

# **Taxation Mock for Spring 2014 Attempt (Skans)**

## GCA Consultants

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	SKANS School of Taxati	And the second se	
	Intermediate Examination		ebruary 2014
	Mock		arks - 3 hours
	Module C	Additional reading time	s - 15 minutes
	Question -1	internal and liters for Store Deader	(But) I td
	Ms Fauzia, a resident in Lahore, Pakistan, has worked as an (SPPL) for many years and got retired on 31 March 201	2. For the year ended 30 Jun	e 2012, her
	income/receipts are as detailed below: 9 months		
U	<ul> <li>(i) Basic salary was Rs. 100,000 per month.</li> <li>(ii) A medical allowance at 15% of her basic salary. The t</li> </ul>	erms of her employment do no	provide for
Hite.	free medical treatment or hospitalisation or any reimburs	sement of such expenses.	
	(iii) She had received 50,000 shares in SPPL on 1 January 2 10 per share against a fair value of Rs. 30 per share. Sh	008 under an employee share 5 in had the option to transfer the	shares on or
	after 1 January 2009 on which date the fair value was R	s. 40 per share. However, she s	old all of the
	shares on 1 April 2012 at Rs. 50 per share. (iv) SPPL gave her a loan of Rs. 600,000 on 1 July 2011 at 5	% mark-up Ms Fauzia howeve	r, waives the
	interest on her account with SPPL.		
	() SPPL paid her Rs. 100,000 in lieu of her unavailed recre	ational leaves.	ad provident
to a costributed			
BLIDA	(v) On retirement she received Rs. 200,000 from unapprove	d gratuity fund. Cecupt upt	· 10-14 - 4]
80.00%	Other information:	ed gratuity fund. - Re 36000 - 301.4 gr	aprill.
at a second	a) She received Rs. 18,000 (after deduction of tax) from th	e Tourism Department of the G	overnment of
of BLADA	Sindh as a commission on the sale of tickets for a whol 5,000 to the girls working with her who had helped in so	e day excursion to Moenjodaro. elling the tickets	She paid Rs.
a sur	b) After retirement she commenced her own business, of	preparing returns of income. Th	income and
	expenditure a/c for current tax year is as follows:	Rupees	Rupees
	Receipts	Kapees	Rupees
	Fees received (net of tax) from a company for p	reparing the	
	tax returns for all of its the employees- category 1 Fees received from other individuals - category 2	279,000 100,000	379,000
	Expenditure	The second second	and and a second
	Salaries to employees working exclusively for cat	egory 1	(155,600)
	Expenditure common to both categories 1 and 2 - Salaries to part-time employees	64,000	
	<ul> <li>Sataries to part-time employees</li> <li>Stationery, computer hire and conveyance</li> </ul>		(88,432)
	Sumlus of receipts over expenditure		134,968 (ELM) for Rs
	<ul> <li>c) On 5 Sep. 2011 she sold 5,000 Modaraba certificates 200,000. She had purchased these certificates on 25 Ju</li> </ul>	ine 2011 for Rs. 150,000.	
	D On 15 Mar 2012 she gifted 5 000 shares in Greenwood	d (Pvt) Ltd, to her son who has	s been living
	in Iran since 15 Jan. 2008. She had acquired the sh	ares on 1 Jul. 2010 for Ks. 7	5,000. The fair
	<ul> <li>value of the shares on the date of the gift was estimate</li> <li>c) She earned foreign source income of Rs. 600,000 from</li> </ul>	n China on which tax of Rs. 10	,000 is paid. for eign
	<ul> <li>c) She earned foreign source income of Rs. 500,000 hor</li> <li>f) She paid life insurance premium of Rs. 30,000 to Life</li> </ul>	Insurance Company during th	e year. Tax wedit
	Required: Calculate tax liability for TY 2012. (Rates are at		(22)
			N

D	fr. Shei ickine	n-2 ikh Suleman is a member in two AOPs Sun Lark (SL) and ged in the manufacturing and supply of chemicals. SL and kh Suleman also owns a shop in the name of Mars Lotus ( materials and sells its products to individual custome (from the market for the user ended 30 June 2012).	ML) ML is owner ML) ML is o rs. Followin	d by two equ engaged in th g informatio	ne trading	of cen
es	stracted	from the records for the year ended 30 June 2012:		VL	ML	
(0)	)	Contraction of the second s	SL	Rs. in '000		200
		Net Profit/(loss)	3,700	(1,400)	1.	300
(ii)	In ca In ca In ca In ca In ca Aco Re	above profit/(loss) has been arrived at after inclusion/adju ase of SL: Rs. 1,000,000 paid by SL towards a scientific research or lnome of Rs. 150,000 on account of sale of securities w Salary expenses include an amount of Rs. 40,000 each pr Commission paid to Mr. Sheikh Suleman for attracting n Gain of Rs. 100,000 on sale of building. The cost of bu Rs. 500,000. Its tax written down value at the time of sal Donation expense of Rs. 10,000 in respect of amount do use of VL: Rs. 80,000 written off against a loan provided to an emp Salary expenses include an amount of Rs. 30,000 each p Sales promotion expenses of Rs. 600,000 paid by VL expected to extend to three years. Professional tax paid at Rs. 200,000 to the Government Irrespective of the income of the company. Paid Rs. 500,000 on account of technical services, to remained in Pakistan for one week. No tax was deducted se of ML: Bal debt recovered against previous year debt amoun igainst a total bad debt claim of Rs. 200,000, the Com deduction of Rs. 120,000 only. Gain of Rs. 400,000 on disposal of shares in a private counting depreciation deducted in arriving profit of SI 660,000 and Rs. 100,000 respectively. x depreciation as per Third Schedule of ITO, 2001 or	nducted in B ithin 5 month iid to two equ- ew clients an iilding was F e was Rs. 12 nated to a no loyce. aid to two equ- to Moon Ac of Punjab. an individua d. ted to Rs. 50 unissioner of was Rs. 3, vas Rs. 700, c company p L, VL and N	ledgium for b is. pal partners of nounted to R ts. 300,000 n-profit organism qual partners vertisers. T The tax is partners il resident in 0,000. In pr f Inland Re 200,000 and 000. urchased 2 y 11. amounte	every moles. s. 70,000 and it sol nization. he beneff nyable and he the US evious ta venue all d it sold rears bac d to Rs.	its are inually A who ax year, lowed a for Rs. k 760,000,
(iv)	to F	Rs. 495.000 Rs. 330.000 and Rs. 135,000 respectively	1.			
(v)	The	losses b/f from previous year and taxes collected /pa	id in current	year were	as follow	S:
			SL	Rs. in		ML
		Business loss	-	200	500	50
		Unabsorbed tax depreciation		250	500	100
		Capital loss		750	250	150
		Advance tax u/s 147 and tax on imports		789	275	
	the second	Tax on electricity bill u/s 235			40	
				Concession in the local division in the loca		and the second se
Requi	ired:	Compute the tax payable / refundable for abov	e three per	rsons for th	ax year	2012. For

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<text></text>		Question-3	
<text></text>		-++ Explain the tax track	
<text></text>	a constant	ii) Mr 11 Goldan state received by an employee as compensation for the	
<text></text>	AND THE OWNER	by him to suit file an appeal in an Appeal i	
<ul> <li>We we have a serie of the series of</li></ul>	C.C.	UtiT What is the procedure for	
<text><text><text><text><text></text></text></text></text></text>	ALC: NOT THE OWNER OF THE OWNER OWNER OF THE OWNER OWN	Question (4)	
<text></text>	190	6 Q Ltd is	
<text></text>	Cum	made by Q Ltd during its account where the Companies Ordinance, 1984. The following payments were	
<text></text>		(1) Rs. 100,000 to Mr Plus Minus for model 30 June 2006:	
<ul> <li>A. Songers of Balakier, Saxosciates (BA) as an advance towards the state of payment. BA is a songers of the balakier account of the balakier account of the state of payment. BA is a songers of the balakier account of the state of payment account of the state account of the state of payment. BA is a songers of the state of payment account of the state of the state of payment account of the state o</li></ul>	No. of Concession, Name	Freedom in the man and a second of the national was made under a	
<ul> <li>bestigning the builders Associates (BA) is an advance towards the execution of a contrast to the second of the main of the order of the second of the main of the second of the</li></ul>		Government of Palitic ne was serving in Dubai as an employee of the Ministry of Foreign Affairs	
<ul> <li>a. A solution of the star as payments of the affairs was a situated by the payments.</li> <li>a. B. a solution of the processing of the payment of the affairs was a situated by the landlost.</li> <li>b. B. a solution of the payments and by Q Ltt.</li> <li>a. The solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>b. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the payments made by Q Ltt.</li> <li>c. a solution of the transactions where the tax deducted, if any knowled be the final tax of the recipients on the transactions where the tax deducted, if any knowled be the final tax of the recipients on the a solution the transactions where the tax deducted if any knowled be the final tax of the recipients on the tax company to its shareholder out of its accumulated profiles.</li> <li>c. A solution the provisions relating to recovery of tax by District Officer (Revenue)?</li> <li>d. A bouch the conditions for claiming input tax credit?</li> <li>d. A bouch the solutions for claiming input tax credit?</li> <li>d. A bouch a solution of a person who has creates tax in excess of the tax credit note has a solution of the law?</li> <li>d. A bouch a solution the respect of an invoice issued on 30 June</li></ul>			
<ul> <li>(a) A solution for field as payment on account of functions and states provide particly in plastical. The solution of plants are of good from commercial importer.</li> <li>(b) A solution of plants and by Q Lut: <ul> <li>(c) A solution of the mature of the payment in the context of the relevant provisions relating to the database of good states. If any, at the time of the payment, and</li> <li>(c) A solution of the mature of the payment in the context of the relevant provisions relating to the database of good states. If any, at the time of the payment, and</li> <li>(c) A solution of the mature of the payment in the context of the relevant provisions relating to the income arising from the transaction.</li> <li>(c) A solution of the mature of the solution of the solution.</li> <li>(c) A solution of the solution is from point of view of shareholder out (Revenue): <ul> <li>(c) A solution the provisions relating to recovery of tax by District Officer (Revenue): <ul> <li>(c) A solution the provisions relating to recovery of tax by District Officer (Revenue): <ul> <li>(c) A solution the provisions relating to recovery of tax by District Officer (Revenue): </li> <li>(c) A solution the provisions relating to recovery of tax by District Officer (Revenue): </li> <li>(d) A the tax solutions applicable for availing benefit of group taxiton? </li> <li>(e) A solution as applicable for availing benefit of group taxiton? </li> <li>(f) A solution as applicable for availing benefit of group taxiton? </li> <li>(g) A solution as applicable for availing benefit of group taxiton? </li> <li>(h) A solution as for claiming input tax credi? </li> <li>(h) A solution as applicable for availing benefit of group taxiton? </li> <li>(h) A solution as applicable for availing benefit of group taxiton? </li> <li>(h) A solution as applicable for availing benefit of group taxiton as a taxit subscience asolution taxiton as a solution as a solute</li></ul></li></ul></li></ul></li></ul></li></ul>	NER	construction of a building. No work on the building had commenced at the time of any and the	5
<ul> <li>By the conditions of the constant of the source in any constant of the induction.</li> <li>By the condition of the source in the context of the relevant provisions relating to the deducted of the stransactions where the tax deducted, if any, would be the final tax of the recipients on the induced of the stransactions where the tax deducted, if any, would be the final tax of the recipients on the induced of the stransactions where the tax deducted, if any, would be the final tax of the recipients on the induced of the stransactions where the tax deducted, if any, would be the final tax of the recipients on the induced of the stransactions where the tax deducted, if any, would be the final tax of the recipients on the induced of the stransactions where the tax deducted, if any, would be the final tax of the recipients on the induced of the stransaction is a company to its shareholder out of its accumulated profits?</li> <li>We take the tax implications from point of view of shareholder and company of debentures issued to a company to its shareholder out of its accumulated profits?</li> <li>We take tax implications from point of view of shareholder and company of debentures issued to a company is a public listed company?</li> <li>Company is a private company?</li> <li>Company is a private company?</li> <li>Company is a public listed company?</li> <li>Company tay the considered as foreign-source income?</li> <li>Company tay the considered as foreign-source income?</li> <li>Company tay the considered as foreign-source income?</li> <li>Company tay the considered as informed by his chief accountant the strate tay tay to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant is proposed to a strate to the tend to a strate the tay and the tay the tend that company?</li> &lt;</ul>		(3) Rs. 400,000 for Pantas.	•
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<ul> <li>and the name of the payment in the control of the relevant provisions relating to the the inease tions where the tax deduced. If any, would be the final tax of the receiptents on the transactions where the tax deduced. If any, would be the final tax of the receiptents on the transactions where the tax deduced. If any, would be the final tax of the receiptents on the transactions where the tax deduced. If any, would be the final tax of the receiptents on the transaction of the tax of the receiptents on the transaction.</li> <li>Any of the transactions where the tax deduced. If any, would be the final tax of the receiptents on the transaction.</li> <li>Any of the transactions where the tax deduced. If any, would be the final tax of the receiptents on the transaction.</li> <li>Any of the transaction of the tax of the receiptents on the transaction.</li> <li>Any of the transaction of the tax of the receiptents on the transaction.</li> <li>Any of the transaction of the tax of the receiptents of the tax of the receiptent of tax of the receiptent of the tax of tax of the receiptent of tax of tax of the receiptent of the tax of tax of the receiptent of tax of tax of the receiptent of tax of tax</li></ul>	and the second sec	Required:	
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<ul> <li>(a) the transactions where the tax deducted, and the second part of the receipients on the income arising from the transaction.</li> <li>(b) Currence</li> <li>(c) Curr</li></ul>	C. C	the nature of the payment in the context of the the	he
Outside       (*)         Window the tax implications from point of view of shareholder and company of debentures issued as company to its shareholder out of its accumulated profits?       (*)         Use tax in the tax implications from point of view of shareholder and company of debentures issued as company is a public filted compan?       (*)         (*)       (*)		(b) identify the transactions where the tax deducted if any would be de factor	
What are the tax implications from point of view of shareholder and company of debentures issued by company to its shareholder out of its accumulated profits? You should salve this question under two independent scenarios: 9. Company is a public listed company 9. Company is a public listed company 9. Company is a public listed company 9. Explain the provisions relating to recovery of tax by District Officer (Revenue)? 9. Explain the conditions applicable for availing benefit of group taxation? 9. When the salary will be considered as foreign-source income? 9. Company is a person who has collected sales tax in excess of the tax actually 10. Destine 9. State the responsibility of a person who has collected sales tax in excess of the tax actually 10. What Associates, Yoush as informed by his chief accountant that a credit note has to 10. State the credit note in the month of January 2009. 10. Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the 10. Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the 10. Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the 10. Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the 10. Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the 10. Mr Yousha Associates, Yousha is informed by his chief accountant that a credit note has to 10. Is informed by his chief accountant that a credit note has to 10. Busine the credit note in the month of January 2009. 10. Attender to be about in the month of January 2009. 10. Attender to be in the month of January 2009. 10. Attender to be in the month of January 2009. 10. Attender to be in the month of January 2009. 10. Attender to be in the month of January 2009. 10. Attender to be in the month of January 2009. 10. Attender to be in the month of January 2009. 10. Attender to be in the month of January 2009. 10. Attender to be	and the second se	the income arising from the transaction.	on
To should solve this question under out of its accumulated profits?         You should solve this question under out of its accumulated profits?         You should solve this question under two independent scenarios:         • Company is a public listed company         • We the salary will be considered as foreign-source income?         • Obstate the responsibility of a person who has credit?         • State the responsibility of a person who has alse tax in excess of the tax actually ayable under a misapprehension of the law?         • On Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the mame of Yousha Associates. Yousha is informed by his chief accountant that a credit note has to be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009.         Mature 3       State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009.			14
Automatication of the state of the stat		What are the tax implications from point of view of shareholder and company of debentures iss	ued
<ul> <li>Company is a private company</li> <li>Company is a public listed company</li> <li>Company is a public listed company</li> <li>Explain the provisions relating to recovery of tax by District Officer (Revenue)?</li> <li>Explain the conditions applicable for availing benefit of group taxation?</li> <li>When the salary will be considered as foreign-source income?</li> <li>When the salary will be considered as foreign-source income?</li> <li>Muse the responsibility of a person who has collected sales tax in excess of the tax actually payable under a misapprehension of the law?</li> <li>Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the name of Yousha Associates. Yousha is informed by his chief accountant that a credit note has to be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009.</li> <li>Metered:</li> </ul>		a company to its subrenolder out of its accumulated profits?	
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<ul> <li>Explain the provisions relating to recovery of tax by District Officer (Revenue)? (3)</li> <li>Explain the conditions applicable for availing benefit of group taxation? (3)</li> <li>When the salary will be considered as foreign-source income? (2)</li> <li>Ouestion-6</li> <li>a) Explain the conditions for claiming input tax credit? (5)</li> <li>b) State the responsibility of a person who has collected sales tax in excess of the tax actually payable under a misapprehension of the law? (4)</li> <li>Arrow</li> <li>Arr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the name of Yousha Associates. Yousha is informed by his chief accountant that a credit note has to be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009.</li> <li>Required:</li> <li>State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009. (4)</li> </ul>		Company is a public listed company	(1)
<ul> <li>(1) Explain the conditions applicable for availing benefit of group taxation?</li> <li>(2) When the salary will be considered as foreign-source income?</li> <li>(2) Ouestion-6</li> <li>(3) Explain the conditions for claiming input tax credit?</li> <li>(4) State the responsibility of a person who has collected sales tax in excess of the tax actually payable under a misapprehension of the law?</li> <li>(4) Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the name of Yousha Associates. Yousha is informed by his chief accountant that a credit note has to be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009.</li> <li>Required:</li> <li>State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009.</li> <li>(4)</li> </ul>		by Explain the provisions relating to recovery of tax by District Officer (Revenue)?	
Question-6       (5)         a) Explain the conditions for claiming input tax credit?       (5)         b) State the responsibility of a person who has collected sales tax in excess of the tax actually payable under a misapprehension of the law?       (4)         c) Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the name of Yousha Associates. Yousha is informed by his chief accountant that a credit note has to be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009. <b>Required</b> State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009.	COLOR DE L	(c) Explain the conditions applicable for availing benefit of group taxation?	
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<ul> <li>b) State the responsibility of a person who has collected sales tax in excess of the tax actually payable under a misapprehension of the law? (4)</li> <li>c) Mr Yousha, a registered person under the Sales Tax Act, 1990, is carrying on business in the name of Yousha Associates. Yousha is informed by his chief accountant that a credit note has to be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009.</li> <li>Required: State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009. (4)</li> </ul>			
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be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009. <b>Required:</b> State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009. (4)		b) State the responsibility of a person who has collected sales tax in excess of the tax actually	
be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009. <b>Required:</b> State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009. (4)	110 10	c) Mr Yousha a registered person under the Sales Tax Act, 1990 is carrying on husiness	
be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief accountant intends to issue the credit note in the month of January 2009. <b>Required:</b> State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009. (4)	Sau	name of Yousha Associates. Yousha is informed by his chief accountant that a credit note	
Required: State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009. (4)		be issued to a debtor in respect of an invoice issued on 30 June 2008. The chief acc	
State, giving reasons, whether or not you are in agreement with the chief accountant's proposal to issue the credit note in the month of January 2009. (4)		intends to issue the credit note in the month of January 2009.	
issue the credit note in the month of January 2009. (4)		Required:	-
		State, giving reasons, whether or not you are in agreement with the chief accountant's pro	
Page		issue the credit note in the month of January 2009.	(4)
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### **GCA Consultants**

### Question-7

 a) Cinderella Ltd is engaged in the manufacture of ready-to-wear clothing. The company's business transactions for the month of May 2006 are summarised as follows: Rupees

			Rupees	
(i)	Purchase of raw materials used exclusively in making taxable supplies (excluding zero-rated)		1,350,000	
(ii)			2,285,000	
	Online transfer of funds from the business bank account of the company to the business bank account of the supplier	1,150,000		
	Payment by credit card into the business bank account of the supplier	1,069,500		
		2,219,500		
(110)	Purchase of raw materials used exclusively in making exempt supplies	-	900,000	
((6))	Rnw material and spare parts purchased exclusively for making zero rated supplies		1,600,000	
(v)	Purchase of fixed asset		400,000	
(vi)			365,000	
(vii)			6,850,000	
(xiii			1,175,000	
(iz)	Sale of zero rated goods		2,220,000	
exi-	Goods sold in January 2006 to Mr Bee were returned by him in		-,,	
	May 2006 due to defective workmanship for which the company			
	insued credit notes to Bee and received debit notes from Bee.		694,000	
(xi)	Sales tax credit brought from previous month		15,000	
100				

Note:

All payments for the purchases and the payment to the courier company are stated inclusive of sales tax at the rate of 17%. The figures for the sales, and the credit notes issued are stated exclusive of sales tax.

#### **Required:**

Calculate the sales tax payable by Cinderella Ltd in respect of the sales tax return for the month of May 2006.

(10)

# Thanks to our member (Mauzim Ali) for sharing.