

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD  
(Department of Commerce)**

**TAXATION MANAGEMENT (8531)**

**CHECKLIST**

**SEMESTER: SPRING, 2014**

This packet comprises the following material:

1. Text Book (One)
2. Course Outline
3. Assignment No. 1, 2
4. Assignment Forms (2 sets)

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:

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**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
(Department of Commerce)

**WARNING**

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

**Course: Taxation Management (8531)**  
**Level: M. Com**

**Semester: Spring, 2014**  
**Marks: 100**  
**Pass Marks: 50**

**ASSIGNMENT No. 1**

- Q. 1 (a) Write a brief note on Tax Administration Reforms Program. (5)  
(b) Write a detailed not on the jurisdiction and components of Income Tax Law in Pakistan. (15)
- Q. 2 (a) Describe exemptions allowed under Income Tax Law under the source of income from salary. (10)  
(b) Describe exemptions allowed under Income Tax law under the source of income from business. (10)
- Q. 3 From the following information relating to tax year 2013, compute tax liability of Mr. Faisal, a senior citizen: (20)

<b>Details</b>	<b>Amount Rs.</b>
Salary (per month)	120,000
Loan waived by employer	200,000
Profit on Behbood Saving Certificates	100,000
Leave fare assistance (within Pakistan)	20,000
Leave fare assistance (outside Pakistan)	100,000
Unapproved gratuity received	800,000
Income from non-speculation business from UK. Paid tax to UK government Rs.55,000	300,000
Income from non-speculation business from UK. Paid tax to UK government Rs.30,000	200,000
Income from other sources from UK. Paid tax to UK government Rs.8,000	120,000
Pension	120,000
Ground rent	100,000

Life insurance premium paid by employer	30,000
Prize on prize bond	60,000
Capital gain on sale of shares of a private company (sold within 12 months)	100,000
Capital loss on sale of shares of other private company	40,000

Honda Civic car is provided by the employer for his official as well as personal use. Car costs Rs.18,00,000.

- Q. 4 Explain the requirements and conditions of registration and de-registration under section 14 and 21 of Sales Text Act, 1990. Also explain the procedures for each of them. **(20)**
- Q. 5 Jamil Dairy (Pvt.) Ltd. is a registered manufacturer of ice cream. Data regarding the business for the month of July 2013 is given as under: **(20)**

Details	Amount Rs.
Sale of ice cream to un-registered persons	200,000
Sale of ice cream to consumers (inclusive of sales tax)	100,000
Supply of ice cream to college students (during factory visit)	15,000
Sale of dairy products to retailers	50,000
Purchase of milk with brand name	30,000
Purchase of milk without brand name	40,000
Ice cream flavour imported	60,000
Purchase of minerals from wholesaler for use in ice cream	20,000

You are required to calculate sales tax liability of Jamil Dairy (Pvt.) Ltd. Also prepare sales tax return of Jamil Dairy (Pvt.) Ltd.

### **GUIDELINES FOR ASSIGNMENT # 1**

The student should look upon the assignments as a test of knowledge, management skills, and communication skills. When you write an assignment answer, you are indicating your knowledge to the teacher:

- Your level of understanding of the subject;
- How clearly you think;
- How well you can reflect on your knowledge & experience;
- How well you can use your knowledge in solving problems, explaining situations, and describing organizations and management;
- How professional you are, and how much care and attention you give to what you do.

To answer a question effectively, address the question directly, bring important related issues into the discussion, refer to sources, and indicate how principles from the course materials apply. The student must also be able to identify important problems and implications arising from the answer.

## **ASSIGNMENT No. 2**

**Total Marks: 100**

**Pass Marks: 50**

This assignment is a research-oriented activity. You are required to obtain information from a business/commercial organization and prepare a report of about 1000 words on the topic allotted to you to be submitted to your teacher for evaluation.

You are required to select one of the following topics according to the last digit of your roll number. For example, if your roll number is P-3427180 then you will select topic # 0 (the last digit): -

**TOPICS:**

- 0 Exemption of agricultural income from taxation
- 1 Progressive taxation vs. regressive taxation
- 2 Method, manner and mode of property tax
- 3 Difficulties in calculation and filing of income tax returns
- 4 Difficulties in calculation and filing of sales tax returns
- 5 Set-off and carry forward of losses
- 6 Tax deducted at source
- 7 Prosecution and penalties against tax offenders
- 8 Role of income tax authorities
- 9 Assessment cycle

The report should follow the following format:

1. Title page
2. Acknowledgements
3. An abstract (one page summary of the paper)
4. Table of contents
5. Introduction to the issue (brief history & significance of issue assigned)
6. Practical study of the organization (with respect to the issue)
7. Data collection methods
8. SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
9. Conclusion (one page brief covering important aspects of your report)
10. Recommendations (specific recommendations relevant to issue assigned)
11. References (as per APA format)
12. Annexes (if any)

**GUIDELINES FOR ASSIGNMENT # 2:**

For citing references, writing bibliographies, and formatting the assignment, APA format should be followed:

- 1.5 line spacing
- Use headers and subheads throughout all sections
- Organization of ideas
- Writing skills (spelling, grammar, punctuation)
- Professionalism (readability and general appearance)
- Do more than repeat the text
- Express a point of view and defend it.

## **WORKSHOPS**

The workshop presentations provide students opportunity to express their communication skills, knowledge & understanding of concepts learned during practical study assigned in assignment # 2.

You should use transparencies and any other material for effective presentation. The transparencies are not the presentation, but only a tool; the presentation is the combination of the transparencies and your speech. Workshop presentation transparencies should only be in typed format.

The transparencies should follow the following format:

- 1) Title page
- 2) An abstract (one page summary of the paper)
- 3) Introduction to the issue (brief history & significance of issue assigned)
- 4) Practical study of the organization (with respect to the issue)
- 5) Data collection methods
- 6) SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
- 7) Conclusion (one page brief covering important aspects of your report)
- 8) Recommendations (specific recommendations relevant to issue assigned)

## **GUIDELINES FOR PRESENTATION:**

- Make eye contact and react to the audience. Don't read from the transparencies or from report, and don't look too much at the transparencies (occasional glances are acceptable to help in recalling the topic to cover).
- A 15-minute presentation can be practiced several times in advance, so do that until you are confident enough. Some people also use a mirror when rehearsing as a substitute for an audience.

## **WEIGHTAGE OF THEORY & PRACTICAL ASPECTS IN ASSIGNMENT # 2 & WORKSHOP PRESENTATIONS**

Assignment # 2 & workshop presentations are evaluated on the basis of theory & its applicability. The weightage of each aspect would be:

Theory:	60%
Applicability (practical study of the organization):	40%

## **TAXATION MANAGEMENT COURSE OUTLINE (8531)**

### **Unit-1 ADVANCE TOPICS IN TAXATION**

- 1.1 Philosophy of tax
  - 1.1.1 Islamic philosophy of tax
  - 1.1.2 Comparative study of tax under Islam, Judaism and Christianity.
- 1.2 Principles of taxation
- 1.3 Consequences of tax evasion with respect to business entity, and economy as a whole
- 1.4 Fighting with tax evasion
- 1.5 Tax as a tool of fiscal policy

- 1.6 Tax structure of Pakistan (merits, demerits), Comparative study with other South Asian developing
- 1.7 Countries and recommendations for improvement
- 1.8 History of tax reforms in Pakistan, Critical review of tax reforms in Pakistan, Comparative study of tax reforms with other South Asian Countries
- 1.9 Tax management with special focus on corporate tax
- 1.10 Tax revenue management in Pakistan
- 1.11 Tax base, chargeability, and collection

**Unit-2 INCOME TAX ORDINANCE 2001 with Relevant Rules**

- 2.1 Comprehension of Basic Rules and Concepts
- 2.2 Basic principles of construction, relevant definitions/concepts
  - 2.2.1 Persons [Section 2(42)]
  - 2.2.2 Income [Section 2(29)]
  - 2.2.3 Total income (with special debate on distribution of total income under various heads)
  - 2.2.4 Taxable income [Section 2(64)]
  - 2.2.5 Assessment [Section 2(5)]
  - 2.2.6 Tax
  - 2.2.7 Taxpayer [Section 2(66)]
  - 2.2.8 Tax year [Section 2(68)]
  - 2.2.9 Accumulated profit [Section 2(1)]
  - 2.2.10 Dividend [Section 2(19)]
  - 2.2.11 Industrial undertaking
  - 2.2.12 Permanent establishment [Section 2(41)]
  - 2.2.13 Associates
  - 2.2.14 Resident and non-resident persons

**Unit-3 Tax Administration**

- 3.1 Tax authorities [Section 207]
- 3.2 Circulars, orders and directions issued by the Federal Board of Revenue (FBR) [Sections 206, 213 & 214]
- 3.3 Advance rulings [Section 206 A].
- 3.4 Appellate System [Sections 127 to 136]
- 3.5 Commissioner Inland Revenue (Appeals)
- 3.6 Appellate Tribunal
- 3.7 Conceptual discussion regarding point of law and point of fact

**Unit 4 Tax on Taxable Income (I)**

- 4.1 Heads of income [Section 11]
- 4.2 Income for tax purposes [Section 9 & 10]
- 4.3 Tax payable on taxable income [First Schedule to the Ordinance]
- 4.4 Salary
  - 4.4.1 Concept of employment, employer, employee and salary
  - 4.4.2 Basis of assessment
  - 4.4.3 Residential status of salaried person
  - 4.4.4 Employee share schemes
  - 4.4.5 Perquisites (benefits-in-kind)
  - 4.4.6 Taxation at source from salary
  - 4.4.7 Retirement benefits (Pension, gratuity, provident fund)
  - 4.4.8 Employment termination benefits
  - 4.4.9 Exemptions and tax concessions regarding salary

- 4.5 Income from Other Sources [Sections 39, 40, 55(1), 67, 89, 101(6), 111]
  - 4.5.1 Concept of other sources under the Ordinance
  - 4.5.2 Allowable deductions

**Unit-5 Tax on Taxable Income (II)**

- 5.1 Income from property
  - 5.1.1 Concept of property under the Ordinance
  - 5.1.2 Elements of property income
  - 5.1.3 Computation of taxable income and tax payable under the head property
  - 5.1.4 Exemptions and lower rate taxation of income from property
  - 5.1.5 Method, manner and mode of property tax
- 5.2 Income from business [Sections 18 to 36]
  - 5.2.1 Concept of business under the Ordinance
  - 5.2.2 Principles regarding chargeable income
  - 5.2.3 General principles for allowable deductions
  - 5.2.5 Deductions allowed [Section 20]
  - 5.2.4 Deductions not allowed [Section 21]
  - 5.2.6 Exemptions and tax concessions
- 5.3 Capital Gains
  - 5.3.1 Concept of Capital Asset under the Ordinance
  - 5.3.2 Principles for computing capital gains
  - 5.3.3 Deduction of losses

**Unit 6 Tax Credits and Minimum Tax [Sections 61 to 65 & Sections 113 to 113B]**

- 6.1 Set-off and Carry Forward of Losses [Part VIII of Chapter III]
  - 6.1.1 Principles relating to inter-head-adjustments
  - 6.1.2 Rules for carrying forward and subsequent adjustments
- 6.2 Procedure [Parts I and II of Chapter X]
- 6.3 Incomes chargeable as minimum tax
- 6.4 Persons liable to pay minimum tax
- 6.5 Advance Tax & Final Tax Regime (Withholding Tax)
  - 6.5.1 Special focus on section 169
  - 6.5.2 Comparative discussion regarding tax deducted at source (withholding tax) treated as adjustable, minimum or final tax.
- 6.6 Default Surcharge [Part XII of Chapter X]
- 6.7 Sales Tax Act 1990 with Relevant Rules/Notifications
  - 6.7.1 Overview, Scheme and Scope

**Unit 7 Comprehension of Basis, Rules and Concepts Relevant Definitions/Concepts**

- 7.1 Arears
- 7.2 Due date [Section 2(9)]
- 7.3 Exempt supply [Section 2(11)]
- 7.4 Goods [Section 2(12)]
- 7.5 Manufacturer or producer & Manufacture or produce
- 7.6 Input tax [Section 2(14)]
- 7.7 Registered person [Section 2(25)]
- 7.8 Supply [Section 2(33)]
- 7.9 Tax [section 2(34)]
- 7.10 Tax Invoice
- 7.11 Taxable activity [Section 2(35)]
- 7.12 Taxable supply [Section 2(41)]
- 7.13 Zero rated supply

- 7.14 Tax period [Section 2(43)]
- 7.15 Time of supply [Section 2(44)]

**Unit 8 Scope and Payment of Tax [Sections 3 to 13 with relevant rules]**

- 8.1 Scope of chargeability, mode of collection etc
- 8.2 Zero rating
- 8.3 Change in the rate of tax
- 8.4 Time and manner of payment
- 8.5 Determination of tax liability
- 8.6 Tax credit not allowed
- 8.7 Debit and credit note
- 8.8 Excess amount to be carried forward or refunded
- 8.9 Assessment of tax
- 8.10 Short-paid amounts recoverable without notice
- 8.11 Exemption

**Unit 9 Returns, Registration and Authorities [Sections 26, 27, 28 with relevant rules]**

- 9.1 Returns
  - 9.1.1 Normal Return
  - 9.1.2 Annual return
  - 9.1.3 Special Return
  - 9.1.4 Final Return
- 9.2 Registration (Sections 14, 21, with relevant rules)
  - 9.2.1 Requirement of registration
  - 9.2.2 Compulsory registration
  - 9.2.3 De-registration
- 9.3 Authorities (Sections 30, 30A, 30B, 30C, 30D, 30DD, 30E, 31, 32 and 32A)

***Recommended Books:***

1. A Text Book of Business Taxation by Ijaz Ali Waince, published by Waince Academy, Faisalabad.
2. Huzaima & Ikram's 'Tax Laws of Pakistan' [Official version can be downloaded from [www.fbr.gov.pk](http://www.fbr.gov.pk)]
3. Practical Handbook of Income Tax by Dr. Ikramul Haq, published by Lahore Law Publications email: [info@huzaimaikram.com](mailto:info@huzaimaikram.com)  
Website: <http://huzaimaikram.com>

***Advance Readings/Source Material:***

4. Synopsis of taxation by Mirza Munawar Hussain.
5. Various articles on tax laws and issues available at <http://huzaimaikram.com>
6. Material at official website ([www.fbr.gov.pk](http://www.fbr.gov.pk)) of FBR.
7. Reforms in Tax Administration of Pakistan, report by Syed Shahid Hussain, [www.google.com](http://www.google.com).

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