

The Institute of Taxation of Pakistan
CTA – Application Level
January 2022 Attempt
INTERNATIONAL TAX

Q. No. 1

- a) How many models are available currently for international tax? **[M-3]**
- b) List down the core articles of each model? **[M-7]**
- c) What are the key differences in those models **[M-5]**

Q. No. 2

- a) Explain the term “Permanent establishment”? **[M-5]**
- b) What are the main ingredients that could result in constitution of a PE in any country? **[M-5]**

Q. No. 3

- a) How a conflict between double taxation treaty and local law is to be mitigated? **[M-5]**
- b) Discuss the circumstances warranting disregarding the treaty **[M-10]**

Q. No. 4

ABC Ltd a UK based company is operating a liaison office in Pakistan. Explain its taxation under the DTA with UK **[M-5]**

Q. No. 5

How to deal with entities that can be treated as resident of both the treaty countries. **[M-5]**

Q. No. 6

If an income can be categorized in business Income as well as under any of the other heads available under DTA can it still be treated as business Income? **[M-5]**

Q. No. 7

AutoCad Limited a UK based entity [with no PE in Pakistan] invested in Pakistan Ltd [a public non listed company] acquiring its 60% holding as under;

20,000,000 shares @ 10 each on 21-10-2016

40,000,000 shares @ 25 each on 25-10-2018

Pakistan Limited went for listing in June 2020 through IPO, listing notification was issued on 15-8-2021 whereas shares in CDC as per certificate issued by CDC were entered on 13-8-2021, First settlement date for transaction is fixed for 23-8-2021. AutoCad Limited sold all of its shareholding through the said IPO. You, being the tax advisor of AutoCad Limited are required to

- a) Calculate the capital gain arising on sale of shares **[M-3]**

- b) If shares are to be taxed under local law what would be the date of disposal of shares [M-3]
- c) If shares are to be taxed under treaty what would be their position [M-3]
- d) Whether gain is taxable in TY 2020 or TY 2021 [M-3]
- e) AutoCad received interim dividend amounting to Rs. 20 million on 15 January 2020 and final dividend of Rs. 50 million on 18th July 2020. The interim dividend was remitted to UK but final dividend is still lying-in company's bank account maintained with a Pakistani Bank in Islamabad. Explain the taxation of dividend income of AutoCad in Pakistan. [M-3]

Q. No. 8

- a) List down the "Transfer Pricing" methods under local law? [M-8]
- b) What is the meaning and significance of term "Arm's Length Principle under OCED Model Tax Convention? [M-7]

Q. No. 9

The OECD's Action Plans to address Base Erosion and Profit Shifting (BEPS) were structured around three fundamental principles and specified various action plans.

- a) Briefly explain these fundamental principles. [M-3]
- b) Briefly discuss following Action Plans: [M-12]
 - Action1 Digital Economy
 - Action 3 Strengthen CFC Rules
 - Action 5 Exchange of Information on Tax Rulings
 - Action 6 Prevent Treaty Abuse

TAX RATES FOR AN AOP FOR THE TAX YEAR 2022 ARE AS UNDER.

S. No.	Taxable income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 400,000	0%
2.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000
3.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
4.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000
5.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000
6.	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

The End