Question - 1
Mr. Iqbal, aged 45 years, is working as a Chief Engineer in a listed company Tameer Ltd (TL). The company is engaged in the manufacture of chipboards for the local market. He derived following emoluments during the tax year ended 30.6.20X4:

<table>
<thead>
<tr>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary (per month)</td>
</tr>
<tr>
<td>Cost of living allowance (per month)</td>
</tr>
<tr>
<td>Milk allowance (per month)</td>
</tr>
</tbody>
</table>

In addition to the above emoluments, Mr. Iqbal was also provided the following:

(i) Special bonus equal to one month's basic salary paid on 5.6.20X4.

(ii) A new company maintained car for his personal use. The car was purchased on 1.3.20X4 at a cost of Rs.1,800,000. However, the cost of the car would have been Rs.3,000,000 had the company obtained it on finance lease. Mr. Iqbal, in accordance with the terms of his employment, purchased his previous car from TL for Rs.250,000. This car was provided to him solely for business purposes. The fair market value of the car at the time of sale to Mr. Iqbal was Rs.600,000.

(iii) A reimbursement of Rs.36,000 in respect of driver's salary. Mr. Iqbal paid Rs.60,000 to the driver for four months.

(iv) A fully furnished accommodation in DHA, Karachi. The fair market value of the rent was estimated to be Rs.85,000 per month.

(v) An option to acquire 4,000 shares in TL's parent company, Tameer Inc. which is listed on New York Stock Exchange was granted to him in May 20X3. Mr. Iqbal exercised the option on 5.1.20X4 at a price of USD 1.5 per share. The market value of the shares at the close of business on 5.1.20X4 was USD 2.5 per share. He sold 3,000 shares on 30.6.20X4 at a price of USD 3 per share. The dollar rupee parity on both the above dates was USD 1 = Rs.100.

(vi) On 15.5.20X4 Mr. Iqbal was provided 800 shares in TL as a reward for his excellent performance. However, he was restricted from selling or transferring these shares before 16.11.20X4. The market value of these shares at the close of business on 15.5.20X4 was Rs.12.5 per share.

Mr. Iqbal received additional income from the following sources, for the tax year 20X4:
(i) Brokerage fee of Rs.200,000 in connection with the transfer of two apartments in Islamabad. The brokerage fee was received in cash. Mr. Iqbal incurred an expense of Rs.30,000 against telephone costs and air travel to Islamabad in connection with the above deal. He also paid Rs.10,000 as a gift to his brother for showing the apartments to his clients in Islamabad.

(ii) Profit of Rs.150,000 on a savings account maintained with an Islamic bank. The bank deducted withholding tax of Rs.15,000 and Zakat of Rs.25,000.

(iii) He also received an income tax refund of Rs.225,000 related to tax year 20X2. The amount included Rs.25,000 being compensation for delayed refund.

(iv) Annual rent of Rs.800,000 from letting out a building to KK Enterprise. Following expenses were incurred by Mr. Iqbal in relation to the building: Repairs Rs.200,000, Fire insurance premium Rs.30,000, Ground rent Rs.10,000, Watchman's salary Rs.8,000 and Interest of Rs.15,000 on a loan obtained for building renovation by creating first charge on the building in favour of a scheduled bank.

Other related information is as under:

- TL deducted withholding tax of Rs.1,200,000 from Mr. Iqbal's salary during tax year 20X4.
- On 1.7.20X3, Mr. Iqbal acquired a life insurance policy and paid a premium of Rs.500,000. He also contributed Rs.1,600,000 to an approved pension fund.
- On 1.6.20X3, he purchased 50,000 shares in a listed company AB Ltd at a price of Rs.20 each. On 1.1.20X4, AB Ltd announced 20% right shares to existing shareholders at a price of Rs.18 per share. On 25.1.20X4, Mr. Iqbal subscribed the right issue in full.
- During tax year 20X3 his assessed taxable income was Rs.3,000,000.

**Required:** Under the Income Tax Ordinance, 2001 and Rules made thereunder, compute the taxable income and income tax payable by or refundable to Mr. Iqbal for the tax year ended 30.6.20X4. Show all exemptions, exclusions and disallowances where relevant. **(Marks 22)**

**Question - 2**

Mr. Kashif, a Pakistani National, left the Pakistani subsidiary of a multinational company and was employed in the role of Director Middle East for the Group company with effect from 1.1.20X8. Due to certain visa issues, he could not travel immediately and remained in Pakistan till 28.2.20X8. While in Pakistan, he continued to work for the Middle East region and received payment from the Group company.

Mr. Kashif is required to return to Pakistan for sorting out certain issues on behalf of the group company and will be staying in Pakistan for about two months. On his return to Pakistan he will continue to be employed and paid by the Group company. The Group company deducts tax @ 20% of the gross salary.
There is no tax treaty with UAE and no tax has been deducted by UAE.

**Required:** Briefly explain the Pakistan tax implications to Mr. Kashif for the tax years 20X8 and 20X9 in respect of the following:

(a) Salary earned while he was present in Pakistan from 1.1.20X8 to 28.2.20X8.
(b) If he returns to Pakistan before 30.6.20X8.
(c) If he returns to Pakistan after 30.6.20X8.  

(Marks 10)

**Question - 3**
Mr. Aslam received a notice on 1.1.2010 from the Commissioner to file return of income for the tax year 2004 and 2007 within 20 days of receiving the notice. In your capacity as a tax consultant, advise Mr. Aslam on the following issues along with appropriate explanations:

i- Is the commissioner justified in issuing the above notice?
ii- If Mr. Aslam is not in a position to meet the deadline for filing the returns, can he get an extension?  

(Marks 10)

**Question - 4**

a) List down the expenditures that can be charged upon Federal Consolidated Fund (marks 5)

b) List down the responsibilities of tax authorities in the maintenance of good taxation system?  

(Marks 5)

**Question - 5**
Clearly differentiate between the concept of Suspension of registration and Cancellation of registration under Sales Tax Act, 1990. What remedies are available to a registered person in case of above situations?  

(Marks 13)

**Question - 6**
Explain the provisions relating to :

a) Foreign tax credits

b) Foreign Losses  

(Marks 10)

**Question - 7**
From the following data of Mr. Ahmad Shah, a registered manufacturer of goods, calculate his liability of Sales Tax for August 2014.

a) Sales to Registered person 1,500,000
b) Sales to Un-Registered person 160,000
c) Sales to Registered retailers (Retail Price) 70,000
d) Sales to Wholesalers (Consumer Price) 100,000
e) Sales to Employer’s (Exclusive of Sales Tax) 90,000
Question - 8
Write down the provisions for the computation of consideration against sale of depreciable assets under the following situations:

a) When asset is destroyed or lost
b) Export of an asset
c) Immovable property

(Marks 10)

Tax Rates

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Taxable Income</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Where the taxable income does not exceed Rs.400,000</td>
<td>0%</td>
</tr>
<tr>
<td>2.</td>
<td>Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000</td>
<td>5% of the amount exceeding Rs.400,000</td>
</tr>
<tr>
<td>3.</td>
<td>Where the taxable income exceeds Rs.750,000 but</td>
<td>Rs.17,500 + 10% of the amount</td>
</tr>
</tbody>
</table>
4. Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000 exceeding Rs.750,000

5. Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000

6. Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000

7. Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000

8. Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000

9. Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000

10. Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000

11. Where the taxable income exceeds Rs.7,000,000