

The Institute of Taxation of Pakistan

CTA – Skills Level and ACIT Examination

July 2021 Attempt

INDIRECT TAX

Part I

Short questions – For Tax period From July 2020 to June 30, year 2021

Each question carries 1.5 marks. (Part I consist of 20 short questions)

Enter the correct answer on the sheet provided for MCQs

Q. NO. 1 Under the Sales Tax Act ,1990 cottage industry" means a manufacturer whose annual turnover from taxable supplies made in any tax period during any last twelve months ending any tax period does not exceed _____.

- (a)** Rs. 10,000,000
- (b)** Rs. 6,000,000
- (c)** Rs. 1,000,000
- (d)** Rs. 100,000

Q. NO. 2 Under the Sales Tax Act ,1990 a commercial exporter who intends to obtain sales tax refund against the _____ is liable to be registered under the Sales Tax Act.

- (a)** Exempt supplies
- (b)** taxable supplies
- (c)** zero rated supplies
- (d)** all of the above

Q. NO. 3 Under the Sales Tax Act ,1990 where a registered person operates in different sectors for which different dates of filing of return have been prescribed, such person shall file a single return for all sectors by such date applicable to _____.

- (a)** individuals
- (b)** companies
- (c)** his major activity
- (d)** none of above

Q. NO. 4 Under the Sales Tax Act,1990 a commercial invoice is issued by a _____.

- (a)** non-registered person
- (b)** registered person
- (c)** commercial importer
- (d)** exporter

Q. NO. 5 Under the Sales Tax Act, 1990 a retailer in tier - 2 in respect of taxable supplies made by him_____.

- (a) Is required to pay sales tax on electricity bills
- (b) Shall pay turnover tax as per slab rates.
- (c) Shall pay the tax irrespective of the quantum of supplies made by him
- (d) none of the above

Q. NO. 6 Under the FED law "non-tariff area" means, _____.

- (a) Azad Jammu and Kashmir
- (b) Northern Areas
- (c) such other territories or areas to which this Act does not apply
- (d) all of the above

Q. NO. 7 Under the FED law a registered person may, subject to approval of the CIR having jurisdiction, file a revised return within_____of the filing of return as above, to correct any omission or wrong declaration made therein.

- (a) 120 days
- (b) 130 days
- (c) 90 days
- (d) 210 days

Q. NO. 8 Under the FED law a registered person shall be entitled to _____ the amount of duty of excise paid or payable by him on such goods or services as are acquired by him during a tax period from the output tax due from him in respect of that tax period;

- (a) deduct
- (b) add
- (c) multiply
- (d) ignore

Q. NO. 9 Under the FED law if a person does not pay the duty due or any part thereof within the prescribed time or receives a refund of duty or drawback or makes an adjustment which is not admissible to him, he shall, in addition to the duty due, pay default surcharge at the rate of _____ of the duty due, refund of duty or drawback.

- (a) 12% p.a.
- (b) 10% p.a.
- (c) Kibor plus 3% p.a.
- (d) Kibor plus 2.5% p.a.

Q. NO. 10 Under the Customs Act “assessment” includes _____;

- (a) provisional assessment
- (b) reassessment
- (c) any order or assessment in which the duty assessed is nil;
- (d) all of the above

Q. NO. 11 Under the Customs Act no refund of any customs duties or charges claimed to have been paid or over-paid through inadvertence, error or misconstruction shall be allowed, unless such claim is made within _____ of the date of payment.

- (a) one year
- (b) two year
- (c) 120 days
- (d) 180 days

Q. NO. 12 Under the Customs Act the appropriate officer of Customs, _____ shall have access to business or manufacturing premises, registered office or any other place where any goods, stocks, documents or records relating to the ongoing audit are kept or maintained.

- (a) after giving a notice in writing of his visit
- (b) without giving a notice in writing of his visit
- (c) at all time
- (d) none of the above

Q. NO. 13 Under the Balochistan Sales Tax on Services law “Resident” individual means an individual who, in a financial year, has:

- (a) a place of business, whether whole or part thereof, in Balochistan in any mode, style or manner;
- (b) his permanent address, as listed in the individual’s national identity card, in Balochistan;
- (c) a permanent representative to act on his behalf or to provide service on his behalf in Balochistan;
- (d) any of the above all

Q. NO. 14 Under the Balochistan Sales Tax on Services law “Tax” means-

- (a) the sales tax, additional tax or default surcharge levied under the Act
- (b) a penalty, fine or fee imposed or charged under the Act
- (c) any other sum payable or recoverable under the provisions of the Act or the rules made there under
- (d) all of the above.

Q. NO. 15 Under the ICT Sales Tax on Services all the provisions of the Sales tax Act, 1990, and rules made and notifications, orders and instructions issued there under shall, mutatis mutandis, apply to the collection and payment of tax under this Ordinance in so far as they relate to_____.

- (a) manner, time and mode of payment
- (b) registration and de-registration
- (c) keeping of records and audit
- (d) enforcement and adjudication
- (e) penalties and prosecution
- (f) all other allied and ancillary matters
- (g) all of the above

Q. NO. 16 Under the KPK Provincial Sales Tax 'taxable service' is a service listed in the Second Schedule to this Act, which is provided_____:

- (a) by a registered person from his registered office or place of business in the Khyber Pakhtunkhwa;
- (b) in the course of an economic activity, including its commencement or termination of the activity.
- (c) by a unregistered person
- (d) None of above above

Q. NO. 17 Under the KPK Provincial Sales Tax law a provincial sales tax invoice may be issued by _____.

- (a) by a registered person only;
- (b) by an unregistered person
- (c) both (a) and (b)
- (d) None of the above.

Q. NO. 18 Under the Sindh Provincial Sales Tax Act "automated teller machine" means.

- (a) an interactive automatic machine,
- (b) owned or outsourced by banks and other financial institutions,
- (c) designed to dispense cash, accept deposit of cash, transfer money between bank accounts
- (d) facilitate other financial transactions including payments of bills
- (e) all of the above

Q. NO. 19 Under Punjab Provincial Sales Tax a person shall register under the Act, who—

- (a) Provides any taxable service from his office or place of business in the Punjab;
- (b) Is otherwise required to be registered under any of the provisions of the Act or the rules;
- (c) Fulfills any other criteria or requirements which the Authority may prescribe.
- (d) Any of the above.

Q. NO. 20 Under Punjab Provincial Sales Tax if a person who is not required to be registered applies for voluntary registration, the Authority may register the person if the Authority is satisfied that–

- (a) the person is providing, or shall provide a service that is taxable service if the person was registered;
- (b) the person has a place of business at which he carries on an economic activity;
- (c) there are reasonable grounds to believe that the person shall keep proper records and file regular returns as prescribed under the Act and the rules.
- (d) all of the above.

PART II

Each question carries 5 marks. (This Part consist of 6 questions)

Q. No. 1.

Mr. Sameer has just started a business as Supplier of Cane Molasses. He got himself registered but most of his clients are not yet registered. He incidentally heard that the federal government has specified certain goods, which a registered person is not allowed to supply to any person who is not registered under sales tax act 1990.

As advisor to Mr. Sameer, you are required to guide him as to:

What are those goods?

What would happen if a registered person happens to supply the said goods to a non-registered person?

Q. No. 2.

One of your friends (a registered person) comes to know that you are going to be commerce graduate and he also knows that you are studying the Sales Tax Act, 1990. Your friend has requested you to calculate the sales tax liability in the following situations:

He has sold taxable goods for Rs.300,000 to a public sector organization. How much amount will be deducted from the invoice amount?

How input tax paid on stock purchased before registration would be claimed from tax authority? i.e. local or import

What is meant by Tax on value addition? How to calculate it? Cost Rs.200,000, and Sale Rs.300,000.

Required: Please, explain all above situations in detail.

Q. No. 3.

Please Provide brief solutions in following scenarios:

- A registered person has supplied taxable goods worth Rs. 100,000 to a government department (i.e., withholding agent). Under this case tax is to be withheld at the rate of one-fifth of the sales tax as shown in the invoice. Compute the amount of sales tax deductible by the withholding agent and the amount payable to the supplier.
- A company manufactures such goods, which are specified by the Board to be taxed on the basis of value addition. Summary of transactions for a tax period is below:

○ Purchase of raw material	250,000
○ Manufacturing and other direct costs	150,000
○ Sales (800 units @ Rs. 500 per unit)	400,000
○ Closing stock of finished goods	80,000

The company processed the whole raw material purchased during the period and produced 1,000 units. You are required to compute the Sale tax liability of the Company.

Q. No. 4.

While completing the Sales tax return for the month of April 2021, the Finance Director of Breeze Ltd discovered the following errors in the company's return for the month of March 2021:

- Output Tax Understated by 80,000
- Input Tax Overstated by 30,000

Breeze Ltd.'s sales tax exclusive turnover for the month of April 2021 was 2.3 million.

Required:

Briefly explain, with supporting calculations, the action to be taken in relation to these errors.

Q. No. 5.

In the light of provisions of the Federal Excise Act, 2005, define the following terms:

- Dutiable supply - u/s 2 (8c)
- Un-manufactured tobacco- u/s 2 (24A)

In the following cases, who will be liable to pay duty under the relevant provisions of the Federal Excise Act, 2005?

- Goods produced or manufactured in Pakistan
- Goods imported into Pakistan.
- Services provided or rendered in Pakistan by the person residing outside Pakistan and Goods produced or manufactured in non-tariff areas and brought to tariff areas for sale or consumption therein.

Q. No. 6.

Explain the following in the light of the provisions of Federal Excise Act, 2005.

- (a) The persons who are liable to pay Federal Excise Duty.
- (b) The alternative sources on which duty may be levied and collected by the Board, in lieu of levying and collecting duties on goods and services.
- (c) What would be the value and the rate of duty applicable to any goods or services?
- (d) Circumstances under which duty drawback may be allowed to taxpayer and relevant authority who may grant such drawback.

PART III

Each question carries 8 marks. (This Part consist of 5 questions)

Q. NO. 1 Ali Trading Company (ATC) is registered under the Sales Tax Act, 1990 and is engaged in the business of manufacture and supply of consumer goods. Following information has been extracted from the records of ATC for the month of August 2020.

	Rupees
Supplies	
Local supplies to wholesalers	14,500,000
Local supplies to distributors	10,254,980
Exports	18,650,000
Local supplies to registered retailers	980,000
Supply of exempted goods	5,500,000
Purchases	
Local purchases from registered persons	50,982,000
Local purchases from un-registered persons	9,200,000

Following additional information is also available:

- (i) Supplies amounting to Rs. 540,000 were returned by registered retailers.
- (ii) An early settlement discount of Rs. 250,000 was given to local distributors.
- (iii) An amount of Rs. 500,000 was received from Imran Associates, representing 25% advance payment in respect of supply of a special order.
- (iv) ATC will supply this order in November 2020.
- (v) Goods pledged with a bank, were disposed of by the bank for Rs. 4 million in satisfaction of debt owed by ATC.
- (vi) Sales tax credit brought forward from previous month amounted to Rs. 854,700.
- (vii) Proper debit and credit notes have been issued wherever necessary.

Sales tax is payable at the rate of 17%.

All the above figures are exclusive of sales tax.

Required:

Under the provisions of the Sales Tax Act, 1990 compute sales tax payable/refundable and input tax credit to be carried forward, if any, for August 2020.

Q. NO. 2 M/s Safi Electronics are engaged in manufacturing of electronic goods and are registered under Sales Tax Act, 1990 as Manufacturer-cum-Exporter. During the month of March, 2021 their Sales/Purchases data were recorded as under:

	Rs.
(i) Local purchases:	
(a) From registered persons	4,500,000
(b) from un-registered persons	1,200,000
(ii) Imports	2,300,000

(iii) Utility bills, (exclusive of GST Rs. 75,000)	500,000
(iv) Sales to Registered Persons	3,200,000
(v) Sales to Un-registered persons	3,600,000
(vi) Exports	3,000,000

Notes:

1. All the above figures are exclusive of sales tax paid or recovered.
2. The owner also took goods worth Rs. 200,000 for his private use.
3. Purchases include an invoice of Rs. 100,000 dated: 27-2-2021 which was not included in the Sales Tax Return for February, 2021, due to it's late receipt.
4. Unadjusted input tax carried forward from last month amounted to Rs. 45,000.

Required:

Calculate Sales Tax payable by M/s Safi Electronics for the month of March 2021.

Q. No. 3.

Ex-Em (pvt) Ltd is manufacturer of wooden toys. Its business is spread thoroughly in local & International markets alike. The company got itself registered under Sales Tax Act 1990 some years ago. Among the vast array of its products, some supplies were taxable and some were listed under the 6th schedule, hence were exempted from the levy of sales tax. During the month of December 2020 the following transactions were recorded:

	Rupees
• Supply of wooden toys locally (taxable at applicable rate)	8,000,000
• Supply of wooden toys locally (listed under 6th Schedule)	1,200,000
• Exports of toys in foreign countries	4,000,000
• Import of raw wood for manufacturing detail:	
○ Amount stated on Commercial Invoice	3,000,000
○ Customs Duty @ 20%	
○ Federal Excise Duty	150,000
○ Value Assessed for Customs Duty (on I/c)	2,000,000
• Local purchase of wood from registered persons	1,500,000
• Local purchase of wood from unregistered persons	1,250,000
• Amount of Input tax brought forward from last two month	80,000

Ex-Em (pvt) Ltd were in search of an expert sales tax practitioner and advisor for last many months. Now as a test assignment you are approached to provide the Computation of sales tax liability for the month of December 2020, under Sales Tax Act, 1990.

All the above figures of taxable activities are exclusive of sales tax, wherever applicable.

Sales tax is payable at the rate of 17%.

Required:

In light of the provisions of the Sales Tax Act, 1990 and Rules made thereunder, compute the amount of sales tax payable by or refundable to Aay Bee Limited (ABL) for the tax period January 2021.

Note: Show all relevant exemptions, exclusions and disallowances.

Q. No. 4

Aay Bee Limited (ABL) is engaged in the business of production and supply of large variety of consumer goods. ABL is registered with the Inland Revenue Department for sales tax purposes. Following data has been extracted from the company's taxable activities for the month of January 2021:

	Rupees
Purchases	
Raw material	
From local registered suppliers	8,000,000
From local un-registered suppliers	9,000,000
Import	200,000
Import of Foam from Malaysia	1,200,000
Supplies	
Local	
Taxable supplies to registered persons	7,200,000
Taxable supplies to un-registered persons	3,500,000
Exempt goods	250,000
Sale of Foam imported from Malaysia	1,500,000
Export to Australia	600,000

All the above figures of taxable activities are exclusive of sales tax, wherever applicable.

Sales tax is payable at the rate of 17%.

Required:

In light of the provisions of the Sales Tax Act, 1990 and Rules made thereunder, compute the amount of sales tax payable by or refundable to Aay Bee Limited (ABL) for the tax period January 2021.

Note: Show all relevant exemptions, exclusions and disallowances.

Q. NO. 5 Zainab is registered under the Sales Tax Act, 1990 and is engaged in the manufacture and supply of Products A and B. Following information has been extracted from her records for the month of August 2020:

Supplies	Product A	Product B
Local Supplies	Rs. 5,350,000	Rs. 1,010,000
Export to Thailand	Rs. 2,550,000	Rs. 3,950,000
Purchases		
Local material from registered person		Rs. 6,000,000
Local material from unregistered person		Rs. 850,000

Additional information

- i. Product A is exempt from the charge of sales tax
- ii. Sales tax credit brought forward from previous month amounted to Rs. 262,500
- iii. Substandard supplies worth Rs. 150,000 were returned to the registered vendors and proper debit and credit notes were issued
- iv. A purchase invoice dated 5 February 2020 amounting to Rs. 100,000 had not been claimed inadvertently. This oversight was detected in the month of August 2020.

Required:

In the light of Sales Tax Act, 1990 and Rules made thereunder, calculate the following for the month of August 2020:

- (a) Sales tax payable / refundable
- (b) Input tax to be carried forward, if any