its types ?**

**Ans: Provident Fund :**

Provident funds are maintained by many organizations for the benefit of their employees. For proper understanding the treatment of provident fund facility, it is necessary to know different types of provident funds and the working system of such fund**s.**

**-: Types of Provident Fund :-**

There are three types of Provident fund**:-**

**1. Government Provident Funds :**  A provident fund maintained by a government or semi-government organization is known as government provident fund or a statutory provident fund. The provident fund maintained by Pakistan Armed Forces, Central or Provincial Government, Railways, WAPDA, etc. are examples of such funds. The Provident Fund Act, 1925, applies to such provident funds

**2.Recognized Provident Funds:** If a provident fund maintained by a private organization fulfils the conditions prescribed in the law for recognition of the funds and on an application made, the Commissioner of Income Tax grants recognition to such funds, it is known as recognized provident fund. If the Commissioner of Income Tax refuses the recognition, an appeal can be made to the Board. Recognized provident fund is beneficial for both employers and employees.

**3.Unrecognized Provident Fund:** It is a provident fund maintained by a private organization which has not been granted recognition by the Income Tax Authorities because:

**1.**The conditions prescribed in the law regarding the provident fund are not fulfilled; or

**2.** No application for recognition has been made by the organization, or

**3**.The application is turned down on some technical grounds by the Income Tax Authorities**.**

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**Q.2 (b): What is agricultural income . Explain its types and give examples of agricultural & non- agricultural income ?**

**Ans: AGRICULTURAL INCOME :**

The agricultural income means income **:-**

**(i)** derived from land.

**(ii)** land is situated in Pakistan, and

**(iii)** land is used for agricultural purposes.

**Types of Agricultural Income:**

Agricultural income has been classiffied into five categories:-

**1.** Rent or revenue derived from agricultural land.

**2.** Income derived from such land by agriculture.

**3.** Income derived from such land by the performance of a process ordinarily employed by a cultivator or receiver of rent in kind to render produce fit for market.

**4.** lncome derived from such land by the sale of produce by a cultivator or receiver of rent in kind.

**5.** Income derived from any building required for agricultural purposes.

**The last category. ie, income from agricultural building, will be treated as agricultural income only. if:**

**(a)** Building is in the immediate vicinity of agricultural land.

**(b)** Building is occupied by the cultivator or the recipient of agricultural income.

**(c)** The cultivator or recipient by reasons of his connection with the land requires it as a dwelling house, store room or other outbuilding.

**Examples of Agricultural Income :-**

Some examples of agricultural income are as follows:-

**1.** Rent received by lessor of agricultural land.

**2.** Income received by lessee of agricultural land by cultivation.

**3.** Income from cultivation of tobacco, wheat, sugarcane, rubber etc.

**4.**Income from growing tea.

**5.**Land revenue assigned to Jagirdar.

**6.**Income from building used for agricultural purposes.

**7.**Fee paid by tenant for renewal of lease

**8.**Income from any land used for carrying on any process necessary to make the agricultural produce fit for the market.

**9.** Income from sale of honey or its products.

**10.** Receipt of an amount for compromise of a dispute regarding agricultural land.

**Examples of Agricultural Income:-**

Some examples of non-agricultural income are as follows:

**1.** Income from stone quarries

**2.** Income from fisheries and ferries.

**3.** Income from mining and mining royalties.

**4.** Income from land used as a market.

**5.** Income from a flour mill.

**6.** Income from land used for storing timber.

**7.** Income received from a cotton ginning factory.

**8.**Profits from a contract of cutting and selling trees.

**9.**Income from sale of earth for brick making

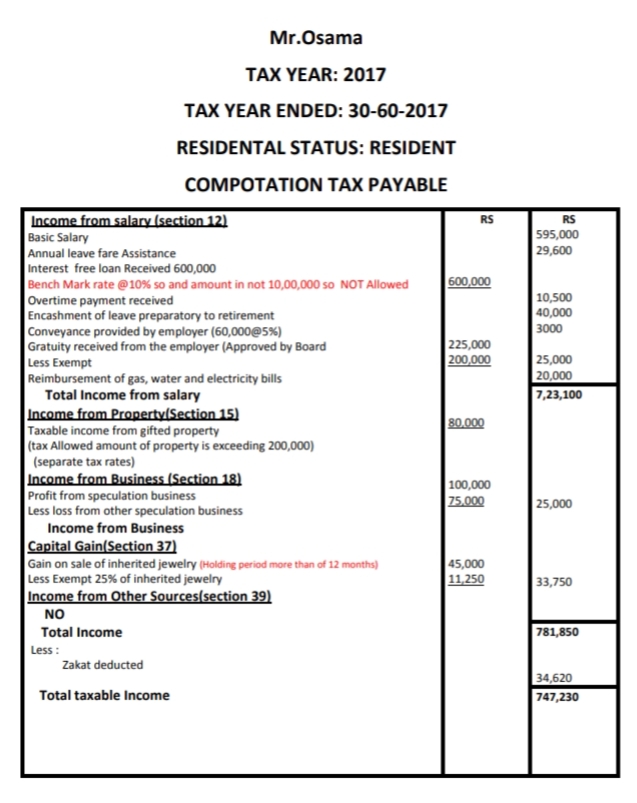
**10.**Income from markets.

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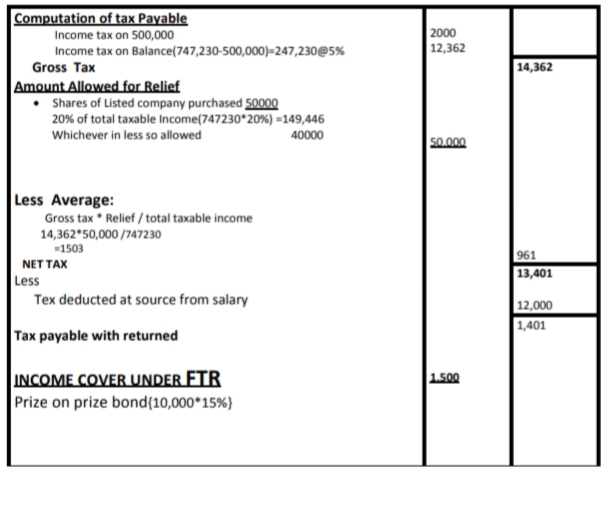
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**Q.3:**

**Ans:**



**Fraz Ali**



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