

fin623 subjective solved by shahida khalid

Not solved 10 marks questions because no include in current papers

Question No: 43 (Marks: 3)

What is the main purpose of Gratuity? **(2 TIMES REPEAT)**

Main purpose of Gratuity:

- Provision of Gratuity to employees or
- Undertaking of provision (payment) of gratuity on retirement or
- On employees becoming incapacitated or
- On termination of their employment after completion of minimum period of service specified in the regulations of fund or to the widows, children or dependants of such employees on their death
- All benefits granted by the fund shall be payable only in Pakistan.

Question No: 44 (Marks: 3)

Mr. Farooq's salary is Rs.22, 000 per month. He received commission during the year amounting to Rs.33, 000. He is provided a jeep by his employer for personal as well an official use. The employer took this jeep from a leasing company at an annual lease of Rs.80, 000. The fair market value of the 000. Calculate the taxable income of Mr.

Question statement is uncompleted

Question No: 45 (Marks: 3)

What are the Penalties in case of failure to maintain record and non compliance with the notice under section 185 and 186 of Income Tax Ordinance 2001 respectively?

Penalty for failure to maintain records Sec. 185

- In case of first failure, two thousand rupees
- In the case of second failure, five thousand rupees
- In the case of third and subsequent failure, ten thousand rupees

Penalty for non-compliance with notice: Sec 186

- a. In case of first failure, two thousand rupees
- b. In the case of second failure, five thousand rupees
- c. In the case of third and subsequent failure, ten thousand rupees

Question No: 46 (Marks: 5)

What are the exemptions available in Tax Ordinance 2001 related to Property Income?

Exemptions available under property income:

Any income of a trust or welfare institution from housing property clause (58)(1) B. The said clauses are reproduced below:

(2) A trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of

Ex-servicemen and serving personnel, including civilian employees of the Armed Forces, and their dependents; or

ii Ex- employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal

Government or, as the case may be, a Provincial Government.

(3) A trust or welfare institution [or non- profit organization] approved by [Regional Commissioner of Income Tax] for the purposes of this sub-clause.

Question No: 47 (Marks: 5)

What are the basic features of Sales tax?

Features of Sales Tax

- Indirect tax
- Broad based
- Elastic/ Flexible
- Easy to collect
- Potential for revenue generation

Question No: 49 (Marks: 3)

What is meant by Depreciable asset?

Depreciable asset:

Means a tangible movable or immovable property (not unimproved land) or structural improvement to immovable property owned by a person that has:

- Normal useful life of one year or more.
- Likely to lose value due to normal wear and tear.
- Used wholly in deriving income from business chargeable to tax.

Question No: 50 (Marks: 3)

Who is liable to pay Capital Value Tax on capital value of certain assets?

Levy of tax on Capital Value of certain assets:

Capital value tax shall be payable by

Individual

Association of persons, firm or

A company which acquires by:

Purchase

Gift

Exchange

Power of attorney
Surrender of rights
Relinquishment of rights by the owner

Question No: 51 (Marks: 5)

Your are required to define in detail the section 21(l) ‘Expenditure paid for in cash’ under head Income from Business.

Question No: 52 (Marks: 5)

What do you understand by the term ‘mal-administration’ in context with Income tax department? Explain

The term “mal-administration” includes: PAGE 109 TO110

- (i) A decision, process, recommendation, act of omission or commission which-
- (a) Is contrary to law, rules or regulations or is a departure from established practice or procedure, unless it is bona fide and for valid reasons;
 - (b) Is perverse, arbitrary or unreasonable, unjust, biased, oppressive, or discriminatory;
 - (c) Is based on irrelevant grounds; or
 - (d) Involves the exercise of powers, or the failure or refusal to do so, for corrupt or improper motives, such as bribery, jobbery, favoritism, nepotism and administrative excesses.

Question No: 53 (Marks: 5)

Mr. Adeel owns a property which he has rented out for Rs.10, 000 per month. The local authority has determined the rental value of the property as Rs.144, 000. He has no other income.

Required:

What will be the fair market value of the property?

How much tax will be payable by Mr.khan for the tax year 2009?

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Question No: 45 (Marks: 3)

Briefly explain the unexplained income or assets under section 111 of Income Tax Ordinance 2001.

Sec. 111 unexplained income or assets

Where:

- A person has made an investment,
- Any amount credited to person’s books of account
- A person has incurred expenditure
- A person has made an investment,
- Any amount credited to person’s books of account
- A person has incurred expenditure.

Question No: 46 (Marks: 5)

Under what conditions a commissioner of Income Tax may ask for the filing of returns by notice?

The Commissioner may, by notice in writing, require a person, or a person's representative, as the case may be, to furnish a return of income by the date specified in the notice for a period of less than 12 month, where-

- The person has died;
- The person has become bankrupt or gone into liquidation;
- The person is about to leave Pakistan permanently.
- The commissioner may require any person to file a return of income, if in the opinion of the commissioner, a person is required to file a return for a tax year but he failed to do so. The person on whom the notice is served shall file return within 30 days from the date of service of notice.
- In case of any omission by a tax payer, a revised return can be filed within 5 years of the date that the original return was furnished.

Question No: 47 (Marks: 5)

Mr. Ghaus is employed in a company after his retirement from army. Details of his income for the year ended 30th

June 2009 are as under;

Basic salary from company Rs.20, 000 per month

Entertainment allowance Rs. 1,000 per month

Pension received from army Rs. 48,000 per annum

Calculate the total taxable income of Mr.Ghaus.

Solution

Tax payer: Mr. Ghaus

Tax year: 2009

Residential Status: Resident

NTN: 000111

Computation of taxable income and tax thereon:

In Rs

Particulars	Total income	Exempt Income	Taxable Income
Basic salary	240,000	NIL	240,000
Entertainment allowance	12,000	Exempt	
Pension received from army	48,000	Exempt	
Total			240,000

Particulars Total income Exempt Income Taxable Income

Where the taxable income exceeds Rs. 180,000 but does not exceed Rs. 250,000

0.50%

Income tax payable:

$240,000 * 0.50 / 100 = 1200$

5 cases where deduction not allowed 5 marks

Deductions not Allowed – Sec. 21

1) Any cess, rate or tax paid or payable by a person in Pakistan or a foreign country under PTR/Final Tax Regime.

2). any amount of tax deducted at source.

- 3) If payer/employer does not deduct tax from payments/disbursement of salary, then payments made, salaries paid by such payer/employer shall not be allowed for deduction of these expenses.
- 4) Any entertainment expenditure in excess of such limits [or in violation of such conditions] as may be prescribed;
- 5) Any contribution made by the person to a fund that is not a recognized provident fund* [approved pension fund] approved superannuation fund, or approved gratuity fund;
- Under what conditions a commissioner of Income Tax may ask for the filing of returns by notice?**

Define Royalty Sec. 2 (54)

Royalty means any amount paid or payable however described or computed, whether periodical or lump sum, as a consideration for:

- a) The use of, or right to use any patent, invention, design or model, secret formula or process, trade mark or other like property or right;
- b) The use of, or right to use any copy right of a literary, artistic or scientific work, including films or video tapes for use in connection with television or tapes in connection with radio broadcasting, but shall not include consideration for the sale, distribution or exhibition of cinematography films.

Pension Granted to Injured or Disabled: (shaeed)

Pension granted to a public servant or personnel of Armed Forces on injuries or body disability and to families and dependents of ‘Shaheeds’ belonging to civil or Pakistan Armed Forces; or public servant or member of Armed Forces, who dies during service is exempt as provided in part I of Second Schedule. Any payment in the nature of commutation of pension [Clause (12), Part I, 2nd Schedule] is Exempt from tax: Any payment in the nature of commutation of pension received from the government or under any pension scheme approved by the Central Board of Revenue under clause (12), Part I, Second Schedule is exempt from tax.

65: xyz purchase 100,000 shares at 150 share price and sold at 250 share price calculate the capital gain on shares?

64: Levy of tax on Capital Value of certain assets?(marks 5)

Levy of tax on Capital Value of certain assets:

Capital value tax shall be payable by

1. **Individual**
2. **Association of persons, firm or**
3. **A company which acquires by:**
 - Purchase
 - Gift
 - Exchange
 - Power of attorney
 - Surrender of rights
 - Relinquishment of rights by the owner

