Fundamentals Level – Skills Module

Taxation (Pakistan)

Monday 7 December 2009

Time allowed
Reading and planning: 15 minutes
Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.
Tax rates and allowances are on pages 2–3.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper F6 (PKN)

ACCA

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest rupee.
2. All apportionments should be made to the nearest month.
3. All workings should be shown.

TAX RATES AND ALLOWANCES

The following tax rates and information are to be used in answering the questions.

A. **Tax rates for individuals**
where salary income exceeds 50% of taxable income for the tax year 2009

Taxable income	Rate of tax
Up to Rs. 180,000*	0%
Rs. 180,001 – Rs. 250,000	0·50%
Rs. 250,001 – Rs. 350,000	0·75%
Rs. 350,001 – Rs. 400,000	1·50%
Rs. 400,001 – Rs. 450,000	2·50%
Rs. 450,001 – Rs. 550,000	3·50%
Rs. 550,001 – Rs. 650,000	4·50%
Rs. 650,001 – Rs. 750,000	6·00%
Rs. 750,001 – Rs. 900,000	7·50%
Rs. 900,001 – Rs. 1,050,000	9·00%
Rs. 1,050,001 – Rs. 1,200,000	10·00%
Rs. 1,200,001 – Rs. 1,450,000	11·00%
Rs. 1,450,001 – Rs. 1,700,000	12·50%
Rs. 1,700,001 – Rs. 1,950,000	14·00%
Rs. 1,950,001 – Rs. 2,250,000	15·00%
Rs. 2,250,001 – Rs. 2,850,000	16·00%
Rs. 2,850,001 – Rs. 3,550,000	17·50%
Rs. 3,550,001 – Rs. 4,550,000	18·50%
Rs. 4,550,001 – Rs. 8,650,000	19·00%
Rs. 8,650,001 and over	20·00%

* For a woman taxpayer, no tax is chargeable if taxable income does not exceed Rs. 240,000

B. **Tax rates for individuals**
to whom the rates given in A are not applicable for the tax year 2009

Taxable income	Rate of tax
Up to Rs. 100,000*	0%
Rs. 100,001 – Rs. 110,000	0·50%
Rs. 110,001 – Rs. 125,000	1·00%
Rs. 125,001 – Rs. 150,000	2·00%
Rs. 150,001 – Rs. 175,000	3·00%
Rs. 175,001 – Rs. 200,000	4·00%
Rs. 200,001 – Rs. 300,000	5·00%
Rs. 300,001 – Rs. 400,000	7·50%
Rs. 400,001 – Rs. 500,000	10·00%
Rs. 500,001 – Rs. 600,000	12·50%
Rs. 600,001 – Rs. 800,000	15·00%
Rs. 800,001 – Rs. 1,000,000	17·50%
Rs. 1,000,001 – Rs. 1,300,000	21·00%
Rs. 1,300,001 and over	25·00%

* For a woman taxpayer, no tax is chargeable if taxable income does not exceed Rs. 125,000.

C. **Tax rates for companies**

Tax year	Public company	Private company
2009	35%	35%

D. **Rates of deduction of tax at source**

Sale of goods	3·5% of gross payment
Commission or brokerage	10% of gross payment
Profit on debt	10% of profit paid
Prize on prize bonds	10% of gross payment

E. **Other tax rates**

On dividends received from a company	10%

F. **Capital allowances**

Depreciation		
Buildings (all types)	10%	of the tax written down value
Furniture and fittings	15%	of the tax written down value
Plant and machinery (not otherwise specified)	15%	of the tax written down value
Motor vehicles (all types)	15%	of the tax written down value
Computer hardware	30%	of the tax written down value
Initial allowance	50% of cost	

G. **Benchmark rate**

For determining the value of the perquisite on loans given to employees, the benchmark rate for the tax year 2009 is 11% per annum of the loan amount.

ALL FIVE questions are compulsory and MUST be attempted

1 (a) XYZ Ltd (XYZ) is a public company incorporated under the Companies Ordinance, 1984, whose shares were traded on the Karachi Stock Exchange from 1 January 2008 until 29 June 2009, on which date the company was delisted. XYZ closes its accounts on 30 June each year. 49% of the shares in XYZ are held by the Government of the Kingdom of Saudi Arabia and 51% by the Federal Government of Pakistan. The control and management of the affairs of XYZ was situated partly in Saudi Arabia during the year ended 30 June 2009.

Required:

State, giving reasons, whether for Pakistan tax purposes for the tax year 2009 XYZ Ltd:

(i) is or is not a public company; and
(ii) is a resident or a non-resident company. (3 marks)

(b) Agrofert Limited (AL) is a public company listed on the Karachi Stock Exchange, which is engaged in the manufacture of fertiliser. The following information is provided for AL's year ended 30 June 2009.

(1) AL's accounting net profit for the year ended 30 June 2009 is Rs. 35,970,000

(2) Sales of fertiliser include Rs. 200,000,000 being sales of AL's own manufactured fertiliser. Tax at the applicable rate was deducted from the Rs. 200,000,000 and has been included as advance tax in the balance sheet as on 30 June 2009. The finance director of AL is of the view that the tax deducted is the final tax on these sales of Rs. 200,000,000.

(3) Deductions charged in the accounts include:

		Rupees
(i)	Accounting depreciation	2,780,000
(ii)	Tax collected by the Collector of Customs on the import of fertiliser for sale, in finished form	867,000
(iii)	Payment to the Collector of Customs for an erroneous declaration in a bill of entry for import	435,000
(iv)	Freight charges paid to a local contractor, in cash	385,000
(v)	Purchase of low value items of furniture charged off in the accounts in accordance with AL's consistent accounting policy	760,000
(vi)	Payment to the Workers' Participation Fund under the Companies Profit (Workers' Participation) Act, 1968	795,000
(vii)	Loss of cash embezzled by AL's cashier	125,000

(4) Income shown in the accounts includes:

		Rupees
(i)	Share of profit received from an association of persons (AOP) in which AL is a member. No tax was deducted from the payments received by the AOP for the sale of goods as the payers were not prescribed persons who were required to deduct tax. The taxable income of the AOP was Rs. 1,200,000 and the tax assessed on the AOP was Rs. 300,000	500,000
(ii)	Net income (adjusted for tax purposes) on the sale of the imported fertiliser (as in 3(ii)) No tax was deducted from the payments received for the sale of the imported fertiliser as the fertiliser was sold by AL in the same condition it was in when imported and tax was collected by the Collector of Customs at the time of the import of the fertiliser	4,300,000
(iii)	Gain on exchange on the payment of an instalment of a foreign currency loan, which had been utilised for the import of a unit of plant	73,000
(iv)	Commission received (net of tax) from the Federal Government for arranging the import of fertiliser on account of the Ministry of Agriculture	1,800,000
(v)	Profit on debt received (net of tax) on a fixed deposit account with Zee Bank (Pakistan) Ltd	270,000
(vi)	Accounting profit on the disposal of a building	7,000,000

(5) Fixed assets

(i) The tax written down values of AL's fixed assets on 1 July 2008 were:

	Rupees
Plant and machinery	10,073,000
Buildings	8,195,000
Motor cars	5,200,000
Furniture	3,450,000
Computer hardware	6,600,000

(ii) During the year ended 30 June 2009:

- a second-hand mixing plant, which had not previously been used in Pakistan, was purchased for Rs. 3,000,000; and
- a new motor car was purchased for Rs. 2,500,000

(iii) On 1 December 2008, one of the buildings was sold for Rs. 15,000,000. The cost of this building had been Rs. 9,800,000 and its tax written down value was Rs. 2,600,000.

(6) Other information

(i) During the year Rs. 500,000 was received from debtors and credited to the provision for bad debts. The Rs. 500,000 had been written off in previous years and allowed as a tax deduction.

(ii) AL directly holds 100% of the share capital of Tractors Private Ltd (TPL). TPL is an industrial undertaking and is not engaged in the business of trading. TPL furnished its complete return of income for tax year 2009, on 15 September 2009 to the Commissioner under the self-assessment scheme, declaring a tax loss of Rs. 313,220 which is made up as follows:

	Rupees
Business income for the year	76,480
Brought forward loss from the previous year	(389,700)
Assessed loss for the year	(313,220)

The loss of Rs. 313,220 is sought to be surrendered by TPL in favour of its holding company AL.

(iii) The advance tax paid by AL for the tax year 2009 is Rs. 2,700,000.

Required:

(i) Compute the total income and the taxable income of Agrofert Limited for the tax year 2009 under the appropriate heads of income, giving clear reasons/explanations for the inclusion or exclusion in the computation of taxable income of each of the items listed.

Note: the reasons/explanations for the items not listed in the computation of taxable income should be shown separately from the other reasons/explanations. (22 marks)

(ii) Calculate the tax payable by or refundable to Agrofert Limited for the tax year 2009. (5 marks)

(30 marks)

2 Mr Nadershah Bunvala (N), a citizen of Pakistan, is a reputed architect and the following information is provided by him.

(1) On 1 July 2008, N returned to Karachi from Dubai, where he had been in employment with Builders Associates Inc (BA Dubai) since 1 July 2004. N was present in Pakistan for not more than 30 days in each of the tax years 2005, 2006 and 2007. In the tax year 2008, N availed of his unutilised leave to tour the northern areas of Pakistan. His stay in Pakistan in the tax year 2008 was 183 days.

(2) On 1 July 2008, N commenced employment with Suleman Associates Lahore. N's terms of employment provided for the following:

(i) A basic salary of Rs. 400,000 per month.
(ii) A one time relocation allowance of Rs. 100,000.
(iii) A medical allowance of 10% of basic salary. N is not entitled to free medical treatment or hospitalisation or the reimbursement of such charges.
(iv) One month's notice in writing to be given on either side in case of cessation of employment or the payment of one month's basic salary in lieu of the notice period.

(3) On 15 July 2008, N was approached by BA Dubai to take up employment from 1 August 2008, as the technical director of Atlas Pakistan Limited (Atlas), a 100% subsidiary of BA Dubai, on the following terms:

(i) A basic salary of Rs. 700,000 per month.
(ii) A monthly medical allowance, paid in cash, of 10% of basic salary.
(iii) Two company maintained cars – one car for his business and private use and the other car solely for his private use.
(iv) Atlas to make an annual payment of Rs. 100,000 to an approved superannuation fund to provide for his retirement.
(v) Free medical treatment or hospitalisation or the reimbursement of such charges for himself and his wife.

(4) On 16 July 2008, N conveyed his acceptance of the offer of employment to Atlas and agreed to commence his employment with Atlas on 1 August 2008.

(5) On 31 July 2008, N resigned from Suleman Associates. N did not give the one month's notice in writing prior to his resignation as required under his terms of employment and Suleman Associates, with N's consent, did not pay N his basic salary of Rs. 400,000 for July 2008.

(6) The salary of Rs. 400,000 appropriated by Suleman Associates in lieu of the one months notice period not given by N, is sought to be claimed by N as a deduction.

(7) On 29 August 2008, BA Dubai transferred the equivalent of Rs. 400,000 in US dollars to N's foreign currency bank account in Dubai. BA Dubai informed N in writing that the Rs. 400,000 was a voluntary payment to reimburse N for the salary he had not received from Suleman Associates. BA Dubai further confirmed that the Rs. 400,000 was not a payment on behalf of Atlas nor would the amount be borne by Atlas or claimed by Atlas as a deductible charge. N is of the view that the Rs. 400,000 being a reimbursement of the loss suffered by him is not his income chargeable to tax.

(8) The basic salary of all employees of Atlas is deposited into each employee's bank account on the first working day of the following month. Any monthly allowances are paid to the employees on the last working day of each month.

(9) In addition to his other entitlements (as in (3) above) N also received a special monthly allowance of Rs. 20,000 from Atlas. The allowance which is not an entertainment or a conveyance allowance was specifically granted to meet expenses wholly and necessarily to be incurred in the performance of his duties as technical director.

(10) In order to provide the benefit of the two company maintained cars to N:

– a Toyota Saloon was taken on lease by Atlas on 1 August 2008 from an approved leasing company on a annual lease rental of Rs. 400,000 payable for five years. The cash price of the car, if purchased outright, would have been Rs. 1,680,000; and
– a Honda Accord was purchased by Atlas on 1 September 2008, for Rs. 2,400,000.

The Honda Accord is for the private use of N and the Toyota Saloon is for his business and private use.

(11) On 1 October 2008, N was granted a loan of Rs. 1,000,000 by Atlas, repayable in 10 equal monthly instalments. Profit on the loan is payable at the rate of 11% per annum.

(12) Other information furnished by N.

(i) On 21 March 2009, N received Rs. 1,000,000 as his share as a partner in the firm of NB Associates. The taxable income of the firm for the year ended 31 December 2008 (tax year 2009) was Rs. 2,000,000 and the tax paid by the firm on the Rs. 2,000,000 was Rs. 500,000.

(ii) On 30 June 2008, N had acquired 5,000 shares in LMN Ltd from the Privatisation Commission of Pakistan for Rs. 500,000 and had been allowed a tax credit thereon of Rs. 50,000 against the tax payable for the tax year 2008. LMN Ltd is a company listed on the Karachi Stock Exchange.

On 26 June 2009, N sold the 5,000 shares in LMN Ltd for Rs. 600,000 and from the proceeds invested Rs. 400,000 on 29 June 2009 in the purchase of 4,000 new shares in OPQ Ltd, a public company listed on the Lahore Stock Exchange. OPQ Ltd had offered these new shares to the public and N was an original allottee of the shares.

(iii) N has foreign interest income for the tax year 2009 of US$ 10,000 (Rs. 800,000) from US Treasury bonds. This foreign income is sought to be claimed as exempt from tax, on the contention that N was in employment outside Pakistan during the last four tax years (2005, 2006, 2007 and 2008) preceding the tax year 2009.

(iv) N received Rs. 500,000 from Mr X, a client of Atlas, in appreciation of his extraordinary efforts in meeting the due date of completion of a building project of X. As there was no agreement between N and X for the payment of the Rs. 500,000 and the payment made by X was voluntary, N contends that the Rs. 500,000 received is in the nature of a windfall and is therefore not taxable.

(v) During the year, N imported two consignments of steel bars for sale. The goods imported were declared for customs purposes as raw materials used in the construction of buildings. Due to a slump in the building trade, N incurred a loss of Rs. 1,893,000 on the sale of the steel bars, which is made up as follows:

	Rupees	Rupees
Sales		8,957,000
Cost		
Import value	10,000,000	
Advance tax collected by the Collector Customs	200,000	
Profit on a debt	650,000	(10,850,000)
Net loss		1,893,000

(vi) Rs. 360,000 (net of tax deducted) was received by N in the tax year 2009 as a prize on a prize bond.

(vii) The tax deducted at source from N's salary by Suleman Associates and Atlas for the tax year 2009 aggregated to Rs. 1,500,000.

Required:

(a) Compute the taxable income of Mr Nadershah Bunvala for the tax year 2009 under the appropriate heads of income, giving clear reasons/explanations for the inclusion or exclusion in the computation of taxable income and tax payable of each of the items listed.

Note: the reasons/explanations for the items not listed in the computation of taxable income should be shown separately from the other reasons/explanations. (20 marks)

(b) Calculate the tax payable by or refundable to Mr Nadershah Bunvala for the tax year 2009. (5 marks)

(25 marks)

3 Mrs Alia Dee (Dee) and her brother Azhar are preparing their separate returns of income for the year ended 30 June 2009 and furnish you with the following details:

(1) Prior to her retirement, Dee was employed with Fashions Private Limited, a subsidiary company of Fashions Inc San Francisco (FIS), she had opted to participate in the FIS Employee Share Scheme (Scheme). The terms of the Scheme allowed a participant the free right to transfer the shares issued under the Scheme, only after a minimum holding period of nine months.

(2) On 1 July 2008, Dee was granted the right to acquire 4,000 shares in FIS at the exercise price of US$ 10 for one share. The US$ 10 was inclusive of a consideration of US$ 1 for the grant of the right to acquire the shares. Based on the then quoted price of one share in FIS on the New York Stock Exchange (NY stock exchange), the value of the right to acquire one share in FIS on 1 July 2008 was estimated by the custodian of the Scheme to be US$ 1·25. On 1 July 2008, Dee accepted the rights offered to her and made payment of US$ 4,000 to the custodian.

(3) On 7 July 2008, Dee disposed of the rights relating to 3,000 shares in FIS for Rs. 375,000

(4) On 1 August 2008, Dee exercised her right to acquire the remaining 1,000 shares in FIS and made the balancing payment of US$ 9,000 (US$ 9 per share), having paid US$ 1,000 at the time of acceptance of the rights. The price quoted for one share in FIS on the NY stock exchange on 1 August 2008 was US$ 18.

(5) A dividend of US$ 3 per share was declared by FIS for its year ended 31 December 2008. US$ 3,000 (US$ 3 x 1,000) was transferred through regular banking channels to Dee's current account with the Gogo Bank Karachi. The Gogo Bank, after deducting Rs. 5,000 as their bank charges, credited Dee's account with Rs. 235,000 [Rs. 240,000 (US$ 3,000) less Rs. 5,000].

(6) Dee was required to pay Rs. 1,000,000 against her overdrawn current account with the Gogo Bank by 19 March 2009. As Dee did not have the funds to discharge this liability, Dee's brother Azhar paid the Gogo Bank the Rs. 1,000,000 on 19 March 2009.

(7) On 1 May 2009, when Dee had the free right to transfer the 1,000 shares in FIS, the price quoted for one share in FIS on the NY stock exchange was US$ 20.

(8) On 29 May 2009, Dee transferred the 1,000 shares in FIS to her brother Azhar as repayment of the Rs. 1,000,000 which had been paid by Azhar to the Gogo Bank on her behalf. The price quoted for one share in FIS on the NY stock exchange on 29 May 2009 was US$ 22.

(9) Azhar sold the 1,000 shares in FIS to an employee of Fashions Private Limited for Rs. 1,960,000 on 30 June 2009 on which date the price of one share in FIS quoted on the NY stock exchange was US$ 24. Azhar is a retired person and had no other taxable income in the tax year 2009.

(10) On 1 December 2008, Azhar had given a temporary loan of Rs. 100,000 in cash to Dee, which was repaid by Dee on 1 January 2009

(11) Dee, as one of the founder members of Dee's Boutique Pakistan Ltd (DBL), had in the tax year 2005, purchased 30,000 shares in DBL at Rs. 100 per share. In the year ended 30 June 2007, Dee received 20,000 bonus shares in DBL. On 1 July 2008, the 50,000 shares in DBL were held by Dee in her personal name.

The 50,000 shares in DBL were disposed of by Dee on 1 December 2008, on which date the break-up value of one share in DBL was Rs. 100. The details of the disposal are as under:

(i) 10,000 shares were gifted to her son Behram. Behram is an employee of the Government of Pakistan and was posted in London during the tax year 2009. In the tax year 2009, Behram was present in Pakistan for 120 days.

(ii) 25,000 shares were given to the Sorab Education Trust (Trust) to provide for the education expenses of Sorab, who is Dee's grandson. The control and management of the trust was situated wholly in Pakistan at all times in the tax year 2009.

(iii) 15,000 shares were transferred to her husband Gustard under an arrangement to live apart. Gustard left for the Maldives on 15 December 2008 and returned to Pakistan on 4 July 2009.

(12) Other information:

(i) On 1 December 2008, Dee transferred her residential house to her son Behram. Dee had purchased the house for Rs. 2,000,000 in April 2007 and the market value of the house on the date of its transfer was Rs. 5,000,000.

(ii) On 1 December 2008, Dee sold her personal jewellery, making a gain of Rs. 750,000. The jewellery had been purchased by Dee on 21 March 2008. In the year ended 30 June 2008, a loss of Rs. 1,000,000 on the sale by her of personal jewellery had not been allowed as a deductible charge by the commissioner. The gain of Rs. 750,000 is sought to be claimed by Dee as not chargeable to tax on the contention that the loss on the sale of jewellery was not allowed as a deductible charge in the tax year 2008.

Required:

(a) Compute the taxable income of Mrs Alia Dee for the tax year 2009 under the appropriate heads of income, giving clear reasons/explanations for the inclusion or exclusion in the computation of taxable income of each of the items listed.

Notes:

1. The reasons/explanations for the items not listed in the computation of taxable income should be shown separately from the other reasons/explanations.
2. The rate of exchange is to be taken at US$ 1 = Rs. 80 at all relevant dates. (18 marks)

(b) Compute the taxable income of Mr Azhar under the appropriate heads of income for the tax year 2009, giving clear explanations of the treatment accorded to the items in the computation of taxable income. (2 marks)

(20 marks)

4 Agrochemicals Pakistan Ltd (ACL), a company incorporated under the Companies Ordinance, 1984, is engaged in the manufacture of pesticides used by the agricultural sector. ACL closes its accounts on 30 June annually. The Chief Financial Officer (CFO) is preparing the income tax return of income of ACL for the tax year 2009. As an ACCA trainee and an authorised representative under s.223 of the Income Tax Ordinance, 2001, you were invited to a meeting with the CFO when the following issues relating to the company's income tax return for the tax year 2009 were discussed.

(1) Subsidy

To meet the increasing demand for pesticide 'X' which was being used extensively for the protection of paddy fields of Basmati quality rice, ACL embarked on a major expansion project of its production facilities of pesticide 'X'. The expansion project which was completed in December 2008 involved capital expenditure of Rs. 100,700,000 which included Rs. 80,000,000 for a new item of plant and machinery.

The Federal Government, realising the importance of pesticide 'X' for maintaining the quality of Basmati rice which could result in increased exports, voluntarily paid ACL Rs. 30,000,000 as a subsidy toward the cost of the new plant. ACL has treated the Rs. 30,000,000 as a capital reserve in its accounts for the year ended 30 June 2009. The CFO is of the view that the Rs. 30,000,000 is not chargeable to tax and therefore should be claimed as exempt from tax in the return of income for the tax year 2009.

(2) Settlement of a forward contract.

ACL entered into a forward contract on 1 May 2009 for the purchase of raw material used in the production of pesticides to guard against loss through future price fluctuations. The forward contract matured on 1 July 2009. ACL did not take delivery of the raw materials on 1 July 2009 but the forward contract was settled by ACL making a payment of Rs. 1,500,000 on 1 July 2009.

The CFO is of the view that the Rs. 1,500,000 paid to settle the forward contract should be claimed as deductible expenditure in the tax year 2009 on the grounds that:

– the forward contract entered into on 1 May 2009 is a transaction relating to the tax year 2009; and
– the forward contract is not a transaction falling within the definition of a speculative business as the contract in respect of the purchase of raw materials was entered into by ACL in the course of its manufacturing business to guard against loss through future price fluctuations.

(3) Medical expenses of the CFO

On 1 April 2009, a remittance of US$ 40,000 was made to the HeartCare Hospital in Sydney, Australia for the medical treatment of the CFO. The HeartCare Hospital is a company incorporated under the laws of Australia. The CFO, in accordance with his terms of employment, does not get any medical allowance, but he is entitled to the free provision of medical treatment and hospitalisation. The remittance of US$ 40,000 was in accordance with the regulations of the State Bank of Pakistan. However, the CFO is of the view that the expenditure would not be allowed as a deductible charge in the tax year 2009 as no tax had been deducted from the amount remitted to the HeartCare Hospital, Sydney.

(4) Advance received in cash

On 1 May 2009, Rs. 300,000 was received in cash from a dealer as an advance payment for the sale of pesticides for delivery in the first week of July 2009. The CFO is of the view that, the advance of Rs. 300,000 paid by the dealer to ACL in cash, would be treated as ACL's income chargeable to tax under the head 'Income from other sources' in the tax year 2009, under the provisions of the Income Tax Ordinance, 2001.

Required:

State, giving reasons, whether or not you agree with each of the four views of the Chief Financial Officer. If you are not in agreement with any of the views of the Chief Financial Officer, explain the correct treatment to be adopted under the provisions of the Income Tax Ordinance, 2001.

(i) Item 1; (5 marks)

(ii) Item 2; (4 marks)

(iii) Item 3; (4 marks)

(iv) Item 4. (2 marks)

(15 marks)

5 Sunglow Pakistan Limited, a registered person under the Sales Tax Act, 1990 is engaged in the manufacture of multimedia projectors. The business transactions of Sunglow Pakistan Limited for the month of October 2009 included the following:

	Rupees
Receipts from sale of multimedia projectors to registered persons	7,375,950
Receipts from sale of multimedia projectors to unregistered persons	8,040,150
Sale of accessories and lenses for the multimedia projectors.	1,615,785
Purchases of electronic components and lenses	6,987,354
Purchase of stores, supplies and raw material used in the manufacturing of multimedia projectors (Out of the total payment of Rs. 2,125,215 an amount of Rs. 225,215 was paid in cash)	2,125,215
Payment to a media company for placing advertisements on the electronic media	1,693,257
Import of plant and machinery	2,350,000
Payments to customs agents	580,900
Supplies purchased in September 2009 returned to the vendors for not meeting the specifications and required standard	1,050,650
Multimedia projectors sold in September 2009 returned by the customers for defective workmanship in October 2009.	980,500

Additional information:

(1) All figures relating to sales of taxable goods are stated exclusive of sales tax.
(2) All payments are stated inclusive of sales tax.
(3) All payments for the purchase of goods and materials have been made by crossed cheque or crossed pay order or credit card except when otherwise indicated.
(4) In the case of the purchase returns and sales returns, the debit/credit notes have been issued in conformity with the provisions of Sales Tax Act, 1990.

Required:

Calculate the sales tax payable by or refundable to SunGlow Pakistan Limited for the month of October 2009, giving a clear explanation for the treatment accorded to the claim of input tax on the import of the plant and machinery.

(10 marks)

End of Question Paper