Fundamentals Level – Skills Module

Taxation (Pakistan)

Thursday 10 December 2015

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

This question paper is divided into two sections:

Section A – ALL 15 questions are compulsory and MUST be attempted

Section B – ALL SIX questions are compulsory and MUST be attempted

Tax rates and allowances are on pages 2–4.

Do NOT open this question 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.

Do NOT record any of your answers on the question paper.

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

Paper F6 (PKN)

The Association of Chartered Certified Accountants

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 except where the exact number of days is given in the question.
3. All workings should be shown when answering Section B.

TAX RATES AND ALLOWANCES

The following tax rates and allowances for the tax year 2015 are to be used in answering the questions.

A. Tax rates for salaried individuals – where salary income exceeds 50% of taxable income

Taxable income	Rate of tax on taxable income
0 to Rs. 400,000	0%
Rs. 400,001 to Rs. 750,000	5% of the amount exceeding Rs. 400,000
Rs. 750,001 to Rs. 1,400,000	Rs. 17,500 plus 10% of the amount exceeding Rs. 750,000
Rs. 1,400,001 to Rs. 1,500,000	Rs. 82,500 plus 12·5% of the amount exceeding Rs. 1,400,000
Rs. 1,500,001 to Rs. 1,800,000	Rs. 95,000 plus 15% of the amount exceeding Rs. 1,500,000
Rs. 1,800,001 to Rs. 2,500,000	Rs. 140,000 plus 17·5% of the amount exceeding Rs. 1,800,000
Rs. 2,500,001 to Rs. 3,000,000	Rs. 262,500 plus 20% of the amount exceeding Rs. 2,500,000
Rs. 3,000,001 to Rs. 3,500,000	Rs. 362,500 plus 22·5% of the amount exceeding Rs. 3,000,000
Rs. 3,500,001 to Rs. 4,000,000	Rs. 475,000 plus 25% of the amount exceeding Rs. 3,500,000
Rs. 4,000,001 to Rs. 7,000,000	Rs. 600,000 plus 27·5% of the amount exceeding Rs. 4,000,000
Rs. 7,000,001 and above	Rs. 1,425,000 plus 30% of the amount exceeding Rs. 7,000,000

B. Tax rates for associations of persons and non-salaried individuals to whom the rates given in A are not applicable

Taxable income	Rate of tax on taxable income
0 to Rs. 400,000	0%
Rs. 400,001 to Rs. 750,000	10% of the amount exceeding Rs. 400,000
Rs. 750,001 to Rs. 1,500,000	Rs. 35,000 plus 15% of the amount exceeding Rs. 750,000
Rs. 1,500,001 – Rs. 2,500,000	Rs. 147,500 plus 20% of the amount exceeding Rs. 1,500,000
Rs. 2,500,001 – Rs. 4,000,000	Rs. 347,500 plus 25% of the amount exceeding Rs. 2,500,000
Rs. 4,000,001 – Rs. 6,000,000	Rs. 722,500 plus 30% of the amount exceeding Rs. 4,000,000
Rs. 6,000,001 and above	Rs. 1,322,500 plus 35% of the amount exceeding Rs. 6,000,000

C. Corporate tax rate for companies

Small company	25% of taxable income
Public company/private company	33% of taxable income
Tax rate for foreign direct investment in industrial undertakings by companies	20% of taxable income

D. Alternative corporate tax rate for companies 17% of accounting income

E. Tax rates on capital gains on the disposal of securities (other than debt securities held by a company)

Where the holding period of a security is

– less than 12 months	12·5%
– more than 12 months but less than 24 months	10%
– 24 months or more	0%

F. Tax rates on capital gains on the disposal of immovable properties

Where the holding period of immovable property is

– up to one year	10%
– more than one year but not more than two years	5%
– more than two years	0%

G. Other tax rates

General rate on dividends received from a company by

– a filer	10%
– a non-filer	15%

H. Rates of deduction/collection of tax at source

Sale of goods (general rate)	
– where the payment is being made to a company	4%
– where the payment is being made to a taxpayer other than a company	4·5%
Sale of immovable property by a	
– filer	0·5%
– non-filer	1%
Purchase of immovable property having a value of more than Rs. 3 million by a	
– filer	1%
– non-filer	2%
Services (other than transport)	
– where the payment is being made to a company	8%
– where the payment is being made to a taxpayer other than a company	10%
Contracts other than a contract by a sports person	
– where the payment is being made to a company	7%
– where the payment is being made to a taxpayer other than a company	7·5%
Contract by a sports person	10%
Commission or brokerage received by	
– advertising agents	7·5%
– other than advertising agents	12%
Profit on debt received by a	
– filer	10%
– non-filer where the amount of profit does not exceed Rs. 500,000	10%
– non-filer where the amount of profit exceeds Rs. 500,000	15%
Import of goods (general rate)	
– in the case of industrial undertakings	5·5%
– in all other cases of companies	5·5%
– in the case of other taxpayers	6%
On domestic electricity bills of Rs. 100,000 or more per month	7·5% of the bill
On an international air-ticket of non-economy class	4%
On the fee received by a director of a company for attending a meeting etc	20%

I. Depreciation rates

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

J. Initial allowance on eligible assets being

– a building	15%	of cost
– plant and machinery	25%	

K. Pre-commencement expenditure

Amortisation rate for pre-commencement expenditure 20%

L. Benchmark rate

Interest free loans to employees 10% per annum

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet.
Each question is worth 2 marks.

1 **Which of the following types of officer can be delegated powers by the Commissioner Inland Revenue to amend an assessment order being prejudicial to the interest of the revenue?**

A Any officer not below the rank of Assistant Commissioner Inland Revenue
B Any officer not below the rank of Deputy Commissioner Inland Revenue
C Any officer not below the rank of Additional Commissioner Inland Revenue
D Any officer not below the rank of Inland Revenue Audit Officer

2 **A capital gain on the disposal of which of the following assets will ALWAYS be exempt?**

A An antique watch
B A jeep held for the personal use of the taxpayer's dependent son
C Agricultural land
D Jewellery

3 **To which of the following categories of tax does a default surcharge (as payable under various provisions of the Income Tax Ordinance, 2001) belong?**

A Indirect tax
B Direct tax
C Partly direct and partly indirect tax
D In some situations a direct tax and in others an indirect tax

4 In the tax year 2015, Alia was present in Pakistan for 120 days before she was posted abroad by her employer.

In which of the following situations will Alia be treated as resident in Pakistan for the tax year 2015?

A She was an employee of Lahore Development Authority in the tax year 2015
B She was an employee of a listed company incorporated under the Companies Ordinance, 1984 in the tax year 2015
C Her permanent residential address is in Pakistan
D She was an employee of the Government of Pakistan in the tax year 2015

5 **Under normal circumstances, what is the maximum number of days for which a Commissioner can grant an extension for the filing of a return of income or a statement of final taxation?**

A 15 days
B 30 days
C 30 days for a return of income and 15 days for a statement of final taxation
D Any number of days

6 A revised assessment order has been passed against Kashif raising a tax demand for Rs. 500,000 for the tax year 2015. Kashif intends to file an appeal against the order before the Commissioner (Appeals).

What is the amount of the appeal fee which Kashif is required to pay before filing the appeal?

A Rs. 5,000
B Rs. 50,000
C Rs. 200
D Rs. 1,000

7 For the tax year 2014, the tax payable by Moon Lights Ltd on its declared income of Rs. 900,000 was Rs. 306,000. However, the company did not maintain the records as prescribed under the Income Tax Ordinance, 2001.

What is the minimum penalty amount which can be levied on Moon Lights Ltd by the Commissioner for the non-maintenance of the prescribed records?

A Rs. 15,300
B Rs. 10,000
C Rs. 30,600
D Rs. 45,000

8 An inconsistency has been found between a circular and an advance ruling both of which were issued by the Federal Board of Revenue ('FBR').

Which of the following correctly describes the appropriate action as per the law?

A Priority will be given to the terms of the advance ruling over the circular
B Priority will be given to the terms of the circular over the terms of the advance ruling
C Both will be cancelled and the matter will be referred back to the FBR again
D The Commissioner will give priority to the circular and the taxpayer will give priority to the terms of the advance ruling

9 In its return for the tax year 2015, Pak-Afghan Goods (Pvt) Ltd (PAGPL) declared Rs. 500,000 as income from business earned from Afghanistan on which tax equivalent to Pak Rupees 185,000 was paid in that country. Tax payable on this income in Pakistan is Rs. 165,000. There is no tax treaty between Pakistan and Afghanistan.

What is the amount of foreign tax credit to which Pak-Afghan Goods (Pvt) Ltd is entitled for the tax year 2015?

A Rs.0
B Rs. 185,000
C Rs. 165,000
D Rs. 500,000

10 On an initial public offer of its shares by Prosperity Ltd, a listed public company, Usman acquired Rs. 800,000 of the shares equal to 20% of his taxable income for the tax year 2015. All of Usman's income was assessable under the head 'Income from business' and the tax payable by him on this income, before any tax credit, was Rs. 722,500.

What is the maximum amount of tax credit available to Usman for his investment in the shares of Prosperity Ltd?

A Rs. 144,500
B Rs. 180,625
C Rs. 200,000
D Rs. 72,250

11 In the tax year 2015, Waseem accrued a capital gain of Rs. 300,000 on the disposal of a Moghal era statue, which he had owned for six months. Waseem also has business income of Rs. 450,000 in the tax year 2015.

What is the amount of tax payable by Waseem on his total taxable income for the tax year 2015?

A Rs. 27,500
B Rs. 35,000
C Rs. 42,500
D Rs. 75,000

12 Mazhar, aged 35, has been issued with a computerised national identity card for disabled persons by the National Database and Registration Authority ('NADRA'). His income from business for the year ended 30 June 2015 is Rs. 750,000.

What will be the tax liability of Mr Mazhar for the tax year 2015?

A Rs. 35,000
B Rs. 17,500
C Rs. 26,250
D Rs. 0

13 While Yousaf has incurred a loss of Rs. 50,000 on the disposal of a security, he has earned a capital gain of Rs. 20,000 on the sale of shares of a private limited company and income from other sources at Rs. 10,000 during the tax year 2015.

What is the amount of loss on the disposal of the security which can be carried forward to the tax year 2016?

A Rs. 50,000
B Rs. 30,000
C Rs. 20,000
D Rs. 0

14 **Which of the following is NOT a public limited company?**

A A company in which 50% or more shares are held by the Federal Government
B A company in which 50% or more shares are held by a provincial government
C A company in which 50% or more shares are held by a foreign government
D A company in which 50% or more shares are held by a local government

15 Tiny (Pvt) Ltd (Tiny) is a small company and a filer. In the tax year 2015, Tiny received a gross dividend of Rs. 100,000 from a trading company.

What will be Tiny (Pvt) Ltd's tax liability on this dividend?

A Rs. 25,000
B Rs. 33,000
C Rs. 10,000
D Rs. 15,000

(30 marks)

Section B – ALL SIX questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

1 **(a)** Under s.122A Income Tax Ordinance, 2001, a Commissioner can call for the records of any proceedings in which an order has been passed by certain Officers of Inland Revenue and revise it as he deems fit.

Required:

State whether or not the Commissioner has the power to make the following revisions. In those cases where you conclude that the Commissioner does NOT have the necessary power, state why.

(i) An assessment order by increasing the amount of tax payable to more than that determined in the assessment order.

(ii) An amended assessment order passed by the Additional Commissioner against which an appeal has not been filed before the Commissioner (Appeals) and the time to file an appeal has expired.

(iii) An amended assessment order passed by the Assistant Commissioner against which an appeal has not been filed before the Commissioner (Appeals) but the time to file an appeal has not expired.

(iv) A refund order passed by the Deputy Commissioner by enhancing the determined refund where an appeal is pending before the Appellate Tribunal.

(v) An order passed by the Commissioner (Appeals).

Note: The total marks will be split equally between each part. (5 marks)

(b) For this part of the question, you should assume that today's date is 15 September 2015.

On 30 June 2015, Sadiq paid a salary of Rs. 1,500,000 to his employee, Saeed, without making any tax deduction. Saeed, having no other source of income, paid his tax liability of Rs. 95,000 at the time of filing his return on 30 August 2015.

Required:

(i) Compute the amount of the penalty which Sadiq will be liable to pay for his failure to deduct tax from Saeed's salary. (2 marks)

(ii) Compute the amount of default surcharge which Sadiq will be liable to pay for his failure to deduct tax from Saeed's salary. (2 marks)

(iii) State whether or not the salary paid to Saeed can be claimed as an admissible deduction by Sadiq in the return of income to be filed by him on 30 September 2015. (1 mark)

(10 marks)

2 (a) Explain the meaning of 'rent' for the purposes of income assessable under the head 'Income from property'. (3 marks)

(b) For this part of the question, you should assume that today's date is 15 September 2015.

Awais has a house, which he has let out to Fascon Ltd ('Fascon') since 1 July 2013 at a monthly rent of Rs. 90,000, including Rs. 10,000 for the services of a servant. Awais has consistently followed accrual based accounting for paying income tax since the tax year 2003.

Due to a dispute with Awais over certain repair issues regarding the rented house, Fascon has not paid Rs. 160,000 out of the rent payable for the months of January and February 2014. The Rs. 10,000 per month for the services of the servant was paid in full. On receiving a legal notice from Awais requiring Fascon to either pay the Rs. 160,000 or vacate the house, Fascon vacated the house on 30 June 2015.

Awais wishes to claim/deduct the following expenditure incurred/deductions in respect of the house in the year ended 30 June 2015:

	Rs.
Depreciation of the house	700,000
Bank charges for the clearance of the cheques for the rent paid by Fascon	16,000
Profit paid to a bank on a loan for the reconstruction of a portion of the house	109,000
Legal expenditure for preparing the legal notice to Fascon for recovery of rent	35,000
Legal fee paid to a lawyer in cash for defending the title of the house challenged by a neighbour in a court of law	45,000

Additional information:

(1) The servant who provided services to both Fascon and Awais equally was paid Rs. 12,000 per month.

(2) Awais has an unadjusted brought forward business loss of Rs. 150,000 pertaining to the tax year 2011. The business was closed in the tax year 2013.

(3) Unless stated otherwise, all of the expenditure was paid for through crossed cheques and tax was deducted and deposited as required under the law.

Required:

Compute the taxable income of Awais under the relevant heads of income for the tax year 2015, giving clear explanations for the treatment of any items excluded from the taxable income or for which no expense/deduction is allowed. (7 marks)

(10 marks)

3 **(a) State when a person is considered to have acquired an asset for capital gains purposes.** (2 marks)

(b) For this part of the question, you should assume that today's date is 15 September 2015.

Ijaz, a resident in Pakistan, aged 45, disposed of the following assets during the year ended 30 June 2015:

(1) On 15 August 2014, an antique vase was destroyed in a fire. The antique vase had been purchased on 15 August 2009 for Rs. 780,000. Ijaz received insurance proceeds of Rs. 1,080,000 on 20 December 2014 and purchased another antique vase for Rs. 1,080,000. Rs. 50,000 was incurred to realise insurance money from the insurance company.

(2) On 15 March 2015, he sold 2,500 shares in Zaheer (Pvt) Ltd for Rs. 1,500,000. Ijaz had acquired these shares as shown below:

Purchased 1,500 shares on 1 January 2012 for Rs. 850,000.

Received 1,000 shares on 1 December 2014 under a rights issue for Rs. 250,000.

(3) On 15 April 2015, he sold 10,000 Pakistan investment bonds (PIBs) for Rs. 15,000,000. Ijaz had acquired the PIBs on 10 April 2014 for Rs. 12,000,000. Bank charges of Rs. 5,000 were paid in connection with the sale of the PIBs.

(4) On 30 June 2015, he sold his domestic LED TV for Rs. 90,000. Ijaz had purchased the TV for Rs. 75,000 on 15 July 2014.

Additional information:

1. Income tax of Rs. 25,000 was collected by a restaurant on the occasion of a function arranged by Ijaz for his son's marriage on 30 June 2015.
2. All the expenditure was incurred through crossed cheques and tax was withheld by Ijaz wherever applicable.

Required:

Compute the tax payable by Ijaz for the tax year 2015 on the taxable income arising from the above transactions. Give brief reasons for your treatment of each item.

Note: The reasons/explanations for the items not listed in the computation should be shown separately, as specific marks are allocated for these explanations. (8 marks)

(10 marks)

4 **(a)** Goods exported are generally chargeable to sales tax at 0%. However, there are certain exceptions to this general treatment.

Required:

List the types of export which are outside the purview of zero rating. (3 marks)

(b) **For this part of the question, you should assume that today's date is 1 April 2015.**

Bahoo Ltd is engaged in the manufacture and sale of taxable goods in Pakistan and registered under the Sales Tax Act, 1990. The company's business transactions for the month of March 2015 are summarised as follows:

		Rs.	Rs.
(i)	Payments for raw materials by		
	– cash into the business bank account of the supplier	1,170,000	
	– crossed cheque into a personal bank account of the supplier	2,370,000	
	– crossed cheque into the business bank account of the supplier	4,680,000	
			8,220,000
(ii)	Sale of goods on a cash basis		10,000,000
(iii)	Sale of scrap		100,000

(iv) Sale of goods with a value of Rs. 700,000 for Rs. 500,000 to an associate. The associate also gives a similar concession when Bahoo Ltd purchases goods from the associate.

(v) Goods sold for Rs. 800,000 in January 2015 to Sharjeel were returned by him in March 2015. Bahoo Ltd issued a credit note to Sharjeel for the returned goods and received a debit note from him.

(vi) On 20 March 2015, Bahoo Ltd entered into an agreement for the sale of goods with a value of Rs. 900,000 under a hire purchase agreement. No amount was received by the company under this agreement in March 2015.

(vii) An advance payment of Rs. 500,000 received on 25 March 2015 for the supply of goods to be made in July 2015.

Additional information:

(1) All the sales are to registered persons and all the figures for the sales of goods are stated exclusive of sales tax.

(2) All the figures for payments made for purchases by Bahoo Ltd are stated inclusive of sales tax.

(3) A sales tax rate of 17% applies to all transactions.

Required:

Compute the sales tax liability of Bahoo Ltd payable with its sales tax return for the month of March 2015. (7 marks)

(10 marks)

5 For this question, you should assume that today's date is 15 September 2015.

New Century Products Limited (NCPL) is a company incorporated under the Companies Ordinance, 1984. NCPL is not a small company. The products of NCPL are exempt from sales tax.

NCPL's summarised income statement for year ended 30 June 2015 is as below:

	Note	Rs.	Rs.
Sales	1		9,000,000
Cost of sales	2		(6,000,000)
			3,000,000
Fair value adjustment	3		500,000
Tax refund			40,000
			3,540,000
Administrative expenses	4	395,000	
Depreciation		420,000	
Marketing expenses	5	200,000	
Rent	6	340,000	
Late payment penalty	7	80,000	
Salaries and wages	8	1,250,000	(2,685,000)
Net profit for the year			855,000

Unless stated otherwise, NCPL paid for all the expenditure through crossed cheques and tax was deducted and deposited by NCPL as required under the law.

Notes:

Note 1

Sales include a deposit of Rs. 150,000 in respect of goods still to be delivered. In the event that the goods are not delivered by 31 December 2015, this deposit must be returned.

NCPL's insurer has agreed to pay it the sum of Rs. 450,000 under its loss of profits insurance policy in respect of a fire during the year ended 30 June 2015. This amount had not been received by 30 June 2015 and has not been included in the above results.

Note 2

Cost of sales includes Rs. 600,000 for an export quota licence for the period of three years commencing on 1 January 2015. However, no exports were made in the six-month period to 30 June 2015.

Note 3

The fair value adjustment had been made to the value of certain assets in accordance with the relevant IFRS.

Note 4

Administrative expenses include Rs. 15,000 paid in connection with the preparation of a rent agreement for a show room, which has been rented for an initial period of five years.

Note 5

Marketing expenses include Rs. 90,000 incurred on advertising in social media. The amount paid was Rs. 9,000 to each of ten persons. No tax was deducted when making any of these payments.

Note 6

The rental amount was all paid on 1 July 2014 as adjustable advance rent at Rs. 17,000 per month.

Note 7

The penalty assessed was for the late payment of 2008 social security contributions.

Note 8

Salaries and wages include Rs. 86,000 spent on the repair and maintenance of a car owned by the company. The car is used by the head of production for both personal and business purposes as per the terms of his employment.

Note 9

NCPL's fixed asset records show the following:

Asset	Tax written down value (TWDV) as on 1 July 2014	Addition	Total
	Rs.	Rs.	Rs.
Building on freehold land	3,500,000	–	3,500,000
Plant and machinery	4,000,000	1,000,000 (a)	5,000,000
Car	1,500,000	–	1,500,000
Furniture and fixtures	800,000	100,000	900,000

Sub-note (a)

The addition to plant and machinery was in respect of the import of new machinery from Japan. The Rs. 55,000 income tax paid at the import stage is not included in the cost of the machinery. The machinery was put into use on 15 August 2014.

Note 10

The following taxes were withheld at source.

- Tax collected by the motor vehicle tax collecting authority of Rs. 4,000.
- Tax paid along with electricity bills of Rs. 30,000.

Required:

(a) Compute the taxable income of New Century Products Limited for the tax year 2015 under the appropriate heads of income, giving clear reasons/explanations for the inclusion in or exclusion from the computation of each of the items listed in the question.

Note: The reasons/explanations for the items not included in the computation of taxable income should be shown separately. Specific marks are allocated for this part of the requirement. (13 marks)

(b) Calculate the tax payable by/refundable to New Century Products Limited for the relevant tax year.

Note: Ignore minimum tax and the alternative corporate tax provisions. (2 marks)

(15 marks)

6 For the purpose of this question, you should assume that today's date is 15 September 2015.

Rameez, a resident taxpayer, aged 62, has been working for Pakistan Law Associates (PLA) as a tax director for the last ten years. In the year ended 30 June 2015, PLA transferred the following amounts as remuneration to Rameez's bank account:

(1) A basic salary of Rs. 1,200,000 per annum.

(2) Reimbursement of his personal utility expense of Rs. 120,000.

(3) A special monthly allowance of Rs.15,000 paid to meet entertainment expenses to be wholly and necessarily incurred in the performance of Rameez's duties as a director.

(4) Commission of Rs. 480,000 from fees charged by PLA to the clients served by Rameez.

(5) The 'Loyalty to PLA' award of Rs. 400,000 for his ten-year long service with PLA.

During the year ended 30 June 2015, PLA paid tax of Rs. 120,000 as withholding tax on Rameez's salary to the tax authorities. However, no tax was actually deducted from Rameez's salary.

The other benefits granted to Rameez by PLA in the year ended 30 June 2015 comprised:

(1) A fully furnished house provided free of rental charge by PLA. The fair market rental for similar houses during the relevant period was Rs. 30,000 per month. Had the company not provided him with this accommodation, Rameez would have been entitled to a house rent allowance equal to 35% of his basic salary.

(2) A new motor car, which was first provided to Rameez on 1 July 2013. PLA had purchased the car for Rs. 1,500,000 and its tax written down value on 1 July 2014 was Rs. 1,275,000. Rameez is authorised to use the car for both office and personal purposes.

(3) An annual education allowance of Rs. 50,000 paid to each of his two children, aged between six and 16 years. The total school fees of both the children was Rs. 70,000.

(4) During the period 1 July 2014 to 30 June 2015, PLA paid gym membership fees for Rameez of Rs. 15,000 per month.

(5) A laptop which cost Rs. 30,000 for the successful resolution of litigation between PLA and a client. The market value of the laptop was Rs.80,000.

The bank of Rameez has:

(1) Deducted Rs. 20,000 tax on cash withdrawals during the year ended 30 June 2015.

(2) Deducted Rs. 5,000 on account of federal excise duty.

(3) Paid a donation of Rs. 50,000 to an institution approved under clause (61) of part I of the Second Schedule to the Income Tax Ordinance, as instructed by Rameez.

(4) Credited Rs. 270,000 as profit to this account after deduction of withholding tax of Rs. 30,000.

Advance tax of Rs.8,750 was paid by Rameez with his mobile phone bills during the year ended 30 June 2015.

Required:

Compute Rameez's taxable income and income assessable under the final tax regime (FTR) and his total tax payable for the tax year 2015. Give reasons for the treatment of any items excluded from the taxable income or for which no expense/deduction is allowed.

(15 marks)

End of Question Paper