

June 05, 2002

**ADVANCED TAXATION**

**(MARKS 100)**

**PE-2 (PAPER-3)**

**(3 hours)**

**Instructions: use separate answer sheets for section I and section II**

**SECTION I  
(INCOME TAX ORDINANCE, 1979)**

- Q.1 a) What is the procedure for a non-resident company to opt for presumptive tax regime? When does it have to initiate action, and is the option valid for only one year? **(04)**
- b) Where a person exports goods from Pakistan, how is his income taxed? Give brief details of the provisions. **(03)**
- Q.2 a) At what stage do tax losses crystallise and allowed against taxable income in the case of oil exploration and production companies. **(07)**
- b) In the case of a General Insurance Company, does the assessing officer have powers to make disallowances out of expenditure and adjustments to the revenue? If so, please give the adjustments which the tax authorities can make, in arriving at the income? **(07)**
- Q.3 Under the following circumstances, what sales proceeds would be considered by the assessing officer under the Third Schedule?
- i) On sale of plant and machinery
- ii) When the said asset is discarded / demolished / destroyed / lost?
- iii) Where an asset ceases to be used for the purposes of a business or profession? **(05)**
- Q.4 Please discuss provisions of law relating to taxability of reserves, as contained in the section 12(9A) of the Income Tax Ordinance, 1979 and exemptions available under the Second Schedule to the Income Tax Ordinance, 1979. **(06)**
- Q.5 When is a company and an individual treated as "resident"? **(04)**
- Q.6 What are excess cost of perquisites? Please explain in brief, stating how they are to be computed. **(05)**
- Q.7 ABC Ltd. – a Private Limited Company in the manufacturing sector, was in the process of preparing a tax computation as of December 31, 2000. The profit before tax for the year was Rs 50,000,000. The following items already included in the Profit and Loss Account need your consideration. Please prepare a computation of total income.
- |   | Rupees    |
|---|-----------|
| - Contribution to approved Superannuation Fund pursuant to the Income Tax Rules, 1982 | 2,500,000 |
| - Provision for Superannuation Fund   | 50,000    |
| - Lease rental on an operating lease paid to an approved                              |           |

(2)

|  |           |
|--|-----------|
| - Lease rental on Financial lease for equipment  | 1,000,000 |
| - Finance charges on lease   | 400,000   |
| - Loan for working capital requirement received from a third party non-resident lender, now waived | 900,000   |
| - Provision for Contingencies  | 2,000,000 |
| - Accrued bills of suppliers for goods received  | 4,000,000 |
| - Invoice received for Repairs and Maintenance services commencing April 2001                      | 500,000   |
| - Provision for Workers' Welfare Fund  | 1,000,000 |
| - Recoveries against Bad debts written off but disallowed in earlier years                         | 500,000   |
| - Liabilities for purchase of goods remaining unpaid since March 31, 1997                          | 1,500,000 |
| - Liability for Loan from parent company remaining unpaid since March 31, 1997                     | 5,000,000 |
| - Penalty for concealment of income  | 500,000   |
| - Sales Tax demand paid  | 900,000   |
| - Reversal of various provisions made and disallowed in earlier years                              | 1,500,000 |
| - Goodwill written off   | 1,000,000 |

(12)

Q.8 Who can claim and what are Head Office expenditure? To what extent can these may be claimed?

(05)

**(SECTION II)**  
**(SALES TAX ACT, 1990 / CENTRAL EXCISES ACT, 1944)**

Q.9 On what services is Sales Tax chargeable?. Also name the statutes under which it is chargeable?

(06)

Q.10 When would a person voluntarily register himself?

(03)

Q.11 Are supplies against "International Tender" chargeable to tax? What does this term mean?

(02)

Q.12 a) What can be deducted from the value of supply on the face of a Sales Tax invoice, to avail reduction in Sales Tax chargeable?

(03)

b) What Sales Tax is payable on goods exported out of Pakistan?

(02)

- Q.13 a) Under what circumstances can input tax not be allowed to a registered person? (02)
- b) Can an unregistered person making supply of taxable goods, claim input tax? (02)
- Q.14 When and with which authority, can an appeal be filed against the decision or order passed by a Collector of Sales Tax? (03)
- Q.15 Compute the Sales Tax to be charged and deposited into the treasury by a manufacturer and his distributor in the following case, where - (08)
- List price is Rs 100
  - Freight charged in invoice to distributor is Rs 5
  - Selling price of Distributor to trade is Rs 115
  - Input tax paid by manufacturer was Rs 5
  - The standard rate of Sales Tax applicable is 10%
- Q.16 a) Is the Central Excise Duty generally based on wholesale price, retail price or ad valorem? (05)
- b) In the First Schedule to the Central Excises Act, 1944 besides description of goods and rate of duty, a "Heading" is listed there against. What does this term signify and for what purpose? (03)

**(THE END)**