



Fin623 MID TERM 9 PAPERS

Solved by

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Paper 1

MIDTERM EXAMINATION

Spring 2010

FIN623- Taxation Management (Session - 3)

(Marks: 1) - Please choose one

Taxes are important instrument of which one of the following policy?

▶ Monetary policy

▶ **Fiscal policy**

▶ Trade Policy

▶ Economic Policy

Taxes are important instrument of Fiscal Policy. PG#1

Question No: 2 (Marks: 1) - Please choose one

Which of the following canon of taxation suggests that there should not be any arbitrariness or ambiguity in respect of amount of tax paid?

▶ Capacity to Pay

▶ **Certainty**

▶ Simplicity

▶ Convenience

P#2Certainty: This cannon suggest that the amount of payment should be certain and there should not be any arbitrariness or ambiguity with respect to the amount of tax to be paid by the tax payer.

Question No: 3 (Marks: 1) - Please choose one

Taxation management is a strategy where by a person manages its business in such a way so as to maximize the utilization of which of the following?

▶ **All of the given options**

▶ Tax holidays

▶ Exemption, Rebates & Concession

▶ Tax credits

Taxation management is a strategy where by a person manages its business and other transactions/activities in such a way so as to make maximum use of tax holidays, exemption, concession, rebates, tax credits, deductible allowances available under law and as a result is able to derive the benefit of minimizing his tax liability.
PG#3

Question No: 4 (Marks: 1) - Please choose one

Which of the following tax is paid in relation to how much you earn?

▶ Sales Tax

▶ **Income Tax**

- ▶ Inheritance Tax
- ▶ Value added Tax

<http://www.nonstopenglish.com/exercise.asp?ExID=726>

Income Tax is a tax on a person in respect of his income during a tax yearP#16

Question No: 5 (Marks: 1) - Please choose one

Under which of the following sections of Income Tax Ordinance 2001 vested the powers to CBR in order to formulate the IT rule 2002?

▶ Section 206

▶ Section 213

▶ **Section 237**

▶ Section 238

IT rules 2002: These were promulgated by CBR on 1st July 2002 in exercise of powers granted under section 237 of the PG#5

Question No: 6 (Marks: 1) - Please choose one

Law making is the prime responsibility of which of the following authorities?

▶ **Parliament**

▶ Supreme Court

▶ High Court

▶ City Court

(Q#27) <http://current-gk-today.blogspot.com/2010/12/polity-objective-questions.html>

Question No: 7 (Marks: 1) - Please choose one

Section 2(5A) of Income Tax Ordinance 2001 defined: "assessment year" means assessment year as defined in the repealed Ordinance.

In which criteria the above definition falls?

▶ **Exclusive definition**

▶ Inclusive definition

- ▶ Both Exclusive and Inclusive definitions
- ▶ Statutory definition

PG#8 Exclusive or Exhaustive Definition: 2(5A) “assessment year” means assessment year as defined in the repealed Ordinance

Question No: 8 (Marks: 1) - Please choose one

Which of the following is the Special Accounting Year of Insurance Companies?

▶ 1st January to 31st December

- ▶ 1st July to 30th June
- ▶ 1st October to 30th September
- ▶ 1st September to 31st August

All Insurance Companies 1st January to 31st December P#11

Question No: 9 (Marks: 1) - Please choose one

Which of the following is the Special Accounting Year of Sugar Companies?

- ▶ 1st July to 30th June

▶ 1st October to 30th September

- ▶ 1st September to 31st August
- ▶ 1st January to 31st December

Companies manufacturing Sugar 1st October to 30th September P#11

Question No: 10 (Marks: 1) - Please choose one

If the accounting year of Mr. Aslam, a rice exporter is started from 01 January 2005 and ending on 31st December 2005. What will be its tax year?

- ▶ Tax year 2003
- ▶ Tax year 2004
- ▶ Tax year 2005

▶ Tax year 2006

Question No: 11 (Marks: 1) - Please choose one

Certain incomes those are excluded from tax are called as:

▶ Perquisites

▶ **Exemptions**

▶ Allowances

▶ Deductions

Certain Incomes excluded from Taxable Income (exemptions) P#17

Question No: 12 (Marks: 1) - Please choose one

If the land situated in Pakistan and used for agriculture purposes then which of the following factor make distinction between agriculture and non-Agriculture Income?

▶ Nationality of Pakistan

▶ Quantity of the product

▶ Time period

▶ **Human effort**

Examples of partly agricultural and partly non-agricultural income

1. Income of a person who grown tea leaves on his own farms in Pakistan and then manufactures it into tea.

2. Income of a sugar mill, which grows sugarcane and manufactures sugar.

3. Income of a cigarette company growing tobacco on its own land and manufacturing cigarettes.

In all the above cases, growing of crops (tea plants, sugarcane and tobacco respectively) is an agricultural process fulfilling all the conditions of agricultural income. The second component of these incomes is a manufacturing process and thus chargeable to tax under the head "Income from business and profession". In determining that part which is chargeable to tax, the market value of any agricultural produce which has been raised by the person or received by him as rent in kind and which has been utilized as raw material in such business, shall be deducted and no further deduction in respect of any expenditure incurred by the person as a cultivator or receiver of rent in kind will be allowed.

<http://www.facebook.com/topic.php?uid=109807019054469&topic=49>

Question No: 13 (Marks: 1) - Please choose one

Suppose a Profit acquired by a cultivator from the sale of standing crops or the produce after harvesting.

The profit of the cultivator will be treated in which of the following way?

▶ Income from Business

► **Agriculture Income**

- Income from Property
- Capital Gain

Income derived from such land by the sale of produce by a cultivator or receiver of rent in kind.<http://www.facebook.com/topic.php?uid=109807019054469&topic=49>

Question No: 14 (Marks: 1) - Please choose one

Land revenue rent (Lagan) is received by which of the following authority?

- High Court
- Supreme Court
- Income Tax Department

► **Provincial Government**

The Board of Revenue (BOR) at provincial level is mandated with all matters connected with administration of the land, collection of land revenue,

http://www.fig.net/pub/fig2010/papers/fs03f%5Cfs03f_ali_nasir_3901.pdf

Question No: 15 (Marks: 1) - Please choose one

What is the tax treatment of Donation to the President's Relief Fund for Earthquake Victims 2005?

- Wholly Taxable

► **Wholly Exempt**

- Partly Exempt
- Not mention in Ordinance

Question No: 16 (Marks: 1) - Please choose one

Rate charged under presumptive tax regime to non resident shipping firm 8% on its gross receipt is quite low as compare to other business. This is an example of which type of tax concession?

- Reduction in total taxable income
- None of the given options

▶ Reduction in tax liability

▶ **Reduction in tax rate**

Question No: 17 (Marks: 1) - Please choose one

Which of the following section deals with the residential status of Company?

▶ **Section 81**

▶ Section 82

▶ Section 83

▶ Section 84

(page 26) Ref: Resident Person (Section 81)

a. Resident Individual, Resident Company, or Resident Association of Persons for the year or b. The Federal Government.

Question No: 18 (Marks: 1) - Please choose one

M/s ABC & Co. has been incorporated under Pakistan Companies Ordinance 1984. However it's most of the branched and control and management of affairs wholly situated out of Pakistan? What will be the residential status of M/s ABC & Co.?

▶ Resident Company

▶ **Non-Resident Company (not sure)**

▶ Resident Individual

▶ Resident AOP

RF, COMPANY 2(21) 80(2)

A body corporate formed by or under the law of Pakistan will be treated as resident company

Question No: 19 (Marks: 1) - Please choose one

For a resident AOP which of the following condition must be satisfied?

▶ Control and management of affairs of AOP is situated partly in Pakistan

▶ Control and management of affairs of AOP is situated wholly in Pakistan

▶ Control and management of affairs of AOP is situated wholly or partly in Pakistan

- ▶ None of the given options

(page 27) Under the law a Firm, HUF, etc. are placed under the head AOP Control and management of affairs of AOP is situated wholly or partly in Pakistan

Question No: 20 (Marks: 1) - Please choose one

Any gain arising on the disposal of shares in a non-resident company belongs to which of the following?

- ▶ Pakistan- source income

▶ Foreign source of income

- ▶ Both Pakistan and foreign source of income
- ▶ None of the given option

(page 29) Any gain arising on the disposal of shares in a resident company shall be Pakistan- source income.

Question No: 21 (Marks: 1) - Please choose one

Any amount shall be Pakistan-source income if it is paid by:

▶ Resident person

- ▶ Non-resident person
- ▶ Citizen of Pakistan
- ▶ All of the given options

(page 29) royalty shall be Pakistan-source income if it is: • Paid by resident person

Question No: 22 (Marks: 1) - Please choose one

Any business carried by Non-resident person in Pakistan through permanent establishment (PE) the general and admin expenditure incurred. What will be the tax treatment of such expenditure?

- ▶ Exempt from tax due to non-resident

▶ Wholly taxable due to PE

- ▶ Allowed as deduction from the income of Non-resident
- ▶ None of the given options

(page 31) Ref: No deduction shall be allowed in computing the income of a permanent establishment in Pakistan of a non-resident person chargeable to tax under the head "Income from Business" for a tax year for head office expenditure in excess of the amount as bears to the turnover of the permanent establishment in Pakistan the same proportion as the non-resident's total head office expenditure bears to its worldwide turnover.

Question No: 23 (Marks: 1) - Please choose one

The definition of Employment under Sec. 2(22) of the ordinance is categorized in:

▶ Inclusive Definition

- ▶ Exclusive Definition
- ▶ Both Inclusive and Exclusive
- ▶ None of the given options

(page 8) 2(22) "employment includes:

- a directorship or any other office involved in the management of a company;
- a position entitling the holder to a fixed or ascertainable remuneration; or
- the holding or acting in any public office;

Question No: 24 (Marks: 1) - Please choose one

Tax year for the salaried individuals is called as:

- ▶ Special Tax Year

▶ Normal Tax Year

- ▶ Fiscal Year
- ▶ Financial Year

(page 36) Tax year of a salaried Person shall be Normal Tax year

Question No: 25 (Marks: 1) - Please choose one

Which of the following section of Income Tax Ordinance 2001 deals with perquisites of Income from Salary and its treatment?

- ▶ Section 11

▶ Section 13

▶ Section 14

▶ **Section 12**

(page 37) Ref: Sub Sec (1) for the purpose of computing the income of an employee for a tax year, chargeable to tax under the head "salary", the value of any perquisite provided by an employer to the employee in that year that is included in the employee's salary under section 12 shall be determined in accordance with this section.

Question No: 26 (Marks: 1) - Please choose one

Mr. A employed in Pakistan received dividend amounting Rs. 10,000 in UK from Pakistani resident company. What is the treatment of dividend in calculating his gross total income?

▶ **Added in total income**

▶ Subtracted from the total income

▶ Added in income after tax

▶ Exempt from tax

<http://www.oppapers.com/essays/Fin623/571989>

Question No: 27 (Marks: 1) - Please choose one

Mr. Kishan Kumar during his yearly tour in Pakistan spends 155 working days, 26 off-working days 1 strike day and 1 Public Holiday in a tax year 2008-09? What will be the status of the individual?

▶ **Resident Individual**

▶ Non Resident Individual

▶ Resident Person

▶ Resident HUF

Question No: 28 (Marks: 1) - Please choose one

A firm ABC maintaining its account in accrual basis, at June 27, 2008 it is entitled to receive Rs. 10,000 but actual payments made at 01 August 2008. It would be charge to tax into the tax year:

▶ 2009

▶ 2006

▶ 2007

▶ **2008**

Paper 2

MIDTERM EXAMINATION

Spring 2010

FIN623- Taxation Management (Session - 4)

Question No: 1 (Marks: 1) - Please choose one

Which one of the following is main difference between the tax and fee?

▶ **Entitlement of Counter benefit**

- ▶ Imposing authority
- ▶ Mode of payment
- ▶ Applied Rates page#1

Taxes Vs Fees: page#1

Taxes are compulsory levy and it is the legal obligation of the person to pay the amount of tax

which is required to pay under the law, where as payment of fee is the discretion of any person and

when a fee is paid, the person becomes an entitled to claim counter benefits.

Question No: 2 (Marks: 1) - Please choose one

Which of the following is the main objective of Fiscal Policy?

- ▶ Economic Development
- ▶ Price stability
- ▶ Removal of deficit in Balance of Payments

▶ **All of the given options**

P#2 Objectives of Fiscal Policy

- Economic Development
 - Raising level of employment (Achieving full employment level)
 - Influencing consumption patterns
 - Price stability
 - Redistribution of income
-
- Removal of deficit in Balance of Payments

Question No: 3 (Marks: 1) - Please choose one

How many Sections are included in the **Income Tax Ordinance 2001**?

- ▶ 340 sections
- ▶ 440 sections
- ▶ 140 sections

▶ **240 sections**

P#5, Basic Features of Income Tax Ordinance 2001

Scheme of the Ordinance is given below:

- There are thirteen chapters
- Chapters are divided into:
- There are 240 Sections

Question No: 4 (Marks: 1) - Please choose one

Law making is the prime responsibility of which of the following authorities?

▶ **Parliament**

- ▶ Supreme Court
- ▶ High Court
- ▶ City Court

(Q#27) <http://current-gk-today.blogspot.com/2010/12/polity-objective-questions.html>

Question No: 5 (Marks: 1) - Please choose one

Superior judiciary includes which of the following authorities?

▶ City Court

▶ **Supreme Court**

▶ High Court

▶ Both supreme and High court

Question No: 6 (Marks: 1) - Please choose one

Which one of the following is the Internal aid and help in the interpretation of law?

▶ **Punctuation marks**

▶ CBR's circulars

▶ Definitions in other statutes

▶ Departmental manuals

P#7, Internal Aids:

These are available in the Act:

Explanation to the section

Marginal notes

Punctuation marks

Preamble

Title of a chapter

Non-Obstinate clause

Proviso

Question No: 7 (Marks: 1) - Please choose one

Which of the following is the example of inclusive definitions?

▶ Appellate Tribunal 2(2)

▶ **Business 2(9)**

▶ Association of Person 2(6)

▶ Debt 2(15)

P#8. Examples of inclusive definitions are given below: Sec. 2(9)—Business includes any trade, commerce, manufacture, profession, vocation or adventure

Question No: 8 (Marks: 1) - Please choose one

The _____ year is a period of twelve months arbitrarily chosen for tax purposes.

▶ Economic

▶ **Fiscal**

▶ Economy

▶ Monetary

<http://www.nonstopenglish.com/lang/pl/exercise.asp?exid=726> Q#10

Question No: 9 (Marks: 1) - Please choose one

Which of the following is the Special Accounting Year of Sugar Companies?

▶ 1st July to 30th June

▶ **1st October to 30th September**

▶ 1st September to 31st August

▶ 1st January to 31st December

Companies manufacturing Sugar 1st October to 30th September P#11

Question No: 10 (Marks: 1) - Please choose one

Which one of the following is the example of tax payer?

▶ **Salaried Person**

▶ LESCO

▶ All of the given options

▶ WAPDA

Question No: 11 (Marks: 1) - Please choose one

Certain incomes those are excluded from tax are called as:

▶ Perquisites

▶ **Exemptions**

- ▶ Allowances
- ▶ Deductions

Certain Incomes excluded from Taxable Income (exemptions) P#17

Question No: 12 (Marks: 1) - Please choose one

Sources of Income are classified into _____ heads of income.

▶ 3

▶ 4

▶ **5**

▶ 6

P#17,Ref: Following are the heads of income, ascertained in section 11

- Salary (Section 12)
- Income from Property (Section 15)
- Income from Business (Section 18)
- Capital Gains (Section 37)
- Income from other Sources (Section 39)

Question No: 13 (Marks: 1) - Please choose one

Which of the following incomes are treated as agriculture income?

- ▶ Spontaneous forests
- ▶ Agro based industry
- ▶ Interest received by a farmer on lending

▶ **Income from land in Pakistan used for agriculture**

b) Any income derived by a person from land situated in Pakistan from – (i) Agriculture; page #19

Question No: 14 (Marks: 1) - Please choose one

Which of the following is similar to the concept of club of Incomes?

- ▶ **Unification only two heads of Income**
- ▶ Association of two or more heads of Income
- ▶ Splitting up of only two heads of Income
- ▶ Division of two or more than two heads of income

Question No: 15 (Marks: 1) - Please choose one

What is the tax treatment of the salary of an employee of foreign government but citizen of Pakistan?

- ▶ Exempt form tax
- ▶ **Wholly Taxable**
- ▶ Partly Taxable
- ▶ No Tax treatment given in IT Ordinance 2001

Question No: 16 (Marks: 1) - Please choose one

Income of Federal Government exempt from tax under which of the following section of IT Ordinance 2001?

- ▶ Section 41
- ▶ Section 43
- ▶ Section 47

▶ **Section 49**

Section 49 Federal & Provincial Govt. and Local Authority Income page#23

Question No: 17 (Marks: 1) - Please choose one

Any Fund for Promotion of Science and Technology in Pakistan is _____ under Part I of the second schedule of IT Ordinance 2001.

- ▶ Wholly Taxable

▶ **Wholly Exempt**

- ▶ Partly Exempt
- ▶ None of the given options

Exemptions and tax Concessions in Second Schedule Section 53 page#23

□ Donation to certain institution [Clause (61), Part I of the Second Schedule]

Question No: 18 (Marks: 1) - Please choose one

Rate charged under presumptive tax regime to non resident shipping firm 8% on its gross receipt is quite low as compare to other business. This is an example of which type of tax concession?

- ▶ Reduction in total taxable income
- ▶ None of the given options
- ▶ Reduction in tax liability

▶ **Reduction in tax rate**

Reduction in Tax Rates under Second Schedule Part 2

- Profit on Special US Dollar Bonds or out of new account opened after December 16, 1999. At the Rate of 10 percent of amount of profit by Resident Person
- Presumptive tax for business of shipping of resident persons page#25 not sure

Question No: 19 (Marks: 1) - Please choose one

Which of the following days shall be counted as whole day for the computation of residential status of an individual?

- ▶ A public holiday
- ▶ A day of sick leave
- ▶ Any strike day

▶ **All of the given options**

Rules Governing Resident Individual

- Part of day shall be counted as a whole day, for example day of arrival or day of departure
- Following days shall be counted as whole day:
 - A Public Holiday
 - A day of leave including sick leave

- A day that individual's activity is stopped because of strike etc
- A holiday spent in Pakistan page#27

Question No: 20 (Marks: 1) - Please choose one

Which part of income is charged to tax of resident person under the income tax ordinance 2001?

- ▶ Pakistani source of income
- ▶ Foreign source of income
- ▶ **Both Pakistan and foreign source of income**
- ▶ None of the given option

The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income page#28

Question No: 21 (Marks: 1) - Please choose one

What will be the tax treatment of foreign source salary received by a resident person?

- ▶ Wholly taxable
- ▶ Partly Taxable
- ▶ Wholly exempt
- ▶ **Wholly exempt only if resident paid foreign tax on his salary**

(1) Any foreign-source salary received by a resident individual shall be exempt from tax if the individual has paid foreign income tax in respect of the salary. Page#31

Question No: 22 (Marks: 1) - Please choose one

Mr. Khan resident of Pakistan received salary from UK? His salary will be included in which of the following?

- ▶ Pakistan source income
- ▶ **Foreign source income**
- ▶ Both Pakistan and foreign source income

- ▶ None of the given options

Question No: 23 (Marks: 1) - Please choose one

The salary received from the UK Government by Mr. Amir resident of Pakistan. Which section of the income tax ordinance explains his tax treatment of such salary?

- ▶ Section 110
- ▶ Section 101

▶ **Section 102**

- ▶ Section 50

Foreign Source Salary of Resident Individuals Sec. 102

(1) Any foreign-source salary received by a resident individual shall be exempt from tax if the individual has paid foreign income tax in respect of the salary. PAGE#31

Question No: 24 (Marks: 1) - Please choose one

What is the relation between the Non-resident and permanent establishment as per section 105?

- ▶ Both have same legal entity
- ▶ **Both are separate legal entity**
- ▶ Both are dependent on each other
- ▶ None of the given options

The profit of the permanent establishment shall be computed on the basis that it is a distinct and separate person engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the non-resident person of which it is a permanent establishment; page#31

Question No: 25 (Marks: 1) - Please choose one

Which of the following section of Income Tax Ordinance 2001 deals with Income from Salary and its treatment?

- ▶ Section 11

▶ **Section 12**

- ▶ Section 13

▶ Section 14

Salary as defined in Section 12(2)

•“Salary means any amount received by an employee from any employment, whether of a revenue or

capital nature, including- P#37

Question No: 26 (Marks: 1) - Please choose one

Salary by members of AOP is not treated as Salary but treated as appropriation of profit and charged under the head:

- ▶ Income from Salary
- ▶ Income from Property

▶ Income from Business

- ▶ Income from Other Sources

P#36 Salary by members of AOP is not treated as Salary but treated as appropriation of profit and charged under the head Income from Business

Question No: 27 (Marks: 1) - Please choose one

Mr. X resident of Pakistan remittance from UK received Rs. 20,000 in Pakistan from past profits. Which of the following is right for the above scenario?

- ▶ Mr. X being resident of Pakistan Rs. 20,000 will be added in Gross total income**
- ▶ Mr. X being resident of Pakistan Rs. 20,000 will be Subtracted in Gross total income
- ▶ Mr. X being non-resident of Pakistan Rs. 20,000 will be added in Gross total income
- ▶ None of the given options

P#28, Scope of Total Income of a Resident Person Section 11 (5)

Resident Person Changeable to tax on:

• The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income

Question No: 28 (Marks: 1) - Please choose one

A firm ABC maintaining its account in cash basis, at June 27, 2008 it incurred expenses for Rs. 10,000 but actual payments made at 01 August 2008. It would be charge to tax into the tax year:

▶ 2006

▶ 2007

▶ 2008

▶ **2009**

Paper 3

MIDTERM EXAMINATION Spring 2009 FIN623- Taxation Management (Session - 2)

Question No: 1 (Marks: 1) - Please choose one

Which of the following is opposite to the literal meanings of Tax?

Burden

Strain

Load

Relieve

REF:

(page 1) Literal meanings ----- Burden, Strain

Question No: 2 (Marks: 1) - Please choose one

Which of the following is the main source of revenue generation of the state?

Taxes & Tariffs

Internal Borrowing

External Borrowing

Penalties & Fines

(page 2) Sources for Revenue Generation for State

Taxes, Tariffs

Internal & External Borrowing

Penalties & Fines

Aids & Grants

Question No: 3 (Marks: 1) - Please choose one

_____ is paid to the government on goods and services and can be reclaimed by retailers.

Income Tax

Value Added Tax

Capital Value Tax

Wealth Tax

value added tax is the tax that is only refundable and apply of the good and services.

Question No: 4 (Marks: 1) - Please choose one

Which of the following is not an employment tax?

Social Security Tax

Federal Excise Tax

Federal unemployment compensation tax

State unemployment compensation tax

Question No: 5 (Marks: 1) - Please choose one

How many Schedules are contained in the Income Tax Ordinance 2001?

Three Schedule

Fifth Schedule

Seven Schedules

Nine Schedules

(page 5)Basic Features of Income Tax Ordinance 2001

Scheme of the Ordinance is given below:

There are thirteen chapters

Chapters are divided into:

*f*Parts &

*f*Divisions

There are 240 Sections

This ordinance comprises of seven Schedules

Schedules are integral part of the Ordinance.

Question No: 6 (Marks: 1) - Please choose one

Under which of the following sections of Income Tax Ordinance 2001 vested the powers to CBR in order to formulate the IT rule 2002?

Section 206

Section 213

Section 237

Section 238

(page 5)IT rules 2002

These were promulgated by CBR on 1st July 2002 in exercise of powers granted under section 237 of the Ordinance.

Question No: 7 (Marks: 1) - Please choose one

Which one of the following is the Internal aid and help in the interpretation of

Punctuation marks

CBR's circulars

Definitions in other statutes

Departmental manuals

Ref:

Internal Aids:

These are available in the Act:

f Explanation to the section

f Marginal notes

f Punctuation marks

f Preamble

f Title of a chapter

f Non-Obstinate clause

f Proviso

f Context

Question No: 8 (Marks: 1) - Please choose one

Section 2(13) of Income Tax Ordinance 2001 defined:

“Commissioner” means a person appointed as a Commissioner of Income Tax powers, and functions of the Commissioner; In which criteria the above definition falls?

Exclusive definition

Inclusive definition

Both Exclusive and Inclusive definitions

Statutory definition

(page 8) “Commissioner” means a person appointed as a Commissioner of Income Tax under section 208, and includes a taxation officer vested with all or any of the powers, and functions of the Commissioner;

Question No: 9 (Marks: 1) - Please choose one

Under which of the following conditions a tax payer can adopt a special tax year?

Whenever he decides so

After seeking approval from Tax Office

After seeking approval from Commissioner of income tax

After seeking approval from High Court

(page 11)Special Tax Year:

In case a person has a different accounting period from normal tax year or adopted such a period after seeking approval from commissioner under section 74(3) it is called special tax year.

Question No: 10 (Marks: 1) - Please choose one

Mr. A & B Joint Owners of a Building, Which of the following is the legal status under the provisions of Section 80 of the Ordinance?

Company

Association of Persons

Hindu Undivided Family

(page 11) • “An association of persons”—includes a firm, a Hindu Undivided Family, any artificial juridical person and anybody of persons formed under a foreign law, but doesn’t include a company.

Question No: 11 (Marks: 1) - Please choose one

Which of the following is the legal status of Mr. Z, a Director in Private Company under section 80 of the Income tax ordinance 2001?

Individual

Company

Firm

Hindu Undivided Family

(page 16) Ref: xii. Mr. Z, a Director in Private Company A (xii) Individual

Question No: 12 (Marks: 1) - Please choose one

Which of the following is NOT an example of deemed income?

Golden hand shake

All of the given options

Loan through cross cheque

Gifts through proper transaction

(page 17) Deemed Income at Par with real income

Cash Basis Vs Accrual Basis

Illegal Income

Lump Sum Receipts

Tax-free income

Question No: 13 (Marks: 1) - Please choose one

If the land situated in Pakistan and used for agriculture purposes then which of the following factor make distinction between agriculture and non-Agriculture Income?

Nationality of Pakistan

Quantity of the product

Time period

Human effort

Question No: 14 (Marks: 1) - Please choose one

Suppose a merchant acquired Profit from the purchase of standing crops and resale of it after harvesting. The profit of the merchant will be treated in which of the following way?

Agriculture Income (review again)

Income from Business

Income from Property

Capital Gain

Question No: 15 (Marks: 1) - Please choose one

Mr. Ali being citizen of Pakistan of 60 years old, if his total taxable income is Rs.400,000. His tax liability will be reduced by _____ under Part 3 of second schedule.

10%

25%

50%

75%

Ref:

(page 25)• Senior citizen-age 60 years &above where taxable income not exceeding Rs. 400,000/- tax liability reduced by 50%.

Question No: 16 (Marks: 1) - Please choose one

M/s ABC & Co. has been incorporated under Pakistan Companies Ordinance 1984.

However it's most of the branched and control and management of affairs wholly situated out of Pakistan? What will be the residential status of M/s ABC & Co.?

Resident Company

Non-Resident Company(not sure)

Resident Individual

Resident AOP

Question No: 17 (Marks: 1) - Please choose one

Which part of income is charged to tax of resident person under the income tax ordinance 2001?

Pakistani source of income

Foreign source of income

Both Pakistan and foreign source of income

None of the given option

Ref:

Scope of Total Income of a Resident Person Section 11 (5)

Resident Person Changeable to tax on:

• The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income

• Pakistan Source Income & Foreign Source Income Sec.11 (5) whereas, non-resident person charged only on Pakistan Source Income Sec.11 (6)

Question No: 18 (Marks: 1) - Please choose one

Which part of income is charged to tax of non-resident person under the income tax ordinance 2001?

Pakistani source of income

Foreign source of income

Both Pakistan and foreign source of income

None of the given option

Ref: (page 28)whereas, non-resident person charged only on Pakistan Source Income Sec.11 (6)

Question No: 19 (Marks: 1) - Please choose one

_____ means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

Permanent establishment

Small Business Units SBU

Venture

the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on

http://www.oecd.org/document/0/0,3746,de_34968570_34968855_43319488_1_1_1_1,0_0.html

Question No: 20 (Marks: 1) - Please choose one

Which of the following come under the ambit of Royalty under section 2 (54)?

Right to use any patent

Copy right of a literary

Right to use any industrial or scientific equipment

All of the given options

Ref:

Royalty Defined 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,

b)The use of, or right to use any copy right of a literary,.

d)The supply of any technical, industrial, commercial or scientific knowledge, experience or skill;

e)The use of or right to use any industrial, commercial or scientific equipment;

Question No: 21 (Marks: 1) - Please choose one

What is the relation between the Non-resident and permanent establishment as per section 105?

Both have same legal entity

Both are separate legal entity

Both are dependent on each other

None of the given options

• The profit of the permanent establishment shall be computed on the basis that it is a distinct and separate person engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the non-resident person of which it is a permanent establishment;

Question No: 22 (Marks: 1) - Please choose one

Salary by members of AOP is not treated as Salary but treated as appropriation of profit and charged under the head:

Income from Salary

Income from Property

Income from Business

Income from Other Sources

Salary by members of AOP is not treated as Salary but treated as appropriation of profit and charged under the head “Income from Business”

Question No: 23 (Marks: 1) - Please choose one

In which of the following heads of Income No deductions are allowed:

Salary Income

Income from Property

Income from Business

Capital Gains

No deductions are allowed under the head “Income from Salary”

Question No: 24 (Marks: 1) - Please choose one

Mr Ali is an employee of ABC Co. the company has provided a driver and a gardener to Mr. Ali. What will be the treatment of their salaries as per Income Tax Ordinance 2001?

The salaried paid to them added in the salary of MR. Ali

The salaried paid to them subtracted in the salary of MR. Ali

Have no relation with salary of Mr. Ali

The Salaried paid are exempted from Tax

(page 39)Services of house keeper, driver, gardener, other domestic servant Amount provided by employer added back to employee’s salary.

(page 37) Sub Sec. (5) Where, in a tax year, the services of a housekeeper, driver, gardener or other domestic assistant provided by an employer to an employee, the amount chargeable to tax to the employee under the head “salary” for that year shall include the total salary paid to [such housekeeper, driver, gardener or other

domestic assistant] in that year for services rendered to the employee, as reduced by any payment made by the employee [to the employer] for such services.

Question No: 25 (Marks: 1) - Please choose one

A directorship or any other office involved in the management of a company under section 2(22) of Income Tax Ordinance, 2001 is termed as:

Employment

Employer

Employee

Business premises

(page 8) 2(22) “employment includes:

- a directorship or any other office involved in the management of a company;
- a position entitling the holder to a fixed or ascertainable remuneration; or
- the holding or acting in any public office;

Question No: 26 (Marks: 1) - Please choose one

Mr. A non-resident of Pakistan received interest on Australian Bonds Rs. 100,000 (half amount received in Pakistan). What is the treatment of this amount for calculating his gross total income?

Rs. 100,000 added in his total income

Rs. 100,000 subtracted from his total income

Rs. 50,000 added in his total income

Exempt from tax

Page no 35 exercise no 4

Question No: 27 (Marks: 1) - Please choose one

Mr. X employed in Pakistan remittance from USA received Rs. 10,000 in Pakistan from past profits. Which of the following is right for the above scenario?

Mr. X being resident of Pakistan Rs. 10,000 will be added in Gross total income

Mr. X being resident of Pakistan Rs. 10,000 will be Subtracted in Gross total income

Mr. X being non-resident of Pakistan Rs. 10,000 will be added in Gross total income

Remittance is not income hence it is not included(not sure)

Ref:

Note 1:

Since remittance is not income, hence it is not included.

Page 33 exercise not 1

Question No: 28 (Marks: 1) - Please choose one

Mr. X resident of Pakistan remittance from UK received Rs. 20,000 in Pakistan from past profits. Which of the following is right for the above scenario?

Mr. X being resident of Pakistan Rs. 20,000 will be added in Gross total income

Mr. X being resident of Pakistan Rs. 20,000 will be Subtracted in Gross total income

Mr. X being non-resident of Pakistan Rs. 20,000 will be added in Gross total income

Remittance is not income hence it is not included(not sure)

Question No: 29 (Marks: 1) - Please choose one

Mr. Kishan Kumar during his yearly tour in Pakistan spends 155 working days, 26 off-working days 1 strike day and 1 Public Holiday in a tax year 2008-09? What will be the status of the individual?

Resident Individual

Non Resident Individual

Resident Person

Resident HUF

(page 26)Ref:

155+26+1+1=183

Resident Individual (Section 82)

- An individual shall be a resident individual for a tax year if the individual-
- is present in Pakistan for a period of, or periods amounting in aggregate to, **one hundred and eighty-three days or more in the tax year; or**
- Is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year?

Question No: 30 (Marks: 1) - Please choose one

Mr. Zeeshan during his yearly tour in Pakistan spends 180 working days and in a tax year 2008-09? What will be the status of individual?

Resident Individual

Non-Resident Individual

Resident Person

Resident HUF

(page 26) Resident Individual (Section 82)

- An individual shall be a resident individual for a tax year if the individual-
- is present in Pakistan for a period of, or periods amounting in aggregate to, **one hundred and eighty-three days or more in the tax year; or**
- Is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year?

Paper 4

MIDTERM EXAMINATION

Spring 2010

FIN623- Taxation Management (Session - 5)

Time: 60 min

Marks: 44

Question No: 1 (Marks: 1) - Please choose one

In the canons of taxation, which one of the following statements best describe the benefits principle?

▶ **Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the lower rates.**^{P#2}

▶ Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the higher rates.

▶ Persons deriving less income leads to enjoy more benefits from the state, should be taxed at the lower rates.

▶ All persons deriving more or less income should be taxed at the same rates.

Question No: 2 (Marks: 1) - Please choose one

Law making is the prime responsibility of which of the following authorities?

▶ **Parliament**

▶ Supreme Court

▶ High Court

▶ City Court

(Q#27) <http://current-gk-today.blogspot.com/2010/12/polity-objective-questions.html>

Question No: 3 (Marks: 1) - Please choose one

Which one of the following is the Internal aid and help in the interpretation of law?

▶ **Punctuation marks**

- ▶ CBR's circulars
- ▶ Definitions in other statutes
- ▶ Departmental manuals

P#7, Internal Aids:

These are available in the Act:

- Explanation to the section
- Marginal notes
- Punctuation marks
- Preamble
- Title of a chapter
- Non-Obstinate clause
- Proviso

Question No: 4 (Marks: 1) - Please choose one

Section 2(5A) of Income Tax Ordinance 2001 defined:

“assessment year” means assessment year as defined in the repealed Ordinance.

In which criteria the above definition falls?

▶ **Exclusive definition**

- ▶ Inclusive definition
- ▶ Both Exclusive and Inclusive definitions
- ▶ Statutory definition

P#8,, Examples of exclusive definitions are given below:

2(5A) “assessment year” means assessment year as defined in the repealed Ordinance;

Question No: 5 (Marks: 1) - Please choose one

Section 2(13) of Income Tax Ordinance 2001 defined:

“Commissioner” means a person appointed as a Commissioner of Income Tax under section 208, and includes a taxation officer vested with all or any of the powers, and functions of the Commissioner;

In which criteria the above definition falls?

▶ **Exclusive definition**

- ▶ Inclusive definition
- ▶ Both Exclusive and Inclusive definitions
- ▶ Statutory definition

P#8,, Examples of exclusive definitions are given below:

2(13) “Commissioner” means a person appointed as a Commissioner of Income Tax under section 208, and includes a taxation officer vested with all or any of the powers, and functions of the Commissioner;

Question No: 6 (Marks: 1) - Please choose one

A definition also includes the dictionary meanings of the word is termed as which of the following?

▶ Exclusive definition

▶ **Inclusive definition**

- ▶ Both Exclusive definition and Inclusive definitions
- ▶ Statutory definition

P#8,,Examples of inclusive definitions are given below:

It includes dictionary meanings as well as meanings conveyed by definition.

Question No: 7 (Marks: 1) - Please choose one

2(22) of Income Tax Ordinance 2001 defined:

“Employment” includes:

- a directorship or any other office involved in the management of a company;
- a position entitling the holder to a fixed or ascertainable remuneration; or
- the holding or acting in any public office;

In which criteria the above definition falls?

▶ Exclusive definition

▶ **Inclusive definition**

▶ Both Exclusive and Inclusive definitions

▶ Statutory definition

P#8,,Examples of inclusive definitions are given below:

2(22) “employment includes:

- a directorship or any other office involved in the management of a company;
- a position entitling the holder to a fixed or ascertainable remuneration; or
- the holding or acting in any public office;

Question No: 8 (Marks: 1) - Please choose one

The _____ year is a period of twelve months arbitrarily chosen for tax purposes.

▶ Economic

▶ **Fiscal**

▶ Economy

▶ Monetary

<http://www.nonstopenglish.com/lang/pl/exercise.asp?exid=726> Q#10

Question No: 9 (Marks: 1) - Please choose one

Which of the following is the legal status of the Punjab University under the provisions of section 80 of the ordinance?

▶ Individual

▶ **Company** P#16

▶ Banking Company

▶ Hindu Undivided Family

Question No: 10 (Marks: 1) - Please choose one

Which of the following is the example of deemed income?

▶ **Cash Gift**

▶ Loan through cross cheque

▶ Salary

▶ Golden hand shake

P#17Ref:Deemed Income at Par with real income

Cash Basis Vs Accrual Basis

Illegal Income

Lump Sum Receipts

Tax-free income

Question No: 11 (Marks: 1) - Please choose one

Which of the following is **NOT** an example of deemed income?

- ▶ Loan through cross cheque
- ▶ Gifts through proper transaction
- ▶ Golden hand shake

▶ **All of the given options**

P#17Ref:Deemed Income at Par with real income

Cash Basis Vs Accrual Basis

Illegal Income

Lump Sum Receipts

Tax-free income

Question No: 12 (Marks: 1) - Please choose one

Income Tax is charged on which of the following?

▶ **Income of the current tax year**

- ▶ Income of the previous year
- ▶ Income of the coming year
- ▶ Any Receipt of money

Question No: 13 (Marks: 1) - Please choose one

Which of the following is **NOT** an example of Lump sum receipt?

- ▶ Pension
- ▶ Golden shake hand
- ▶ Provident fund

▶ **Salary**

Question No: 14 (Marks: 1) - Please choose one

Which of the following methods of accounting is compulsory to adopt for Firm?

▶ **Accrual Basis**

- ▶ Cash Basis
- ▶ Both Accrual and Cash Basis
- ▶ Free to choose any kind of base

Page #18• For Companies ‘Accrual Basis’ method of accounting is compulsory

[Section 32(2)]

Question No: 15 (Marks: 1) - Please choose one

The process of clubbing of income results in which of the following?

- ▶ Lower Bracket rate of tax is charged
- ▶ **Higher Bracket rate of tax is charged**
- ▶ Moderate Bracket rate of tax is charged
- ▶ No change occur due to clubbing

Question No: 16 (Marks: 1) - Please choose one

Any salary received by an employee of a foreign government for services rendered to such government shall be exempt from tax under which section of IT Ordinance 2001?

▶ Section 40

▶ **Section 43**

▶ Section 47

▶ Section 53

Page#22Section 43 Foreign Government Officials

Salary of an employee of foreign government exempt provided:

b.Services performed are similar to services performed by employees of the Federal Government in foreign countries.

Question No: 17 (Marks: 1) - Please choose one

Rate charged under presumptive tax regime to non resident shipping firm 8% on its gross receipt is quite low as compare to other business. This is an example of which type of tax concession?

- ▶ Reduction in total taxable income
- ▶ None of the given options
- ▶ Reduction in tax liability

▶ **Reduction in tax rate**

Question No: 18 (Marks: 1) - Please choose one

What is the tax treatment of any profit on the US Dollar Bonds purchased by the resident person after December 1999 under Second Schedule?

- ▶ Wholly exempt
- ▶ Wholly taxable

▶ **Tax @10% of profit paid**

- ▶ Not mention in second schedule

Page#25 Reduction in Tax Liability under Second Schedule Part 3

• Any amount received as flying allowance by pilots etc. and junior commissioned officers or other ranks shall be taxed @2.5% as separate block

Question No: 19 (Marks: 1) - Please choose one

Which of the following section deals with the residential status of Company?

▶ **Section 81**

- ▶ Section 82
- ▶ Section 83
- ▶ Section 84

PG#26 Ref: RESIDENTIAL STATUS & TAXATION :Resident Person (Section 81) :a. Resident Individual, Resident Company, or Resident Association of Persons for the year

Question No: 20 (Marks: 1) - Please choose one

Which part of income is charged to tax of non-resident person under the income tax ordinance 2001?

▶ **Pakistani source of income**

- ▶ Foreign source of income
- ▶ Both Pakistan and foreign source of income
- ▶ None of the given option

Question No: 21 (Marks: 1) - Please choose one

Sale of goods through permanent establishment in Pakistan by a non-resident belongs to which of the following?

▶ **Pakistani source of Income**

- ▶ Foreign source of income
- ▶ Both Pakistan and foreign source of income
- ▶ None of the given option

Page#28 Pakistan-Source Income:

A permanent establishment of the non-resident person in Pakistan

• Sales in Pakistan of goods or merchandise of the same or similar kind as those sold by the person through a permanent establishment in Pakistan

Question No: 22 (Marks: 1) - Please choose one

Rental income shall be Pakistan-source income if it is derived from:

▶ **The lease of immovable Property in Pakistan**

- ▶ The lease of immovable Property outside Pakistan
- ▶ The lease of immovable Property both in and out of Pakistan
- ▶ None of the given options

Page#29 Rental income shall be Pakistan-source income if it is derived from the lease of immovable property in Pakistan whether improved or not, or from any other interest in or over immovable property, including a right to explore for, or exploit, natural resources in Pakistan.

Question No: 23 (Marks: 1) - Please choose one

Which of the following does **Not** come under the ambit of permanent establishment (PE)?

- ▶ Branch office
- ▶ Factory or workshop
- ▶ Premises for soliciting orders

▶ **Liaison or relationship office**

Page#29 Permanent Establishment—Defined Sec. 2(41)

a) A place of management, branch office, factory or workshop, premises for soliciting orders, warehouse, permanent sales exhibitions or sales outlet, other than a liaison office except where the office engages in the negotiation of contracts (other than contracts of purchase)

Question No: 24 (Marks: 1) - Please choose one

Mr. Ali resident of Pakistan received salary form UK? What will be the tax treatment of his salary in Pakistan?

- ▶ **Wholly taxable**
- ▶ Partly Taxable
- ▶ Wholly exempt
- ▶ Wholly exempt only if resident paid foreign tax on his salary

Question No: 25 (Marks: 1) - Please choose one

What is the relation between the Non-resident and permanent establishment as per section 105?

- ▶ Both have same legal entity
- ▶ **Both are separate legal entity** Repeated
- ▶ Both are dependent on each other
- ▶ None of the given options

Question No: 26 (Marks: 1) - Please choose one

What is the tax treatment of losses from the foreign source under section 104 of the ordinance?

- ▶ Wholly taxable
- ▶ Partly Taxable
- ▶ **Deductible expenditure**
- ▶ None of the given options

Page#26 Foreign losses Sec.104: Deductible expenditures incurred by a person in deriving foreign-source income chargeable to tax under a head of income shall be deductible only against that income.

Question No: 27 (Marks: 1) - Please choose one

Which of the following section of Income Tax Ordinance 2001 deals with Income from Salary and its treatment?

- ▶ Section 11
- ▶ **Section 12**
- ▶ Section 13
- ▶ Section 14

Salary as defined in Section 12(2)

•“Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including- P#37

Question No: 28 (Marks: 1) - Please choose one

Mr. A non-resident of Pakistan received interest on Canadian Bonds Rs. 150,000 (entire amount received in Pakistan). What is the treatment of this amount for calculating his gross total income?

- ▶ **Rs. 150,000 added in his total income**
- ▶ Rs. 150,000 subtracted from his total income
- ▶ Rs. 75,000 added in his total income
- ▶ Exempt from tax

Paper 5

MIDTERM EXAMINATION
Spring 2010
FIN623- Taxation Management (Session - 1)

Time: 60 min

Marks: 47

Question No: 1 (Marks: 1) - Please choose one

A tax levied on the financial income of Persons, Corporations, or other legal entities is called as:

- ▶ Corporation tax
- ▶ Property tax
- ▶ Sales Tax
- ▶ **Income Tax**

Page#37Salary as defined in Section 12(2)An income tax is a tax levied on the financial income of persons, corporations, or other legal entities.

<http://en.wikipedia.org/wiki/Tax>

Question No: 2 (Marks: 1) - Please choose one

Which of the following is the main objective of Fiscal Policy?

- ▶ Economic Development
- ▶ Price stability
- ▶ Removal of deficit in Balance of Payments

▶ **All of the given options**

P#2,,Ref: Objectives of Fiscal Policy

Economic Development

Raising level of employment (Achieving full employment level

Influencing consumption patterns

Price stability

Redistribution of income

Removal of deficit in Balance of Payments

Question No: 3 (Marks: 1) - Please choose one

Government Expenditure is one of the instruments of which of the following policy?

▶ Monetary policy

▶ **Fiscal policy**

▶ Trade Policy

▶ Economic Policy

Question No: 4 (Marks: 1) - Please choose one

In the canons of taxation, which one of the following statements best describe the benefits principle?

▶ **Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the lower rates.**

▶ Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the higher rates.

▶ Persons deriving less income leads to enjoy more benefits from the state, should be taxed at the lower rates.

▶ All persons deriving more or less income should be taxed at the same rates.

P#2...Ref:Benefit principle

This principle suggests that taxes should be levied according to the benefits derived by the person from the state. Since more benefits are derived by lower income groups, hence according to this principle, those who derive more income but enjoy less benefits from the state should be taxed at the lower rates and those persons who derives less income but more benefits from State should be taxed at high rates.

Question No: 5 (Marks: 1) - Please choose one

Which of the following is not an employment tax?

▶ Social Security Tax

▶ **Federal Excise Tax**

▶ Federal unemployment compensation tax

▶ State unemployment compensation tax

http://taxes.about.com/od/payroll/qt/payroll_basics.htm

Question No: 6 (Marks: 1) - Please choose one

How many Schedules are contained in the Income Tax Ordinance 2001?

▶ Three Schedule

▶ Fifth Schedule

▶ **Seven Schedules**

▶ Nine Schedules

P#5,,,Ref:Basic Features of Income Tax Ordinance 2001

This ordinance comprises of seven Schedules

Question No: 7 (Marks: 1) - Please choose one

Section 2(6) of Income Tax Ordinance 2001 defined:

“association of persons” means an association of persons as defined in section 80.

In which criteria the above definition falls?

▶ **Exclusive definition**

▶ Inclusive definition

▶ Both Exclusive and Inclusive definitions

▶ Statutory definition

Page#8,,Examples of exclusive definitions are given below:

“association of persons” means an association of persons as defined in section 80

Question No: 8 (Marks: 1) - Please choose one

The _____ year is a period of twelve months arbitrarily chosen for tax purposes.

▶ Economic

▶ **Fiscal**

▶ Economy

▶ Monetary

Question No: 9 (Marks: 1) - Please choose one

Which of the following is the time period of a Normal tax year?

▶ 1st January and end on 31st December

▶ 1st June and ends on 31st May

▶ **1st July and ends on 30th June**

▶ 1st October and ends on 30th September

: **Page#15**

Normal Tax Year starts from 1st July and ends on 30th June (a period of twelve months).

Question No: 10 (Marks: 1) - Please choose one

If the accounting year of a business engaged in cotton ginning is started from 01 September 2003 and ending on 31st August 2004. What will be its tax year?

▶ Tax year 2002

▶ Tax year 2003

▶ **Tax year 2004**

▶ Tax year 2005

Question No: 11 (Marks: 1) - Please choose one

Income Tax is charged on which of the following?

▶ **Income of the current tax year**

▶ Income of the previous year

▶ Income of the coming year

▶ Any Receipt of money

Question No: 12 (Marks: 1) - Please choose one

Which part of Income Tax Ordinance 2001 deals with the Exemptions and Tax Concessions?

▶ **Part IV**

▶ Part V

▶ Part VI

▶ Part VII

Question No: 13 (Marks: 1) - Please choose one

Which one of the following section deals with the Agriculture Income?

▶ Section 40

▶ **Section 41**

▶ Section 43

▶ Section 53

Page#19,,,,Agricultural Income (Section 41)

Question No: 14 (Marks: 1) - Please choose one

Which of the following incomes are treated as agriculture income?

- ▶ Spontaneous forests
- ▶ Agro based industry
- ▶ Interest received by a farmer on lending

▶ **Income from land in Pakistan used for agriculture**

Page#19,,Agricultural income:

Any income derived by a person from land situated in Pakistan

Question No: 15 (Marks: 1) - Please choose one

Any salary received by an employee of a foreign government for services rendered to such government shall be exempt from tax under which section of IT Ordinance 2001?

▶ Section 40

▶ **Section 43**

▶ Section 47

▶ Section 53

Page#22,,Section 43 Foreign Government Officials

Salary of an employee of foreign government exempt provided:

b. Services performed are similar to services performed by employees of the Federal Government in foreign countries.

Question No: 16 (Marks: 1) - Please choose one

An Individual will be termed as Short Term Resident under section 50 of the IT Ordinance 2001 on which of the following condition?

- ▶ His period of stay in Pakistan equal to 183 days
- ▶ The employee of Foreign Government
- ▶ The citizen of Pakistan

▶ **His period of stay in Pakistan not exceeding 3 years**

Page#23

Section 50 Foreign-Source Income of Short-Term Resident Individuals1. Subject to sub-section-2, the foreign-source income of an individual shall be exempt: a . Who is a resident individual solely by reason of the individual's employment; and b. Who is present in Pakistan for a period or periods not exceeding three years,

Question No: 17 (Marks: 1) - Please choose one

Which of the following section deals with the residential status of Company?

▶ **Section 81**

▶ Section 82

▶ Section 83

▶ Section 84

Page#26

Resident Person (Section 81)

a. Resident Individual, Resident Company, or Resident Association of Persons for the year or

Question No: 18 (Marks: 1) - Please choose one

For a non-resident AOP which of the following condition must be satisfied?

- ▶ Control and management of affairs of AOP is situated partly in Pakistan
- ▶ Control and management of affairs of AOP is situated wholly in Pakistan

▶ **Control and management of affairs of AOP is situated wholly or partly in Pakistan**

- ▶ None of the given options

Question No: 19 (Marks: 1) - Please choose one

Which part of income is charged to tax of resident person under the income tax ordinance 2001?

- ▶ Pakistani source of income
- ▶ Foreign source of income

▶ **Both Pakistan and foreign source of income**

- ▶ None of the given option

Page#28,,The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income

Question No: 20 (Marks: 1) - Please choose one

Which part of income is charged to tax of non-resident person under the income tax ordinance 2001?

▶ **Pakistan source of income**

- ▶ Foreign source of income
- ▶ Both Pakistan and foreign source of income
- ▶ None of the given option

Page#28 ,,Pakistan Source Income & Foreign Source Income Sec.11 (5) whereas, non-resident person charged only on Pakistan Source Income Sec.11 (6)

Question No: 21 (Marks: 1) - Please choose one

Salary income received by resident person from Federal Government of Pakistan in UK belongs to which of the following?

▶ **Pakistani source of Income**P#28

- ▶ Foreign source of income
- ▶ Both Pakistan and foreign source of income
- ▶ None of the given option

Question No: 22 (Marks: 1) - Please choose one

_____ means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

- ▶ Franchise

▶ **Permanent establishment**

- ▶ Small Business Units SBU
- ▶ Venture

Page#29,,Permanent establishment in relation to a person, means a fixed place of business through which the business of the person is wholly or partly carried on,

Question No: 23 (Marks: 1) - Please choose one

Which of the following does Not come under the ambit of permanent establishment (PE)?

- ▶ Branch office
- ▶ Factory or workshop
- ▶ Premises for soliciting orders

▶ **Liaison or relationship office**

Page#9,,A place of management, branch office, factory or workshop, premises for soliciting orders, warehouse, permanent sales exhibitions or sales outlet, other than a liaison office except where the office engages in the negotiation of contracts (other than contracts of purchase).

Question No: 24 (Marks: 1) - Please choose one

The salary received from the UK Government by Mr. Amir resident of Pakistan. Which section of the income tax ordinance explains his tax treatment of such salary?

- ▶ Section 110
- ▶ Section 101
- ▶ **Section 102**
- ▶ Section 50

P#31Ref: Foreign Source Salary of Resident Individuals Sec. 102

(1) Any foreign-source salary received by a resident individual shall be exempt from tax if the individual has paid foreign income tax in respect of the salary.

Question No: 25 (Marks: 1) - Please choose one

If a business carried on by Non-resident person in Pakistan through permanent establishment what will be the tax treatment of the traveling expenditures born by the non-resident for spending his holidays in his home land?

▶ **Wholly taxable due to PE**

- ▶ Wholly taxable as no concerned with PE in Pakistan
- ▶ Not permissible as deduction from the income of Non-resident
- ▶ None of the given options

(4) No deduction shall be allowed in computing the income of a permanent establishment in Pakistan of a non-resident person chargeable under the head "Income from Business" for-P#32

Question No: 26 (Marks: 1) - Please choose one

Which of the following section of Income Tax Ordinance 2001 deals with Income from Salary and its treatment?

- ▶ Section 11
- ▶ **Section 12**
- ▶ Section 13
- ▶ Section 14

Salary as defined in Section 12(2)

•"Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including- P#37

Question No: 27 (Marks: 1) - Please choose one

Mr. X non-resident of Pakistan earned income from property situated in Dubai Rs. 70,000 but received in Pakistan. Which one of the following option is right for this particular scenario?

- ▶ **Mr. X being non-resident of Pakistan Rs. 70,000 will be added in Gross total income**
- ▶ Mr. X being non-resident of Pakistan Rs. 70,000 will be subtracted in Gross total income
- ▶ Mr. X being non-resident of Pakistan Rs. 70,000 will be claimed as admissible deduction
- ▶ Mr. X being non-resident of Pakistan Rs. 70,000 will be exempted

Question No: 28 (Marks: 1) - Please choose one

Mr. X employed in Pakistan received share of profit Rs. 60,000 in India from a business situated in Dubai but controlled through PE in Pakistan. Which of the following is right for the above scenario?

- ▶ Mr. X being resident of Pakistan Rs. 60,000 will be added in Gross total income
- ▶ Mr. X being resident of Pakistan Rs. 60,000 will be subtracted in Gross total income
- ▶ Mr. X being non-resident of Pakistan Rs. 60,000 will be added in Gross total income
- ▶ Mr. X being non-resident of Pakistan Rs. 60,000 will be subtracted in Gross total income

Ref: Page no 33

Paper 6

MIDTERM EXAMINATION
Spring 2009
FIN623- Taxation Management (Session - 2)

Question No: 1 (Marks: 1) - Please choose one

Taxes are important instrument of which one of the following policy?

Monetary policy

Fiscal policy

Trade Policy

Economic Policy

Taxes are important instrument of Fiscal Policy. PG#1

Question No: 2 (Marks: 1) - Please choose one

Removal of deficit in Balance of Payments is one of the objectives of which of the following policy?

Monetary policy

Fiscal policy

Trade Policy

Economic Policy

P#2Ref: Objectives of Fiscal Policy

Removal of deficit in Balance of Payments

Question No: 3 (Marks: 1) - Please choose one

In the canons of taxation, which one of the following statements best describe the benefits principle?

Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the lower rates.

Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the higher rates.

Persons deriving less income leads to enjoy more benefits from the state, should be taxed at the lower rates.

All persons deriving more or less income should be taxed at the same rates.

P#2Ref: Benefit principle

those who derive more income but enjoy less benefits from the state should be taxed at the lower rates and those persons

Question No: 4 (Marks: 1) - Please choose one

Taxation management is a strategy where by a person manages its business in such a way so as to maximize the utilization of which of the following?

Tax holidays

Exemption, Rebates & Concession

Tax credits

All of the given options

Ref: Taxation management is a strategy where by a person manages its business and other transactions/activities in such a way so as to make maximum use of tax holidays, exemption, concession, rebates, tax credits, deductible allowances available under law and as a result is able to derive the benefit of minimizing his tax liability. PG#3

Question No: 5 (Marks: 1) - Please choose one

Which of the following was the First law on Income Tax promulgated in Pakistan?

1st July, 1979

1st July, 1969

1st July, 1949

1st July, 2002

P#5,Ref:Income Tax Ordinance, 1979

First law on Income Tax was promulgated in Pakistan from 1st July, 1979.

Question No: 6 (Marks: 1) - Please choose one

How many Sections are included in the Income Tax Ordinance 2001?

340 sections

440 sections

140 sections

240 sections

P#5,Ref:Basic Features of Income Tax Ordinance 2001

Scheme of the Ordinance is given below:

$\frac{3}{4}$ There are thirteen chapters

$\frac{3}{4}$ Chapters are divided into:

$\frac{3}{4}$ There are 240 Sections

Question No: 7 (Marks: 1) - Please choose one

Superior judiciary includes which of the following authorities?

City Court

Supreme Court

High Court

Both supreme and High court

Question No: 8 (Marks: 1) - Please choose one

The _____ year is a period of twelve months arbitrarily chosen for tax purposes.

Economic

Fiscal

Economy

Monetary

<http://www.nonstopenglish.com/lang/pl/exercise.asp?exid=726> Q#10

Question No: 9 (Marks: 1) - Please choose one

Which of the following is the Special Accounting Year of Insurance Companies?

1st January to 31st December

1st July to 30th June

1st October to 30th September

1st September to 31st August

P#11,Ref: All Insurance Companies 1st January to 31st December

Question No: 10 (Marks: 1) - Please choose one

Which of the following is the Special Accounting year of the persons carrying cotton ginning, rice husking and oil milling?

1st January to 31st December

1st July to 30th June

1st October to 30th September

1st September to 31st August

P#11,Ref: All persons carrying on business of cotton ginning, rice husking and oil milling 1st September to 31st August.

Question No: 11 (Marks: 1) - Please choose one

Which one of the following is the example of tax payer?

Salaried Person

LESCO

WAPDA

All of the given options

Question No: 12 (Marks: 1) - Please choose one

Which of the following is the legal status of the Virtual University under the provisions of section 80 of the ordinance?

Individual

Company

Banking Company

Hindu Undivided Family

Ref:Page no 16 A (i) Company

Question No: 13 (Marks: 1) - Please choose one

For the purpose of Taxation the total Income includes which of the following?

Income as per Section 11

Income from Capital gain

Only business income

Only Salary income

P#17,Ref: HEADS OF INCOME (Section 11)

Following are the heads of income, ascertained in section 11

• Salary (Section 12)

• Income from Property (Section 15)

• Income from Business (Section 18)

• Capital Gains (Section 37)

• • Income from other Sources (Section 39)

Question No: 14 (Marks: 1) - Please choose one

Which of the following section deals with the change of accounting method adopted by an entity?

Section 32(1)

Section 32(2)

Section 32(3)

Section 32(4)

P#18,Ref: • For Companies 'Accrual Basis' method of accounting is compulsory [Section 32(2)]

• Change of Method of Accounting can be made under [Section 32(4)]

Question No: 15 (Marks: 1) - Please choose one

What will be the tax treatment of any income chargeable under the head Salary earned by an individual outside Pakistan during that year?

Wholly Taxable

Wholly Exempt

Partly Exempt

Not mention in Ordinance

P#28,Ref: Where a citizen of Pakistan leaves Pakistan during a tax year and remains abroad during that tax year, any income chargeable under the head "Salary" earned by him outside Pakistan during that year shall be exempt from tax under the Ordinance

Question No: 16 (Marks: 1) - Please choose one

Date for the exemption limit for Foreign Currency Account (FCA) under Clause 80 of the Part I of Second Schedule is available to which of the following?

16 December 1999

16 November 1999

16 July 2001

1st July 2002

P#23,,Ref: Foreign Currency Accounts [Clause (80), Part I of the Second Schedule] **16th day of December, 1999**, or in respect of any accounts opened under the said scheme on or after the said date."

Question No: 17 (Marks: 1) - Please choose one

Senior citizen-age 60 years & above where taxable income not exceeding _____ tax liability reduced by 50% under Part 3 of second schedule.

Rs. 500,000

Rs. 200,000

Rs. 300,000

Rs. 400,000

P#25,,Ref: Reduction in Tax Liability under Second Schedule Part 3

- Any amount received as flying allowance by pilots etc. and junior commissioned officers or other ranks shall be taxed @2.5% as separate block.
- Senior citizen-age 60 years & above where taxable income not exceeding Rs. 500,000/- tax liability reduced by 50%.

Question No: 18 (Marks: 1) - Please choose one

M/s ABC & Co. has been incorporated under Pakistan Companies Ordinance 1984.

However it's most of the branched and control and management of affairs wholly situated out of Pakistan? What will be the residential status of M/s ABC & Co.?

Resident Company

Non-Resident Company

Resident Individual

Resident AOP

Question No: 19 (Marks: 1) - Please choose one

Salary income received by resident person from Federal Government of Pakistan in UK belongs to which of the following?

Pakistani source of Income

Foreign source of income

Both Pakistan and foreign source of income

None of the given option

P#28,,Ref: Is paid by, or on behalf of, the Federal Government, a Provincial Government, or a local authority in Pakistan, wherever the employment is exercised

Question No: 20 (Marks: 1) - Please choose one

Rental income shall be Pakistan-source income if it is derived from:

The lease of immovable Property in Pakistan

The lease of immovable Property outside Pakistan

The lease of immovable Property both in and out of Pakistan

None of the given options

P#29,,Ref: Rental income shall be Pakistan-source income if it is derived from the lease of immovable property in Pakistan whether improved or not, or from any other interest in or over immovable property, including a right to explore for, or exploit, natural resources in Pakistan.

Question No: 21 (Marks: 1) - Please choose one

Any gain arising on the disposal of shares in a non-resident company belongs to which of the following?

Pakistan- source income

Foreign source of income

Both Pakistan and foreign source of income

None of the given option

P#29,,Ref: Any gain arising on the disposal of shares in a resident company shall be Pakistan- source income.

Question No: 22 (Marks: 1) - Please choose one

Which of the following come under the ambit of Royalty under section 2 (54)?

Right to use any patent

Copy right of a literary

Right to use any industrial or scientific equipment

All of the given options

P#30,,Ref: Royalty Defined Sec. 2 (54)

a) The use of, or right to use any patent, invention,

b) The use of, or right to use any copy right of a literary,

d) The supply of any technical, industrial, commercial or scientific knowledge, experience or skill;

Question No: 23 (Marks: 1) - Please choose one

What is the tax treatment of losses from the foreign source under section 104 of the ordinance?

Wholly taxable

Partly Taxable

Deductible expenditure

None of the given options

P#31,,Ref: Foreign losses Sec.104: Deductible expenditures incurred by a person in deriving foreign-source income chargeable to tax under a head of income shall be deductible only against that income.

Question No: 24 (Marks: 1) - Please choose one

Which of the following section of Income Tax Ordinance 2001 deals with Income from Salary and its treatment?

Section 11

Section 12

Section 13

Section 14

Ref: Salary as defined in Section 12(2)

•“Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including- P#37

Question No: 25 (Marks: 1) - Please choose one

The definition of Employment under Sec. 2(22) of the ordinance is categorized in:

Inclusive Definition

Exclusive Definition

Both Inclusive and Exclusive

None of the given options

Ref: PG#8 Inclusive Definition : 2(22) “employment

Question No: 26 (Marks: 1) - Please choose one

Salary by members of AOP is not treated as Salary but treated as appropriation of profit and charged under the head:

Income from Salary

Income from Property

Income from Business

Income from Other Sources

Ref: P#36 Salary by members of AOP is not treated as Salary but treated as appropriation of profit and charged under the head “Income from Business”

Question No: 27 (Marks: 1) - Please choose one

Tax year for the salaried individuals is called as:

Special Tax Year

Normal Tax Year

Fiscal Year

Financial Year

P#36, Ref: Tax year of a salaried Person shall be Normal Tax year

Question No: 28 (Marks: 1) - Please choose one

Which of the following is the Tax year available for salaried individual?

1st January to 31st December

1st July to 30th June

1st October to 30th September

1st September to 31st August

Ref:

Tax on salary income for Tax year 2009 (1st July 2008 to 30th July 2009) shall be computed according to amendments as made by Finance Act, 2008.

Question No: 29 (Marks: 1) - Please choose one

Mr. A non-resident of Pakistan received interest on Canadian Bonds Rs. 150,000 (entire amount received in Pakistan). What is the treatment of this amount for calculating his gross total income?

Rs. 150,000 added in his total income

Rs. 150,000 subtracted from his total income

Rs. 75,000 added in his total income

Exempt from tax

Question No: 30 (Marks: 1) - Please choose one

Mr. X employed in Pakistan earned pension from Pakistan Government but received in London Rs. 100,000. Which one of the following option is right for this particular scenario?

Mr. X being resident of Pakistan Rs. 100,000 will be added in Gross total income

Mr. X being resident of Pakistan Rs. 100,000 will be subtracted in Gross total income

Mr. X being non-resident of Pakistan Rs. 100,000 will be added in Gross total income

Mr. X being non-resident of Pakistan Rs. 100,000 will be exempted

Paper 7

MIDTERM EXAMINATION

Spring 2009

FIN623- Taxation Management (Session - 2)

Question No: 1 (Marks: 1) - Please choose one

Which of the following is the general definition of tax?

Compulsory contribution of wealth by persons

Optional contribution of wealth by persons

Compulsory contribution of wealth by state

Optional contribution of wealth by state

P#1,,Ref:General Definition of Tax:

General compulsory contributions of wealth levied upon persons by the state, to meet the expenses incurred in providing common benefits upon the residents.

Question No: 2 (Marks: 1) - Please choose one

Which of the following is the main objective of Fiscal Policy?

Economic Development

Price stability

Removal of deficit in Balance of Payments

All of the given options

P#2,,,Ref:Objectives of Fiscal Policy

Economic Development

Raising level of employment (Achieving full employment level)

Influencing consumption patterns

Price stability

Redistribution of income

Removal of deficit in Balance of Payments

Question No: 3 (Marks: 1) - Please choose one

Government Expenditure is one of the instruments of which of the following policy?

Monetary policy

Fiscal policy

Trade Policy
Economic Policy

P#2,,Ref: Instruments of Fiscal Policy

Government Expenditures

Taxes

Deficit Financing

Subsidies

Transfer Payments—like Unemployment Allowances etc.

Question No: 4 (Marks: 1) - Please choose one

Taxation management is a strategy where by a person manages its business in such a way so as to maximize the utilization of which of the following?

Tax holidays

Exemption, Rebates & Concession

Tax credits

All of the given options

Ref: Taxation management is a strategy where by a person manages its business and other transactions/activities in such a way so as to make maximum use of tax holidays, exemption, concession, rebates, tax credits, deductible allowances available under law and as a result is able to derive the benefit of minimizing his tax liability. PG#3

Question No: 5 (Marks: 1) - Please choose one

Which of the following was the First law on Income Tax promulgated in Pakistan?

1st July, 1979

1st July, 1969

1st July, 1949

1st July, 2002

P#5,,Ref: First law on Income Tax was promulgated in Pakistan from 1st July, 1979.

Question No: 6 (Marks: 1) - Please choose one

Superior judiciary includes which of the following authorities?

City Court

Supreme Court

High Court

Both supreme and High court

Question No: 7 (Marks: 1) - Please choose one

Section 2(15) of Income Tax Ordinance 2001 defined:

“debt” means any amount owing, including accounts payable and the amounts owing under promissory notes, bills of exchange, debentures, securities, bonds or other financial instruments;

In which criteria the above definition falls?

Exclusive definition

Inclusive definition

Both Exclusive and Inclusive definitions

Statutory definition

P#8,,Ref: Exclusive or Exhaustive Definition:

2(15) “debt” means any amount owing, including accounts payable and the amounts owing under promissory notes, bills of exchange, debentures, securities, bonds or other financial instruments;

Question No: 8 (Marks: 1) - Please choose one

Section 2(6) of Income Tax Ordinance 2001 defined:

“association of persons” means an association of persons as defined in section 80.

In which criteria the above definition falls?

Exclusive definition

Inclusive definition

Both Exclusive and Inclusive definitions

Statutory definition

P#8,,Ref:Exclusive or Exhaustive Definition:

• It excludes ordinary dictionary meanings of the word. Exclusive definitions start with the expression ‘mean’ or ‘means’.

Question No: 9 (Marks: 1) - Please choose one

Under which of the following conditions a tax payer can adopt a special tax year?

Whenever he decides so

After seeking approval from Tax Office

After seeking approval from Commissioner of income tax

After seeking approval from High Court

P#15,,Ref:A tax payer can adopt a special Tax year after seeking approval from Commissioner of Income Tax (CIT)

Question No: 10 (Marks: 1) - Please choose one

Which one of the following is the example of tax payer?

Salaried Person

LESCO

WAPDA

All of the given options

Question No: 11 (Marks: 1) - Please choose one

Which of the following is the legal status of the Virtual University under the provisions of section 80 of the ordinance?

Individual

Company

Banking Company

Hindu Undivided Family

Ref:Page no 16

Question No: 12 (Marks: 1) - Please choose one

In case of lump sum receipt of income like Golden hand shake the tax payer pays tax in which of the following way?

Average of last 3 years tax rate(review again)

Option to choose current or average of last 3 years tax rate

Current tax rate

Previous year tax rate

Ref:Tax payer can opt to seek approval from CIT to charge lump sum payments received in a tax year at average tax rate of last three years

Question No: 13 (Marks: 1) - Please choose one

Certain incomes those are excluded from tax are called as:

Perquisites

Exemptions

Allowances

Deductions

Certain Incomes excluded from Taxable Income (exemptions) P#17

Question No: 14 (Marks: 1) - Please choose one

Which of the following incomes are treated as agriculture income?

Spontaneous forests

Agro based industry

Interest received by a farmer on lending

Income from land in Pakistan used for agriculture

b) Any income derived by a person from land situated in Pakistan from – (i) Agriculture; page #19

Question No: 15 (Marks: 1) - Please choose one

What is the tax treatment of the salary of an employee of foreign government but citizen of Pakistan?

Exempt form tax

Wholly Taxable

Partly Taxable

No Tax treatment given in IT Ordinance 2001

P#22,,,Ref:Section 43 Foreign Government Officials

Salary of an employee of foreign government exempt provided:

a. Employee citizen of foreign country and not a citizen of Pakistan.

b. Services performed are similar to services performed by employees of the Federal Government in foreign countries and

c. Foreign government also grants similar exemptions to employees of Federal Government.

Question No: 16 (Marks: 1) - Please choose one

Income of Federal Government exempt from tax under which of the following section of IT Ordinance 2001?

Section 41

Section 43

Section 47

Section 49

P#23,,,Ref:Section 49 Federal & Provincial Govt. and Local Authority Income

• Income of Federal Government exempt from tax

Question No: 17 (Marks: 1) - Please choose one

An Individual will be termed as Short Term Resident under section 50 of the IT Ordinance 2001 on which of the following condition?

His period of stay in Pakistan equal to 183 days

The employee of Foreign Government

The citizen of Pakistan

His period of stay in Pakistan not exceeding 3 years

P#23,,,Section 50 Foreign-Source Income of Short-Term Resident Individuals

1. Subject to sub-section-2, the foreign-source income of an individual shall be exempt:

a. Who is a resident individual solely by reason of the individual's employment; and

b. Who is present in Pakistan for a period or periods not exceeding three years,

Question No: 18 (Marks: 1) - Please choose one

M/s ABC & Co. has been incorporated under Pakistan Companies Ordinance 1984.

However it's most of the branched and control and management of affairs wholly situated out of Pakistan? What will be the residential status of M/s ABC & Co.?

Resident Company

Non-Resident Company

Resident Individual

Resident AOP

Question No: 19 (Marks: 1) - Please choose one

Mr. Imran is an employee of Provincial Government of Punjab posted in UK for two years? What will be the residential status of Mr. Imran?

Resident Individual(review again)

Non-Resident Individual

Resident HUF

Resident AOP

Question No: 20 (Marks: 1) - Please choose one

Which of the following days shall be counted as whole day for the computation of residential status of an individual?

A public holiday

A day of sick leave

Any strike day

All of the given options

P#27,,Ref:Following days shall be counted as whole day:

- A Public Holiday
- A day of leave including sick leave
- A day that individual's activity is stopped because of strike etc
- A holiday spent in Pakistan

Question No: 21 (Marks: 1) - Please choose one

Which part of income is charged to tax of resident person under the income tax ordinance 2001?

Pakistani source of income

Foreign source of income

Both Pakistan and foreign source of income

None of the given option

Ref: The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income
page#28

Question No: 22 (Marks: 1) - Please choose one

Which of the following does Not come under the ambit of permanent establishment (PE)?

Branch office

Factory or workshop

Premises for soliciting orders

Liaison or relationship office

P#9,,Ref: A place of management, branch office, factory or workshop, premises for soliciting orders, warehouse, permanent sales exhibitions or sales outlet, other than a

liaison office except where the office engages in the negotiation of contracts (other than contracts of purchase);

Question No: 23 (Marks: 1) - Please choose one

Mr. Ali resident of Pakistan received salary form UK? What will be the tax treatment of his salary in Pakistan?

Wholly taxable

Partly Taxable

Wholly exempt

Wholly exempt only if resident paid foreign tax on his salary

Question No: 24 (Marks: 1) - Please choose one

The salary received from the UK Government by Mr. Amir resident of Pakistan.

Which section of the income tax ordinance explains his tax treatment of such salary?

Section 110

Section 101

Section 102

Section 50

Foreign Source Salary of Resident Individuals Sec. 102

(1) Any foreign-source salary received by a resident individual shall be exempt from tax if the individual has paid foreign income tax in respect of the salary. PAGE#31

Question No: 25 (Marks: 1) - Please choose one

Which of the following section of Income Tax Ordinance 2001 deals with Income from Salary and its treatment?

Section 11

Section 12

Section 13

Section 14

Salary as defined in Section 12(2)

•“Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including- P#37

Question No: 26 (Marks: 1) - Please choose one

Mr. A resident of Pakistan received interest on Australian Bonds Rs. 100,000 (half amount received in Pakistan). What is the treatment of this amount for calculating his gross total income?

Rs. 100,000 added in his total income

Rs. 100,000 subtracted from his total income

Rs. 50,000 added in his total income

Exempt from tax

Question No: 27 (Marks: 1) - Please choose one

Mr. X non-resident of Pakistan earned income from property situated in Dubai Rs. 70,000 but received in Pakistan. Which one of the following option is right for this particlar scenario?

Mr. X being non-resident of Pakistan Rs. 70,000 will be added in Gross total income

Mr. X being non-resident of Pakistan Rs. 70,000 will be subtracted in Gross total income

Mr. X being non-resident of Pakistan Rs. 70,000 will be claimed as

admissible deduction

Mr. X being non-resident of Pakistan Rs. 70,000 will be exempted

Question No: 28 (Marks: 1) - Please choose one

Mr. X employed in Pakistan received share of profit Rs. 60,000 in India from a business situated in Dubai but controlled through PE in Pakistan. Which of the following is right for the above scenario?

**Mr. X being resident of Pakistan Rs. 60,000 will be added in Gross total income **

Mr. X being resident of Pakistan Rs. 60,000 will be subtracted in Gross total income

Mr. X being non-resident of Pakistan Rs. 60,000 will be added in Gross total income

Mr. X being non-resident of Pakistan Rs. 60,000 will be subtracted in Gross total income

Question No: 29 (Marks: 1) - Please choose one

Mr. X employed in Pakistan remittance from USA received Rs. 10,000 in Pakistan from past profits. Which of the following is right for the above scenario?

Mr. X being resident of Pakistan Rs. 10,000 will be added in Gross total income

Mr. X being resident of Pakistan Rs. 10,000 will be Subtracted in Gross total income

Mr. X being non-resident of Pakistan Rs. 10,000 will be added in Gross total income

Remittance is not income hence it is not included

Question No: 30 (Marks: 1) - Please choose one

Mr. X resident of Pakistan remittance from UK received Rs. 20,000 in Pakistan from past profits. Which of the following is right for the above scenario?

Mr. X being resident of Pakistan Rs. 20,000 will be added in Gross total income

Mr. X being resident of Pakistan Rs. 20,000 will be Subtracted in Gross total income

Mr. X being non-resident of Pakistan Rs. 20,000 will be added in Gross total income

None of given option

Paper 8

	MIDTERM EXAMINATION SPRING 2008 FIN623 - TAXATION MANAGEMENT (Session - 1)	Marks: 40 Time: 60min
Question No: 1 (Marks: 1) - Please choose one		
Which one of the following policy have taxes as an important instrument? ▶ Monetary policy		

▶ **Fiscal policy**

▶ Trade Policy

▶ Economic Policy

(page 1) Taxes are important instrument of Fiscal Policy.

Question No: 2 (Marks: 1) - Please choose one

Which one of the following is the main source of revenue generation of the state?

▶ **Taxes**

▶ *Tariffs*

▶ *Internal Borrowing*

▶ *Penalties & Fines*

Sources for Revenue Generation for State

Taxes, Tariffs

Internal & External Borrowing

Penalties & Fines

Aids & Grants

http://pgexchange.org/index.php?option=com_content&view=article&id=141&Itemid=134

Question No: 3 (Marks: 1) - Please choose one

In the canon of taxation, which one of the following statements best describe the benefits principle?

▶ **Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the lower rates**

▶ Persons deriving more income leads to enjoy less benefits from the state, should be taxed at the higher rates

▶ Persons deriving less income leads to enjoy more benefits from the state, should be

taxed at the lower rates

- ▶ All persons deriving more or less income should be taxed at the same rate
(page 2)

This principle suggests that taxes should be levied according to the benefits derived by the person from the state. Since more benefits are derived by lower income groups, hence according to this principle, those who derive more income but enjoy less benefits from the state should be taxed at the lower rates and those persons who derives less income but more benefits from State should be taxed at high rates.

Question No: 4 (Marks: 1) - Please choose one

Which one of the following is **NOT** the type of tax?

- ▶ Direct Taxes
- ▶ Indirect Taxes
- ▶ Value Added Taxes

- ▶ **Federal Taxes**

Type of Taxes: Direct taxes, Indirect Taxes, Proportional Taxes, Progressive Taxes, Regressive taxes, Value Added Taxes.

Question No: 5 (Marks: 1) - Please choose one

Which one of the following is the Special Accounting Year of the Insurance Companies?

- ▶ **1st January to 31st December**
- ▶ 1st July to 30th June
- ▶ 1st October to 30th September
- ▶ 1st September to 31st August

All Insurance Companies 1st January to 31st December

Question No: 6 (Marks: 1) - Please choose one

Which one of the following is the legal status of Mr. Z a Director in Private Company under section 80 of the Income Tax Ordinance 2001?

- Individual**
- Company
- Hindu Undivided Family
- AOP

Mr. Z, a Director in Private Company (xii) Individual

Question No: 7 (Marks: 1) - Please choose one

Mr. Ali is 60 years old and being a citizen of Pakistan, if his total taxable income is Rs. 400,000. His tax liability will be reduced by _____ under Part 3 of second schedule.

- 10%
- 25%
- 50%**
- 75%

(Repeated)

Question No: 8 (Marks: 1) - Please choose one

Mr. Khan is an employee of ABC Co. the company has provided a driver and a gardener to him. What will be the treatment of their salaries as per Income Tax Ordinance 2001?

- Salaries paid to them added in the salary of Mr. Khan**
- Salaries paid to them subtracted from the salary of Mr. Khan
- Have no relation with salary of Mr. Khan
- Salaries paid to them are exempted from Tax

Services of house keeper, driver, gardener, other domestic servant Amount provided by

employer added back to employee's salary.

Question No: 9 (Marks: 1) - Please choose one

Which one of the following is an example of tax evasion?

- ▶ Mr. Javed transfers stock to his grandchildren so that the dividend income is included in their taxable income
- ▶ Mis Saima sells her corporate bonds and reinvests the proceeds in tax exempt municipal bonds
- ▶ **Imran wins \$500 at beach bingo and does not report the income on his tax return**
- ▶ Khuram invests in an apartment that expects to show losses for the next three years <http://www.jamesbiron.com/2010/01/tax-evasion-vs-tax-avoidance/>

A simple example of this method is the understatement by the tax payer of his revenues in order to minimize or reduce the taxes which will be imposed thereon. As an illustration, Mr. Salazar reported only Php1 million as his income when in truth he was able to earn Php10 million.

Question No: 10 (Marks: 1) - Please choose one

Mr. Suleman is an employee of ABC Co. utilities are provided by Company to him for the tax year 2007. What will be the treatment of Utilities as per Income Tax Ordinance 2001 in the tax year 2007?

- ▶ Utilities paid are added in the salary of Mr. Suleman
- ▶ Fair market value of Utilities is added in the salary of Mr. Suleman
- ▶ 10% of Utilities is exempted from tax and remaining amount will be added in the salary of Mr. Suleman
- ▶ Utilities paid are exempted from Tax

Paper 9

Section (11A) of Income Tax Ordinance 2001 defined “charitable purpose” includes relief of the poor, education, medical relief and the advancement of any other object of general public utility;

- ▶ Exclusive definition

▶ Inclusive definition

- ▶ Both Exclusive and Inclusive definitions
- ▶ Statutory definition

(Handout page 8) Inclusive Definition:

(11A) “charitable purpose” includes relief of the poor, education, medical relief and the advancement of any other object of general public utility;

A definition also includes the dictionary meanings of the word are termed as which of the following?

- ▶ Exclusive definition

▶ Inclusive definition

- ▶ Both Exclusive definition and Inclusive definitions
- ▶ Statutory definition

(page 8) Inclusive Definition:

Examples of inclusive definitions are given below: It includes dictionary meanings as well as meanings conveyed by definition.

Which of the following is the legal status of the Punjab University under the provisions of section 80 of the ordinance?

- ▶ Individual

▶ Company

- ▶ Banking Company
- ▶ Hindu Undivided Family

(page 16) i. ABC University, Karachi : A (i) Company

What is the relation between the Non-resident and permanent establishment as per section 105?

▶ Both have same legal entity

▶ **Both are separate legal entity**

▶ Both are dependent on each other

▶ None of the given options

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Certain incomes those are excluded from tax are called as:

▶ Perquisites

▶ **Exemptions**

▶ Allowances

▶ Deductions

(page 17) Certain Incomes excluded from Taxable Income (exemptions)

Sources of Income are classified into _____ heads of income.

▶ 3

▶ 4

▶ **5**

▶ 6

HEADS OF INCOME (Section 11)

Following are the heads of income, ascertained in section 11

● Salary (Section 12)

● Income from Property (Section 15)

● Income from Business (Section 18)

● Capital Gains (Section 37) ● Income from other Sources (Section 39)

Income of Federal Government exempt from tax under which of the following section of IT Ordinance 2001?

▶ Section 41

▶ Section 43

▶ Section 47

▶ **Section 49**

Federal & Provincial Govt. and Local Authority Income

• Income of Federal Government exempt from tax

A firm ABC maintaining its account in cash basis, at June 27, 2008 it incurred expenses for Rs. 10,000 but actual payments made at 01 August 2008. It would be charge to tax into the tax year:

▶ 2006

▶ 2007

▶ 2008

▶ **2009**

Which of the following does Not come under the ambit of permanent establishment (PE)?

Branch office

Factory or workshop

Premises for soliciting orders

Liaison or relationship office

(page 9) a) A place of management, branch office, factory or workshop, premises for soliciting orders, warehouse, permanent sales exhibitions or sales outlet, other than a liaison office except where the office engages in the negotiation of contracts (other than contracts of purchase);

Which of the following section deal with tax treatment of person who is a cultivator or receiver of agricultural produce as rent-in-kind in the business of cultivator?

Rule 11 of the IT Rule 2002

Section 40 of the Income Tax Ordinance 2001

Section 41 of the Income Tax Ordinance 2001

Section 42 of the Income Tax Ordinance 2001

Agricultural Income (Section 41) In this section, "agricultural income" means, the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by such person, in respect of which no process has been performed other than a process of the nature described in sub-clause

Any income from a business carried on outside Pakistan through permanent establishment by a resident person belongs to which of the following?

Pakistani source of Income

Foreign source of income

Both Pakistan and foreign source of income

None of the given option

(Handout page 22 nd 23)

Reference: Business income of a resident person shall be Pakistan-source income to the extent to which the income is derived from any business carried on in Pakistan.