



**Pakistan Institute  
of Public Finance Accountants**

# **Model Solutions**

**Income Tax Laws  
(Application)**

**AGP**

**Winter Exam-2025**

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## Winter Exam-2025 Solutions – Income Tax (Application)

Q.1.

S. No.	Company Name	No. of shares	Div. Rate	Div. Amount	Tax Amount
1.	PSO	50,000 shares	100%	500,000	@15% 75,000
2.	Mezan Bank (MEBL)	10,000 shares	70%	70,000	@15% 10,500
3.	Mari Gas	5,000 shares	220%	110,000	@15% 16,500
4.	Engro-powergen (EPCL)	50,000 shares	@25%	125,000	@7.5% 9,375
5.	SAIF Power	20,000	15%	30,000	@7.5% 2250

Q.2. Limitations on Tax Authorities:  
**Officials are prohibited from:**

1. Seizing cash, stock-in-trade, or valuables.
2. Using coercion or harassment to extract information or declarations.
3. Collecting post-dated cheques for taxes.
4. Interrupting business operations or personal activities.
5. Conducting physical searches or sealing business premises.

Q.3. To check self-assessment tax status or view filed returns in Pakistan, an individual must use the Federal Board of Revenue's (FBR) online portal called **IRIS**.

### Steps to check your self-assessment tax information

1. **Access the IRIS Portal:** Go to the official [FBR IRIS portal](https://iris.fbr.gov.pk/) at <https://iris.fbr.gov.pk/>.
2. **Log In:** Use your National Tax Number (NTN) or Registration Number and password to log in to your account.
  1. If you are a first-time filer, you will need to complete the registration process first.
2. **Navigate to "View Filed Returns":** Once logged in, click on the "e-File" tab, then select "Income Tax Returns", and finally click on "View Filed Returns".
3. **View and Download Information:** On the "View Filed Returns" page, you will be able to see a list of all your filed returns. You can view the return status and download relevant documents like the complete ITR form in PDF or the ITR-V Acknowledgement slip.

### What is Self-Assessment Tax in Pakistan?

Under the Universal Self-Assessment Scheme in Pakistan, no assessing officer determines your income or computes your tax liability. Instead, you yourself declare your income and determine your tax liability by filing an income tax return. The filing of your return itself is considered an assessment order.



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### Solutions – Income Tax (Application)

#### Checking your Active Taxpayer Status (ATL)

While logged into IRIS you can see your tax status, you can also quickly verify if you are an active taxpayer through the FBR's public online verification portal or via SMS:

- **Online Portal:** You can check your ATL status using the FBR's online verification service.
- **SMS Service:** Type `ATL` (space) followed by your 13-digit CNIC number and send it to **9966**.
- Income Tax Return is filed - FBR
- Logging into Iris. File online Income Tax Return by logging into Iris. Iris is online portal where Income Tax Return is filed. If ...

**Q.4.** Tax is a compulsory extraction of money from the subjects by the State in exercise of its sovereign power.

- Owing to the constitutional evolution in England, the taxation powers shifted from King to the Parliament.
- The Constitution of Pakistan as well as legal framework has its roots in English system to a larger extent.
- A tax can be levied only by the legislature (Article 77 of the Constitution). The constitutional principle is that the executive makes a demand of money usually through an annual budget proposal and money is supplied by parliament by levying taxes and its appropriation.
- As tax is a **common burden**, it is levied by the House (**National Assembly**) that represents popular will and not by a House (**Senate**) that is indirectly elected. For taxation and appropriation, usually a special legislative procedure is provided than an ordinary law.
- The above principles have their root in English legal system and hence it's called 'money bill' for which the procedure is laid down in **Article 73**.

Tax is a **compulsory extraction** of money from the subjects by **the State** in exercise of its **sovereign power**.

- The taxing power in a federal state is shared between parliament and the provincial/state assemblies. To make things simple, legislative powers, including taxing fields, are elaborately provided in the legislative lists given in the constitution or appended therewith

The Constitution of 1962 had a single legislative list. Over and above the legislative list, special powers were vested in the central legislature to legislate upon matters of national importance. The taxation power of the federation was clearly provided under that List. All residuary powers were vested in the provinces.

*Relevant entries in the legislative list and division of tax powers*

Subject to what is stated below, the 18th Amendment shifted and transferred the power to impose a levy on the providing or rendering of services exclusively to the Provinces.

Clause 7 of the Article 270AA (as substituted by the 18th Amendment) allowed the relevant provisions of the Federal Law (e.g. Federal Excise Act, 2005 to remain in field till such time as the Provinces enacted their respective laws.

For example, in Sindh the Sindh Sales Tax on Services, 2011 was enacted with effect from July 1, 2011 and, therefore, from that date onwards, the relevant provisions of the Federal Excise Act, 2005 became ultra vires the Constitution with respect to Sindh.



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### Solutions – Income Tax (Application)

Similarly, under entry 50 which deals with Taxes on the capital value of the assets, earlier the exclusion was stated as ‘not including taxes on capital gains on immovable property’, however, through 18th amendment this exclusion was amended to state ‘not including taxes on immovable property’ thus being interpreted that all such powers now vest in Provincial Government.

Taxing powers are thus either vested in Parliament or expressly given to the Provinces in the manner indicated above

#### Q.5. Objectives of an Income Tax Survey

The key purposes of Income Tax Surveys are:

1. Verifying the accuracy of financial records and tax compliance.
2. Detecting undisclosed income, investments, or expenses.
3. Collecting evidence for investigations and subsequent assessments.
4. Ensuring adherence to tax laws, including TDS/TCS compliance.

#### Q.6. Practical Steps to Prepare for a Survey

- Maintain updated and accurate financial records.
- Regularly review TDS/TCS compliance.
- Engage qualified tax consultants to pre-empt discrepancies.
- Ensure staff are trained to handle survey proceedings calmly and efficiently.

#### Q.7.

		Rs		
Firm	Work	Value of work	1 <sup>st</sup> running amount	8% Income Tax
M/s NZ is a Constructing Firm	Construction of Underpass at Karachi	800,000,000/-	5,000,000/-	400,000/-



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### Solutions – Income Tax (Application)

8. An income tax assessment order is a directive given to an assessee by the IT department's assessing inspector. This order offers a thorough calculation of the sum that the assessee must pay or receive a refund for any prior year. Every action under the Income Tax Act starts with, or is supported by, an assessment order. Therefore, it is crucial that the assessing officer has access to all the information required to formulate a wise assessment order. The Income Tax Law provides for four main forms of assessments: .

Section 143(1) Assessment: This is an overview of the assessment conducted without the assessee's presence.

Section 143(3) evaluation: This is a scrutiny assessment.

Section 144 Assessment: This is an evaluation based on the best opinion.

Section 147 Assessment: This assessment relates to income evasion.

#### Issuance of Income Tax Assessment Order

The return of income tax for the applicable financial year must first be filed by the taxpayer.

The assessing officer verifies the accuracy of the income tax return that has been filed. For example, the officer compares the assessee's records of accounts with the income tax return that was filed. The total profit shown in the books of accounts is compared to the net revenue reported on the income tax return by the assessing officer.

The assessee receives a notice asking for clarification if the assessing officer is dissatisfied with the accuracy of the submitted return. The assessment officer will typically ask for a variety of documents to be submitted at first in order to substantiate the amount that has been reported in the filed returns.

The assessee receives an assessment order if the assessing officer is still unsatisfied with the representations they made for the reason(s) specified in the show cause notice.

The Income Tax Act, 1961 provides a form that must be filled out. This is done to file an appeal with the relevant tax body if the assessee feels that the assessing officer's decision is unfair to them. The Act's deadline for filing this appeal must be followed, and any required payments must be started in that direction.

Q.9.

1	Salary including HRA and adhoc increases	4,800,000	Tax= Rs. 861,000/-
2	Medical Allowance	240,000	No Tax
3	Car Monetization	791,520	5% Rs. 39,563
4.	TA/DA during 2024-25	500,000	No Tax
5.	Rental Income from Property	180,000	Rent below Rs. 200,000/- is non Taxable
		<b>Total Tax</b>	<b>830,814</b>

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