



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Eighth Semester – Spring 2023

Roll No.

Paper: Taxation Management (Advanced)

Course Code: BBA-414

Time: 3 Hrs. Marks: 60

THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions. (6x5=30)

- i) What are the sources of Agricultural Income?
- ii) What do you mean by Capital Asset as per Income Tax Ordinance 2001?
- iii) What do you mean by Wealth Statement and Wealth Reconciliation Statement?
- iv) What do you mean by Tax Payer as per Income Tax Ordinance 2001?
- v) Why direct taxes are considered better as compare to indirect taxes?
- vi) What do you mean by Transitional Tax Year?

Q.2. Answer the following Questions. (2x15=30)

Question 2

Review the following Profit and Loss account of a sole proprietorship owned by Mr. Anwar, on the basis of Income tax Ordinance 2001 to find out the tax liability of the following business.

Rent of personal house	20,00,000	Gross Profit	103,00,000
Electricity Expense	23,00,000	Bad Debts recovered	3,00,000
Telephone	70,000	Gain on Sale of Immovable Property which was in name of Mr. Anwar and Property was sold after holding for a period of 2 Years.	25,00,000
Travelling	28,00,000		
Donation to approved	1,25,400		

institution			
Purchase of Fridge for office use	45,000		
Bad Debts	1,02,000		
Provision for bad debts	5,78,000		
Salaries	29,20,000		
Miscellaneous Expenses	5,63,000		
Entertainment	2,00,300		
Net Profit	13,96,300		
Total	1,31,00,000	Total	1,31,00,000

Other important information regarding above accounts is as under:

- i) Miscellaneous expenses include an expense on personal entertainment amounting to Rs. 8,000.
- ii) Entertainment expenses include entertainment of customer Rs.22,000/-. Entertainment expenses also include penalty for violation of law Rs.12,000
- iii) Misc. Expenses include repair of office phone device Rs.2,000/- (Including in repair expenses)

Write Notes where necessary.

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Question 3)

Mr. Shabbir is a 62 years old man. In the tax year he received salary Rs. 3,10,000/- he also received business income of Rs.2,06,000/- during the year. Mr. Shabbir is also a member of an AOP from which he got profit share of Rs. 3,00,000/- which was already taxed in the hands of AOP. The tax deducted at source on salary is Rs.6,000/-. Advance Tax paid deduction on business electricity bills is Rs.2,500/-. Advance Tax paid on Motor Vehicle Purchased. Find Tax liability of Mr. Shabbir. 15

1. Tax Rate Card Tax rates for salaried individuals [Division I, Part I]

Where the income of an individual chargeable under the head "salary" exceeds seventy-five per cent of his taxable income, the rates of tax to be applied shall be as set out in the following Table

S.No	Taxable Income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5.	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6.	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
7.	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8.	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs.8,000,000
9.	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs.30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs.12,000,000
10.	Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs.50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
11.	Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs.75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
12.	Where taxable income exceeds Rs.75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000

2. Tax rates for individuals [Division I, Part I]

(other than salaried individuals) and Association of Persons [Division I, Part I] The tax rates for individuals and association of persons have been revised effective from 01 July 2019. The new tax rates applicable for tax year 2020 are tabulated below:

S.No	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs.600,000	5% of the amount exceeding Rs. 400,000
3.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
4.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs.1,200,000
5.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs. 250,000 + 20% of the amount exceeding Rs.2,400,000
6.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	Rs.370,000 + 25% of the amount exceeding Rs.3,000,000
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs.60,00,000/-	Rs. 620,000 plus 30% of the amount exceeding Rs.40,00,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 12,20,000 plus 35% of the amount exceeding Rs.60,00,000

3. Rates of tax on companies [Division II, Part I]

The rate of tax on company is 29% for tax year 2019 and onward. Banking Company shall continue to be taxed at the rate of 35%.

4. Tax rate for small company [Division II, Part I]

Tax Year	Rate
2019	24%
2020	23%
2021	22%
2022	21%
2023 and onward	20%

5. Tax rates for individuals and association of persons in respect of income from property [Division VIA, Part I]

Tax rates applicable on income from property derived by an individual or association of persons are as follows:

S.No	Category	Rate
1	Where gross amount of rent is upto Rs.200,000	Nil
2	Where gross amount of rent exceeds Rs. 200,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 200,000
3	Where gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 1,000,000	Rs.20,000+ 10% of the amount exceeding Rs. 600,000
4	Where gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000	Rs.60,000+ 15% of the amount exceeding Rs. 1,000,000
5	Where gross amount of rent exceeds Rs.2,000,000 but does not exceed 4,000,000	Rs.210,000 + 20% of the amount exceeding Rs. 2,000,000
6	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000.	Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000
7	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000	Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000
8	Where the gross amount of rent exceeds Rs.8,000,000	Rs.1,710,000 plus 35 percent of the gross amount exceeding Rs.8,000,000

6. Capital gains on disposal of securities [Division VII, Part I]

The new tax rates on capital gain on disposal of listed securities are tabulated below:

S.No. (1)	Period (2)	Tax Year 2015 (3)	Tax Year 2016 (4)	Tax Year 2017 (5)	Tax Years 2018, 2019 and 2020	
					Secur ities acqui red before 01.07.2016 (6)	Secur ities acqui red after 01.07.2016 (7)
1	Where holding period of a security is less than twelve months	12.5%	15%	15%	15%	15%
2	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	12.5%	
3	Where holding period of a security is twentyfour months or more but the security was acquired on or after 1st July, 2013.	0%	7.5%	7.5%	7.5%	
4	Where the security was acquired before 1st July 2013	0%	0%	0%	0%	0%
5	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%; and

7. Capital gains on disposal of Immovable Properties [Division VIII, Part I]

The new tax rates on capital gain on disposal of Immovable Properties are tabulated below:

S.No.	Amount of gain	Rate
1.	Where the gain does not exceed Rs. 5 million	2.5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4	Where the gain exceeds Rs. 15 million	10%