



Institute of Taxation of Pakistan

Model Question paper on Indirect Taxation

Duration: 3 hours

CTA Professional Level

Question: 01

Following information is extracted from the records of Rainbow Enterprises (Private) Ltd. The information pertains to the month of July 2020:

	Rs.
• Local taxable supplies to registered persons	5,000,000
• Local taxable supplies to unregistered persons	1,500,000
• Export supplies	3,000,000
• Purchased from registered suppliers	4,000,000
• Purchased from unregistered suppliers	1,000,000
• Sales of exempt goods	1,000,000
• Examination of creditors' ledger reveals that an amount of Rs.100,000 is still outstanding on account of the purchase made from a registered supplier on 23.1.2021. The input Tax on the said purchase was accounted for in the relevant tax period.	

Required: Determine the amount of sales tax liability. **(Marks 6)**

Question: 02

Mr. Kaleem is registered under the Sales Tax Act as a manufacturer as well as a commercial importer. He has provided you the following information for the month of February 2020:

	Rs. In million
Export of manufactured goods	30
Local sales of exempt manufactured goods	20
Local taxable supplies of manufactured goods	120
Local taxable supplies out of commercial imports	60
Local purchase of raw material from registered persons	160
Local purchase of raw material from unregistered persons	50
Commercial imports	40

All the above amounts are exclusive of sales tax. Commercial imports have been stated at C&F value and are subject to customs duty @ 10%. There was no stock of commercial imports at the beginning or end of the month.

Required: Compute the sales tax liability of Mr. Kaleem along with input tax to be carried forward (if any) in his sales tax return for the month of February 2020. **(Marks 11)**

Question: 03

Karim Bux is engaged in the business of providing courier and logistics services in Punjab and Sindh. His head office is located in Karachi and is registered with Sindh Revenue Board (SRB) as well as Punjab Revenue Authority (PRA). He pays the sales tax in the province from where the parcels are sent. Recently he has received a notice from Punjab Revenue Authority (PRA) asking him to pay tax on invoices raised in respect of parcels sent from Sindh to Punjab.

Required:

Under the provisions of the Provincial Sales Tax on Service Acts, advise Karim Bux on the notice issued by PRA. **(Marks 7)**

Question: 04

- a) Akram Associates (AA) always submits its monthly excise return in form STR-7 on due date and deposits the amount of duty due at the time of filing of return. On 10.11.2020, due to the death of one of AA's partners and subsequent closure of the firm for a period of 20 days, The October 2020 return could not be filed on time. The amount of duty due for October 2020 amounted to Rs.600, 000. The management has decided to file its October 2020 return and pay the duty due along with its November 2020 return on 15.12.2020. AA is also required to pay a penalty of Rs.50,000 to the Sindh Revenue Board.

Required: Under the provisions of the Federal Excise Act, 2005 compute the amount of duty payable for the month of October 2020. **(Marks 5)**

- b) Explain the circumstances under which a cottage industry is required to be registered under the Federal Excise Act, 2005. Also state condition under the provisions of Sales Tax Act, 1990 would not be applicable to such cottage industry. **(Marks 5)**

Question: 05

- a) Explain Duty Drawback with reference to Custom Act 1969 and enlist conditions for drawback. **(Marks 5)**
- b) What is meant by term "Pakistan Custom Tariff" (PCT). **(Marks 3)**
- c) What are the conditions for duty free re-import of plant and machinery? **(Marks 2)**

Question: 06

Shahid Ltd (SL) is engaged in the import, export and distribution various consumer goods. SL has recently expanded its business by setting up a manufacturing unit for various consumer goods. The manufacturing unit will start production in June 2021.

Following transactions were carried out during May 2021:

- I. SL purchased 5,000 bottles of locally manufactured shampoo at a cost of Rs.100 per bottle. The retail price of each bottle is Rs.110. During the month, SL sold all bottles to the retailers at Rs.105 per bottle. (Shampoo is included in the items listed on 3rd Schedule to the Sales Tax Act).
- II. The company imported 10,000 bottles of hair oil at import value of Rs.400 per bottle (exclusive of custom duty and sales tax). Custom duty was paid @ Rs.20 per bottle. Subsequently an export order was received and 500 bottles were re-exported to Azerbaijan at Rs.3,000 per bottle whereas 6,000 bottles were sold in the local market at Rs.350 per bottle.
- III. New plant including ancillary equipment was acquired for the manufacturing unit on which sales tax of Rs.32 million was paid.
- IV. SL paid sales tax of Rs.50,000 on foods and beverages used for the entertainment of the Company's employees.

Required: Compute the sales tax payable by SL for the month of May 2021. Give proper comments where any given information has not been utilized in the computation. **(Marks 13)**

Question: 07

“Where a service is provided over a period of time and payment for the same is made on a periodic basis, the service is treated as comprising two or more separate and distinct services each corresponding to the part of the service to which each separate part of the consideration relates.”

Under the provision of the Provincial Sales Tax on Service Acts, give two examples to illustrate the above provision. **(Marks 8)**

Question: 08

Muneer Enterprises (ME) is an AOP and is engaged in various businesses in the province of Sindh. ME is registered under the Federal Excise Act, 2005.

Following information has been extracted for the month of November 2020 from ME's records.

- I. Received Rs.875,000 in respect of services provided to Big Cargo Ltd against inland carriage of goods by air.
- II. Paid Rs.200,000 for charges on hiring chartered flights for the purpose of inland carriage of goods by air.
- III. Sold 26,000 bottles of aerated water under the brand name of 'Surchashma' to Bayaab Associates at a discounted price of Rs.95 per bottle. The retail price for each bottle in the market is Rs.112.
- IV. Received 2,000 liters of concentrates in syrup form worth Rs.90,000 from a local supplier on two months' credit. Concentrates are used in the manufacture of aerated waters.
- V. Paid Rs.80,000 on account of newspaper advertisement for boosting sales of aerated waters in Hyderabad. No services tax was paid to Sindh Revenue Board (SRB) in this regard.
- VI. Received Rs.150,000 in respect of franchise fee from Himalaya Enterprises. ME granted them the right to sell "Surchashma" in Malir. ME also paid service tax of Rs.19,500 on the franchise fee to SRB.

All the above figures are exclusive of excise duty, wherever applicable. Payments were made/received through banking channels, unless mentioned otherwise.

Required: In the light of the provisions of the Federal Excise Act, 2005 and Rules made thereunder, compute the amount of net duty payable by or refundable to ME for November 2020. **(Marks 10)**



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Question: 09

Enumerate four types of sales tax notices which may be issued by FBR for various offenses and penalties thereof, under the Sales Tax Act 1990. **(Marks 10)**

Question: 10

Mr. Wasif Mansha has received following Notice u/s 11(1) read with section 26 and 33(1) of Sales Tax Act 1990 on November 05, 2021

Subject: - NON-FILING OF MONTHLY SALES TAX RETURN(S).

Please refer to the subject cited above.

As per analysis of Sales Tax Profile data available with FBR's E-Portal it has been observed that you have not filed monthly sales tax return(s) for the tax period(s) 202110 by the due date establishing non-filing on your part. It is violation of Section 6, 7 & 26 of Sales Tax Act, 1990 read with Sales Tax Rules, 2006 which attracts penalty of Rs.10,000/-under Section 33(1) of said Act, 1990 and default surcharge under Section 34(1)(a) ibid. You are, therefore, requested to file the sales tax return(s) through e-portal e.fbr.pk within five (15) days from the date of issuance of this notice along with the penalty and the default surcharge due as per law.

Non-compliance on your part will lead this office to determine the minimum tax liability under the provisions of Section 11(6) of Sales Tax Act, 1990 as per available record/information without prejudice to any other action due as per law.

Please do not hesitate to contact the under-signed, if you have any query in this regard.

Required: Being a tax advisor draft a reply to notice as Mr. Wasif Mansha a 'registered person' has been non-compliant in filing of the sales tax returns for October 2021. **(Marks 15)**