

## Question No.1

From the following data, calculate the tax payable by Mr. Sohail Aslam for the year ended 30<sup>th</sup> June 2018:

- (a) Salary Rs. 19,500 p.m.
- (b) Special pay Rs. 3,000 p.m.
- (c) Bonus for the year Rs. 38,000.
- (d) Conveyance allowance Rs. 1,500 p.m.
- (e) Free accommodation provided by the employer. He was entitled to a house allowance of Rs. 72,000.
- (f) Medical expenses reimbursed by his employer under the contract of employment Rs. 24,000.
- (g) Zakat paid under Zakat Ordinance during the year Rs. 11,300.
- (h) Donation to approved charitable institutions under section 61 Rs. 15,000.
- (i) Legal expenses during the year Rs. 6,000.
- (j) Amount paid for approved pension scheme during the year Rs. 90,000.
- (k) Shares of listed companies purchased Rs. 6,000.

### Solution

Mr. Sohail Aslam  
Tax Year: 2018  
Tax Year Ended: 30.6.2018  
Residential Status: Resident  
Computation of Tax Payable

	Rs.
Basic salary @ Rs. 19,500 p.m.	2,34,000
Bonus	38,000
Special pay(3000 x 12)	36,000
Conveyance allowance (1500 x 12)	18,000

INCOME TAX

	Rs.	
Value of free accommodation 45% of salary or Rs. 72,000 whichever is higher		1,05,300
Rs. 1,05,300 or Rs. 72,000 whichever is higher, so	24,000	
Medical expenses reimbursed	<u>24,000</u>	-
Exempt (as paid under employment contract)		4,31,300
Total Income		<u>11,300</u>
Less Zakat paid		<u>4,20,000</u>
Taxable Income		
<i>Computation of Tax Payable</i>		
Income tax 2% (Rs. 4,20,000 – (4,00,000))		<u>400</u>
<i>Amount admissible for Average Relief</i>		
(a) Donations to approved charitable institution (Maximum limit 30% of taxable income 30% of Rs. 4,20,000 = 1,26,000 So amount paid is within limits)		15,000
(b) Contribution to approved pension scheme (Maximum limit 20% of taxable income, whichever is less) 20% of 4,20,000 = 84,000 So only 84,000 will be allowed for relief	<u>90,000</u>	84,000
(c) Shares of listed companies purchased (Maximum limit 20% of taxable income or Rs. 15,00,000, whichever is less 20% of Rs. 4,20,000 = 84,000 So the amount is within limits)	<u>6,000</u>	<u>6,000</u>
Amount admissible for average relief		<u>1,05,000</u>

*Rebate of Tax*

$$= \frac{\text{Gross Tax}}{\text{Taxable Income}} \times \text{Amount Admissible for Average Relief}$$

$$= \frac{400}{4,20,000} \times 1,05,000$$

100

Total Tax Payable (Rs. 400 – 100)

300

## SALARY

### *Notes*

1. It is assumed that proper receipts for medical expenses are available with Mr. Sohail Aslam.
2. It is also assumed that donation to approved charitable institutions was given through crossed cheques drawn on bank.
3. Personal legal expenditures are not entitled for average relief with effect from tax year 2003.

## Question No. 2

Mr. Aamir Malik received the following emoluments during the year ended 30<sup>th</sup> June 2018:

1.	Basic salary (Rs. 30,000-5,000-60,000)	Rs. 40,000 p.m.
2.	Free accommodation provided by employer. He was entitled to a house allowance of 60% of basic salary.	
3.	Cost of motor vehicle (conveyance provided by employer for personal use)	7,00,000
4.	Concessional loan obtained from employer @ 8% p.a.	30,00,000
5.	Free passage 4 air tickets provided by an airline to its employee @ Rs. 40,000 per ticket	
6.	Medical allowance	50,000
7.	Dearness allowance	12,000
8.	Agricultural income	90,000
9.	Life insurance premium paid by employee	1,20,000
10.	Special allowance	5,000
11.	Dividend received from public company	10,000
12.	Profit of debts	25,000

**Required.** Calculate tax payable by Mr. Aamir Malik.

**Solution**

Mr. Aamir Malik  
 Tax Year: 2018  
 Tax Year Ended 30<sup>th</sup> June 2018  
 Personal Status: Individual  
 Residential Status: Resident  
 Computation of Tax Payable

	Rs.	Rs.
Income from Salary (Section 12)		
Basic salary @ Rs. 40,000 p.m. (Rs. 30,000-5,000-60,000) Rs. 40,000 × 12		4,80,000
Dearness allowance		12,000
Free accommodation @ 60% of basic salary or 45% of MTS Rs. 2,88,000 or Rs. 1,62,000 whichever is higher (i.e. included)		2,88,000
Conveyance provided by employer for personal use Cost of motor vehicle Rs. <u>7,00,000</u> (Rs. 7,00,000 @ 10%)		70,000
Concessional loan obtained @ 8% Rs. <u>30,00,000</u> Benchmark rate @ 10% (Difference, i.e. 10 – 8 = 2%, Rs. 30,00,000 @ 2%)		60,000
Free passage 4 air tickets provided by an airline to its employee @ Rs. 40,000 per ticket (Rs. 40,000 × 4)		1,60,000
Medical allowance	50,000	
Less Exempt 10% of basic salary (Rs. 4,80,000 @ 10%)	<u>48,000</u>	2,000
Agricultural income	<u>90,000</u>	-
Special allowance	<u>5,000</u>	-
Total taxable income		<u>10,72,000</u>
<b>Computation of Gross Tax</b>		
Income tax on Rs. 7,50,000	14,500	
Plus tax @ 10% on balance Rs. 322,000		

SALARY

(Rs. 10,72,000 – 7,50,000)	<u>32,200</u>	46,700
<i>Amount Admissible for Average Relief</i>		
Life insurance premium paid by employee	<u>1,20,000</u>	
Restricted upto 20% of taxable income (Rs. 10,72,000 @ 20%) Rs. 2,14,400 or Rs. 15,00,000, so actual is within limits		
<i>Average Relief</i>		
$\frac{46,700}{10,72,000} \times 1,20,000$		<u>5,228</u>
Tax payable		<u>41,472</u>
<u>Tax under FTR</u>		
Dividend from public company(10,000 @ 15 %)	1,500	
Profit on debts (25,000 @ 10 %)	<u>2,500</u>	<u>4,000</u>

**Notes**

1. Through an amendment in Finance Act, 2018 the rate of tax on dividend received by individual who is filer is @ 15 %
2. The existing rate of with holding tax on profit on debts is @ 10% restricted up to the profits of Rs. five million.
3. In case of accommodation, the entitlement of accommodation or 45% of MTS whichever is higher, *i.e.* included.
4. In case of medical allowance, if free medical treatment or hospitalization or re-imbursment of medical or hospitalization charges is not provided, then exempt upto 10% of basic salary.
5. Agricultural income is fully exempt.
6. Free air ticket provided by airline to its employee is fully taxable with effect from tax year 2014.

### Question No. 3

Following data relates to Mr.Rashid Khan for the year ended 30.06.2018.

	Rs.
Basic Salary	250,000 Pm.
Dearness Allowance	500,000
Medical Allowance	400,000
Travelling allowance	275,000
Senior Post Allowance	375,000
Dividend received	220,000
Income from wining in a lottery	100,000
Zakat paid	35,000
Mark up on loan for house construction	240,000
Investment on Health Insurance	72,000
Tuition fee of school children	360,000

Investment in shares during the year	565,000
Total investment in shares	17,00,000
Contribution to approved pension funds	35,000
(Mr. Rashid contributes to 2 pension funds equally)	

**Required:** Compute tax payable by Mr. Rashid Khan. He is a filer.

**Solutions**

Mr. Rashid Khan

Tax year 2018

Tax year ended 30.06.2018

Residential status Individual

Computation of tax payable

**Income from Salary (Section 12)**

Basic Salary @ 250,000 Pm.		30,00,000
Dearness Allowance		500,000
Medical allowance	400,000	
Exempt 10% of BS	<u>300,000</u>	100,000
Travelling Allowance	<u>275,000</u>	--
Senior Post Allowance		<u>375,000</u>
Total Income from Salary		39,75,000
Dividend	<u>220,000</u>	—
(to be taxed separately under FTR)		
Income from lottery	<u>100,000</u>	—
(to be taxed under FTR)		
Gross total Income		<u>39,75,000</u>
Less : Zakat Paid	35,000	
: Mark up loan for house construction	240,000	
(less than 50% of income or		
Rs. 20,00,000)		
: Tuition fee paid	<u>360,000</u>	
(not allowed as income of Mr. Rashid Khan		
exceeds Rs. 15,00,000)		<u>275,000</u>
Total Income		<u>37,00,000</u>



SALARY

Gross Tax

Tax on Rs. 35,00,000 472,000

Tax on balance Rs. 200,000 @ 25% 50,000

Gross Tax 522,000

Amount admissible for average relief

Investment in health insurance  
(allowed up to 5% of income or  
Rs. 150,000 whichever is less so  
whole allowed) 72,000

Contribution to approved pension  
(amount is within limits) 35,000

Investment in shares during the year  
(within limits so whole allowed) 565,000

672,000

Average Relief

$\frac{\text{Gross Tax}}{\text{Taxable Income}} \times \text{Amount entitled for average relief}$

$\frac{522,000}{37,00,000} \times 672,000 =$  94,806

Net tax (522,000- 94,806) 427,194

Tax under FTR

Dividend received 220,000

Rate of tax on dividend for filer 15 %

(220,000 @ 15%) 33,000

Income from lottery 100,000

Rate of tax for 2018 @ 20% 20,000

(100,000 @ 20%) 53,000

Note:

1. Educational expenses are not allowed if the total income is Rs. 15,00,000 or above.
2. Total investment in shares is not taken into consideration, only current years investment is to be treated as per law.
3. The concession is available for contribution to only one approved pension fund.

## Question No.4

Mr. Ghulam Ali is General Manager of a limited company. He is paid the following remuneration during the year ended 30<sup>th</sup> June 2019:

1.	Salary	Rs. 50,000 per month
2.	Bonus	Rs. 78,000
3.	Entertainment allowance	Rs. 25,000
4.	Compensatory Allowance	Rs. 50,000

The following facilities are also provided to him by the employer:

1. A car which is owned and maintained by the employer for official as well as personal use. The cost of car was Rs. 13,00,000.
2. A free accommodation has been provided.
3. Free medical facilities. The employer spent Rs. 40,000 on these facilities during the year.
4. A domestic servant whose salary amounted to Rs. 72,000 during the year was provided by the employer.

Mr. Ali claims rebate of tax on following items:

(a)	Life Insurance premium paid	Rs. 80,000
(b)	Premium for Health Insurance	27,000
(c)	Donation to Bait-ul-Mal	34,000
(d)	Zakat paid under Zakat Ordinance	40,000
(e)	Ghulam Ali paid Rs. 12,00,000 for tuition fee of his two sons. He has provided the required documents.	

Calculate the tax payable by Mr. Ghulam Ali.

### Solution

Mr. Ghulam Ali  
 Tax Year: 2019  
 Tax Year Ended: 30.06.2019  
 Residential Status: Resident.  
 Computation of Tax Payable

SALARY

	Rs.	
Basic salary @ Rs. 50,000 p.m.	600,000	
Bonus (wholly taxable)	78,000	
Entertainment allowance (wholly taxable)	25,000	
Value of conveyance facility (5% of cost of car) 13,00,000 @ 45 %	65,000	
Value of accommodation (45% of basic salary) 600,000 @ 45 %	270,000	
	Rs.	
Medical facilities	<u>40,000</u>	—
Compensatory allowance		<u>50,000</u>
Total Income		10,88,000
Less: Tuition fee paid for his sons	<u>12,00,000</u>	
<u>Maximum amount allowed</u>		
i) 5 % of tuition fee paid (1200000@ 5%)	<u>60,000</u>	
ii) 25 % of income (1088000@ 25%)	<u>272,000</u>	
iii) No of children 2 x 60,000	<u>120,000</u>	
Whichever is less so	60,000	
:Zakat paid	<u>40,000</u>	<u>100,000</u>
Taxable Income		<u>988,000</u>
<i>Gross Tax</i>		
Income tax on Rs. 800,000 to 12,00,000		2,000
<i>Amount Admissible for Average Relief</i>		
Life insurance premium paid (amount within limit see noter-7)	80,000	
Premium for Health Insurance (amount within limit see note-8)	<u>27,000</u>	
Total amount	<u>107,000</u>	
<i>Less Rebate of Tax</i>		
Average Relief = $\frac{2,000}{988,000} \times 107,000$		<u>217</u>
Tax Payable with return		<u>1,783</u>

## **Notes**

1. Rent free accommodation is provided but rent entitlement is not known, so 45% of basic salary is included as value of accommodation.
2. No deduction in respect of donation to Bait-ul-Mal fund is available with effect from tax year 2003.
3. Salary paid to domestic servant by employer is a profit in addition to salary and is fully taxable.
4. Concession on tuition fee paid has been deducted as per rules.
5. w.e.f. year 2019 Compensatory allowance received by employee of Pakistan Army is exempt from tax otherwise taxable.
6. The maximum limit for premium paid in life insurance policy has been increased to Rs. 2 million w.e.f. tax year 2019.
7. Life insurance premium paid or 20% of taxable income or Rs. 20,00,000 whichever is less (80000 or 197600 or 20,00,000) so Rs. 80,000.
8. Premium for Health Insurance or 5 % taxable income or Rs. 150,000 whichever is less so Rs. (27000 or 49400 or Rs. 150,000)

**Question No.5**

Mr. Zaheer Ahmad is the Chief Accountant of Packages Mall Lahore. He has furnished the following particulars of his income for the tax year ended 30<sup>th</sup> June 2018:

Basic salary	Rs. 700,000
Bonus	80,000
Medical allowance	75,000
medical bill reimbursed (without national tax number of medical practitioner)	40,000
Commission	75,000
Senior post allowance	36,000
Re-imburement of internet bill (used for private purpose)	25,000
Leave encashment during continuity of employment	120,000
Utilities allowance	85,000
Relocation allowance	30,000
Fees for refresher course paid by employer	25,000
Concessional loan benefit @ 8%	10,50,000
Cash withdrawal from bank	80,000
Hotel bills paid by the company relating to a pleasure trip	50,000
Purchase of domestic air ticket	35,000
Accidental Insurance premium paid by the employer	28,000
Tax liability borne by the employer	—
Free coupon for lunch	20,000

**Notes**

1. Conveyance provided by employer for personal use of employee. Car was purchased by employer for Rs. 600,000.
2. Zaheer Ahmad was provided rent-free furnished accommodation by his employer. He was entitled to an accommodation allowance of Rs. 20,000 per month, if this accommodation was not provided to him.
3. Withholding tax paid on purchase of domestic air ticket Rs. 1,750.
4. Zakat paid to an approved organization through crossed cheque Rs. 38,000.

INCOME TAX

5. Bonus due but not yet received in current year  
 Required. Calculate tax payable by Zaheer Ahmad

**Solution**

Mr. Zaheer Ahmad  
 Tax Year: 2018  
 Tax Year Ended: 30.06.2018  
 Residential Status: Resident  
 Computation of Tax Payable

	Rs	Rs.
Income from Salary (Section 12)		700,000
Basic salary		75,000
Commission		--
Bonus	<u>80,000</u>	--
Relocation allowance	<u>30,000</u>	--
Senior post allowance		36,000
Rent free furnished accommodation Value of accommodation facility		
(a) Entitled amount of rent (Rs. 20,000 × 12)	<u>240,000</u>	
(b) 45% of basic salary (Rs. 700,000 × $\frac{45}{100}$ )	<u>315,000</u>	
whichever of (a) or (b) is higher		315,000
Conveyance provided by employer for personal use Value of conveyance facility 10% of acquisition cost of car (Rs. 600,000 × $\frac{10}{100}$ )		60,000
Medical Allowance	75,000	
less exempt basic salary (Rs. 700,000 × $\frac{10}{100}$ )	<u>70,000</u>	5,000
Medical bill reimbursed (without national tax number of medical practitioner)		40,000
Concessional loan benefit @ 8% Benchmark rate @ 10%	<u>10,50,000</u>	

**ASSESSMENT OF INDIVIDUAL SALARIED PERSONS**

(Difference, i.e.  $10 - 8 = 2\%$ )

Rs. 10,50,000 @ 2%

Free Coupon for lunch		21,000
Accidental Insurance premium paid by Employer		20,000
Leave encashment during continuity of employment		28,000
Re-imbursment of internet bill (used for private purpose)		120,000
Hotel bills for pleasure trip		25,000
Utilities allowance		50,000
Fees for refresher course paid by employer	<u>25,000</u>	85,000
Total Income excluding tax borne by employer		<u>15,80,000</u>
<i>Less</i> Zakat paid to an approved organization through crossed cheque		<u>          </u>
		<u>15,80,000</u>

**Computation of Tax Payable**

Income tax on Rs. 15,00,000	92,000
Income tax on balance Rs. 80,000 @ 15%	<u>12,000</u>
	<u>104,000</u>
Grossing up amount (Rs. $104,000 \times \frac{100}{85}$ )	<u>122,353</u>

(In case the employer agrees to pay the amount of tax)

**Computation of Taxable Income Including the Amount of Tax Payable by Employer**

Taxable income (excluding tax borne by the employer)	15,80,000
<i>Add</i> Tax borne by the employer	<u>122,353</u>
Taxable income (including tax borne by the employer)	<u>17,02,353</u>

**Computation of Tax Payable**

Income tax on Rs. 15,00,000	92,000
Income tax on balance Rs. 202,353 @ 15%	<u>30,353</u>
	122,353
<i>Less</i> Tax paid by the employer	<u>122,353</u>

Nil*Less* Tax deducted at source:

Withholding tax paid on purchase of domestic air ticket(35,000@5%)	1,750	
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Cash withdrawal from bank (Rs.80,000 @ 0.3%)	<u>240</u>	<u>1,990</u>
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Refund of tax		<u>1,990</u>
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*Notes*

1. Bonus due but not yet received in current year is not taxable in the current year, as the salary is taxable on receipt basis.
2. Medical bill reimbursement is without National Tax Number of Medical Practitioner so shall be taxable.
3. Benchmark rate for the tax year 2018 is @ 10%. The employer has charged the interest at the rate which is less than the bench mark rate, so difference of 2% will be included in the taxable income.
4. There is no tax treatment on purchase of domestic air ticket. Amount of tax deducted, however, is an adjustable amount and so has been adjusted against gross tax.
5. Where an employer agrees to pay the tax chargeable on an employee's salary, then employee's taxable salary shall include grossed up amount of tax payable.

$$\text{Grossed up amount} = \text{Gross tax} \times \frac{100}{100 - R} \left( \frac{100}{100 - 15} = \frac{100}{85} \right)$$

$R$  = Rate applied for gross tax = 15%

6. If a person withdraws in cash a total amount exceeding Rs. 50,000 in a day, the banking company shall, at the time of making such payment, deducted tax @ 0.3%.
7. Relocation allowance is paid to meet the re-settlement expenses of an employee as a result of transfer and it is just like TA/DA so exempt.
8. Zakat paid to an approved organization cannot be treated as deductible allowance as per Section 60 of the Income Tax Ordinance, 2001, which



provides that only such Zakat shall be deductible allowance as has been paid by the person under Zakat and Usher Ordinance, 1980.

9. It is assumed that the refresher course was required and beneficial for the performance of official duty. Therefore, the fee paid by the employer will not be taken into consideration.
10. There will be no tax credit for accidental insurance premium paid by the employer, as obligation of the employee, it is totally taxable.
11. Free coupon for lunch is taxable as the same is not provided during the course of work.

### **Question No.6**

Determine taxable income and tax payable of Mr. Nazir Ahmad for the tax year ended 30<sup>th</sup> June 2018 on the basis of the following information:

Basic salary	Rs. 750,000
Dearness allowance	60,000
Special additional allowance	40,000
Medical bill re-imburement (with NTN of Medical practitioner)	20,000
Research allowance	55,000
Utilities allowance (including petrol for generator Rs. 25,000)	65,000
Lunch allowance	30,000
Orderly allowance	42,000
Concessional loan received @ 6% from employer	800,000
Zakat personally paid to poor relative	35,000
M.Phil Allowance	25,000
Children education facility in employer's institution	38,000
Conveyance provided by employer partly for personal and partly for official use. Car was purchased by employer for Rs. 700,000.	
Compensation for temporary disablement	85,000
Cash withdrawal from bank	100,000
Tax paid with motor vehicle	18,000
Donation to Shaukat Khanum memorial Hospital Lahore	75,000

INCOME TAX

Reward on passing Departmental examination	80,000
Profit on debts	35,000

*Notes*

1. Mr. Nazir Ahmad was provided with rent free unfurnished accommodation by his employer. He was entitled to receive rent @ Rs. 30,000 per month, if this accommodation was not provided to him.
2. Donation to Bait-ul-Mal fund Rs. 25,000.
3. Entertainment facility provided by employer during official tour Rs. 10,000.
4. Leave encashment amounting to Rs. 250,000 was paid on July 5th, 2018.
5. Tax of Rs. 20,000 shall be deducted from salary and the balance is to be borne by the employer.
6. Communication allowance paid as a head of information technology department Rs. 48,000

**Solution**

Mr. Nazir Ahmad  
 Tax Year: 2018  
 Tax Year Ended: 30.06.2018  
 Residential Status: Resident  
 Computation of Tax Payable

	Rs.	Rs.
Income from Salary (Section 12)		
Basic salary		750,000
Dearness allowance		60,000
Special additional allowance		40,000
Concessional loan received @ 6%	<u>800,000</u>	-
Rent free unfurnished accommodation		
Value of accommodation facility		
(a) Entitled amount of rent		
(Rs. 30,000 × 12)	<u>360,000</u>	
(b) 45% of basic salary		
(Rs. 750,000 × $\frac{45}{100}$ )	<u>337,500</u>	
whichever of (a) and (b) is higher		360,000

**ASSESSMENT OF INDIVIDUAL SALARIED PERSONS**

Conveyance provided by employer partly for personal and partly for official use		
Value of conveyance facility		
5% of acquisition cost of car (Rs. 700,000 × $\frac{5}{100}$ )		35,000
Medical bill re-imburement		
(with NTN of the medical practitioner)	<u>20,000</u>	—
Communication allowance		48,000
Orderly allowance		42,000
Reward on passing Department Examination		80,000
Utilities allowance		65,000
M. Phil Allowance		25,000
Lunch allowance		30,000
Research allowance		55,000
Compensation for temporary disablement		85,000
Children education facility in employer's institution	<u>38,000</u>	—
Expenditure incurred on entertainment facility provided by employer during official duty	<u>10,000</u>	—
Total Income		<u>16,75,000</u>
<i>Less</i> Donation to Shaukat Khanum memorial Hospital Lahore		<u>75,000</u>
Taxable Income		<u>16,00,000</u>
<b>Computation of Tax Payable</b>		
Income tax on Rs. 15,00,000		92,000
Income tax on balance Rs. 100,000 @ 15%		<u>15,000</u>
		107,000
		<u>20,000</u>
Less tax borne by the employee		<u>87,000</u>
Grossing up amount (Rs, 87,000 × $\frac{100}{85}$ )		<u>102,353</u>
In case the employer agrees to pay the balance amount of tax		

Computation of taxable income including the Amount of tax payable by employer

INCOME TAX

Taxable income (excluding tax borne by employer)		16,00,000
Add tax borne by employer		<u>102,353</u>
Taxable income (including tax borne by the employer)		<u>17,02,353</u>
Computation of tax payable		
Income Tax on 15,00,000		92,000
Income tax on balance 202,353 @ 15%		<u>30,353</u>
		122,353
Less: tax deducted at source from salary	20,000	
:Tax paid by employer	<u>102,353</u>	<u>122,353</u>
		<u>Nil</u>
Less Tax deducted at source		
:Cash withdrawal from bank (Rs. 100,000 @ 0.3%)	300	
:Tax paid with motor vehicle	<u>18,000</u>	
	<u>18,300</u>	
Refund of tax		<u>18,300</u>
Tax on Final Tax Regime		
Tax on profit on debts Rs. 35,000 @ 10%		<u>3,500</u>

**Notes**

1. Any amount paid as donation to Donation to Shaukat Khanum memorial Hospital approved under clause 61 of Schedule 11 is allowed as direct deduction from total Income upto 30% total income.
2. No deduction in respect of donation to Bait-ul-Mal fund is available with effect from 2003.
3. In tax year 2018, bench mark rate shall be @ 10%, but shall not be calculated if the loan amount is Rs. 10,00,000 or below.
4. Utilities allowance is totally taxable with effect from 1<sup>st</sup> July 2006.
5. Same procedure is to be adopted whether accommodation provided is furnished or unfurnished.
6. Any Zakat which is paid personally cannot be deducted while computing the taxable income.

## ASSESSMENT OF INDIVIDUAL SALARIED PERSONS

7. There is no tax treatment of entertainment facility provided by employer during official tour. No benefit to the employee.
8. If a person withdraws cash a total amount exceeding Rs. 50,000 in a day, the banking company shall, at the time of making payment, deduct tax @ 0.3%.
9. The amount of leave encashment is received in the month of 5<sup>th</sup> July 2018, so shall be included in the taxable income of next year.
10. Medical bill re-imburement is along with NTN of medical practitioner so shall be exempt.
11. Communication allowance is taxable and shall be included in salary income.

## Question No.7

From the following data, compute the taxable income and tax payable of Mr. Mohammad Tahir for the tax year ended 30<sup>th</sup> June 2018:

	Rs. 400,000
1. Income from property (Repair charges Rs. 80,000, Advance tax on rent paid Rs. 10,000)	
2. Unadjustable advance rent received	150,000
3. Income from business	370,000
4. Profit on sale of timber purchased	250,000
5. Profit on sale of inherited house (holding period more than 3 yeas)	1,00,000
6. Disposal of moveable property held for personal use	40,000
7. Gift amount received from father through crossed cheque	90,000
8. Share of profit from AOP	15,000
9. Zakat deducted	30,000
10. Investments made in shares of listed companies	60,000
11. Dividends from listed company	10,000
12. Winning from lottery	25,000
13. Tax paid on cash withdrawal from bank	2,000
14. Loss from speculation in shares	35,000
15. Life insurance premium paid	45,000
16. Loss in sales of painting	18,000
17. Income(Rent) from facilities attached with building	50,000
18. Purchase of Sukkus offered by Public Company	70,000
19. Donation to approved institution under clause 61 of 2 <sup>nd</sup> schedule	20,000

### Solution

**Mr. Mohammad Tahir**

**Tax Year: 2018**

**Tax Year Ended: 30.06.2018**

**Residential Status: Resident**

**Computation of Taxable Income and Tax Payable**

ASSESSMENT OF INDIVIDUAL NON-SALARIED PERSONS

	Rs.	Rs.
<b>Income from Property (Section 15)</b>		
Rental income from property	400,000	
Add $\frac{1}{10}$ <sup>th</sup> of unadjustable advance rent received (Rs. 150,000 $\times$ $\frac{1}{10}$ )	<u>15,000</u>	
Rent chargeable to tax (taxable at separate rates of tax)	<u>415,000</u>	-
<b>Income from Business (Section 18)</b>		
Business income	370,000	
Profit on sale of timber	<u>250,000</u>	620,000
<b>Capital Gain (Section 37)</b>		
Profit on sale of inherited house (holding period more than 3 years)	<u>1,00,000</u>	-
Totally exempt		
Loss on sale of painting	<u>18,000</u>	
<b>Income from Other Sources (Section 39)</b>		
Disposal of moveable property held for personal use	<u>40,000</u>	--
Income (Rent ) from facilities attached with building		50,000
Gift amount received from father through crossed cheque	<u>90,000</u>	-
<b>Total Income</b>		<u>670,000</u>
Less: Donation to approved institution under clause 61 of 2 <sup>nd</sup> schedule within limit	20,000	
Zakat deducted	<u>30,000</u>	<u>50,000</u>
<b>Actual Taxable Income</b>		620,000
Add Share of profit from AOP (included for rate purpose)		<u>15,000</u>
<b>Taxable Income for Rate Purpose</b>		<u>635,000</u>
<b>Computation of Tax Payable on Taxable Income for Rate Purpose.</b>		
Income tax on Rs. 500,000	7,000	
Income tax on balance 135,000 @ 10%	<u>13,500</u>	<u>20,500</u>
<b>Computation of Taxable on Actual Taxable Income</b>		

Tax on Taxable Income  
for Rate Purpose  
Taxable Income × Actual Taxable Income  
for Rate Purpose

$\frac{20500}{635000} \times 620000$

20,016

Add: Income on property income exceeding Rs. 200,000  
(415,000-200,000) 215,000 @ 5 %

10,750

30,766

Amount Admissible for Average Relief

1. Shares of listed companies Rs. 60,000  
Amount admissible 60,000

(Shares of listed co. Rs. 60,000 or 20% of taxable income or Rs. 15,00,000, whichever is less, 20% of Rs. 10,35,000 = Rs. 207,000 Rs. 60,000 or Rs. 207,000 or Rs. 15,00,000 so Rs. 60,000 will be allowed for relief)

2. purchase of Sukkus offered by public Co. Rs. 70,000  
restricted up to 20 % taxable  
Income or Rs..150,000 whichever is less so)  
Amount admissible 70,000

3. Life insurance premium paid Rs. 45,000  
Restricted up to 20% taxable income or  
Rs. 15,00,000 whichever is less so  
Amount admissible 45,000

Note: If a person purchases shares of listed company  
Sukkus offered by Public Company  
And also pay life insurance premium rebate  
Can be calculated only one which ever amount is  
higher so 70,000

Less Average Relief

Amount of Tax on Actual Taxable Income × Amount Admissible  
Taxable Income for Rate Purpose for Average Relief



ASSESSMENT OF INDIVIDUAL NON-SALARIED PERSONS

$$\frac{20500}{635000} \times 70000$$

2,260

Less Tax deducted at source on cash withdrawal 2,000 28,506

Advance tax on rent paid 10,000 12,000

Tax Payable with return 16,506

6,500

Tax under Final Tax Regime

Winning from lottery (Rs. 25,000 @ 20%) 5,000

Dividend from listed company  
(Rs. 10,000 @ 15%) 1,500

6,500

**Notes**

1. *Speculation Loss.* This will be carried forward for adjustment against future speculation gains up to six years.
2. In case of unadjustable advance rent received amount of 1/10<sup>th</sup> (150,000 x 1/10) Rs. 15,000 will be added to the rental value of property for ten continuous tax years
3. From tax year 2017, income from property is taxable under separate tax structure and prescribed deductions are not allowed .
4. In case of association of persons for the purpose of limits in respect of investment in shares and life insurance premium paid taxable income excluding share from association of persons.
5. In case of association of persons for the purpose of average relief, taxable income excluding share from association of persons.
6. Gain on disposal of inherited house held for more than three years is not taxable.
7. There will be no treatment on disposal of moveable property held for personal use.
8. The amount of advance tax paid on rental income, however is an adjustable amount and so has been adjusted against net tax.
9. Capital loss on disposal of Painting is not considered.

**Question No.8**

Given below are the particulars of income of Mr. Mohammad Farrukh relating to the tax year ended 30<sup>th</sup> June 2018:

1.	Income from property	Rs. 300,000
2.	Income from network design	60,000
3.	Income from poultry farm	500,000
4.	Capital gain on sale of shares of private company (holding Period within 12 months)	45,000
5.	Capital gains on sale of shares of public company (holding period more than four years)	180,000
6.	Royalty for literary work (literary work completed with 24 months)	75,000
7.	Rent from hire of furniture	25,000
8.	Agriculture income	200,000
9.	Payment of loan installment	140,000
10.	Books purchased	15,000
11.	Profit on government securities	80,000
12.	Education fee of 3 children	70,000
13.	Payment to approved pension fund	50,000
14.	Cash withdrawal from bank	100,000
15.	Loss on sale of personal car	60,000
16.	Investment in health insurance	40,000

**Required.** Calculate taxable income and tax payable.

**Solution**

**Mr. Mohammad Farrukh**

**Tax Year: 2018**

**Tax Year Ended: 30.06.2018**

**Residential Status: Resident**

**Computation of Taxable Income and Tax Payable**

ASSESSMENT OF INDIVIDUAL NON-SALARIED PERSONS

		Rs.
<b>Income from Property (Section 15)</b>		
Income from property (separate rates of tax)	<u>300,000</u>	-
<b>Income from Business (Section 18)</b>		
Income for network design	<u>60,000</u>	-
Income from poultry farm		500,000
<b>Capital Gains (Section 37)</b>		
Capital gain on sale of shares of private company (holding period within 12 months)		45,000
Capital gains on sale of shares of public co. (holding period more than four years)	<u>180,000</u>	-
Total exempt		
<b>Income from Other Sources (Section 39)</b>		
Loss on sale of personal car	<u>60,000</u>	--
Royalty for literary work (literary work completed within 24 months )		75,000
Rent from hire of furniture		25,000
Agricultural income	<u>200,000</u>	-
Total Income		<u>645,000</u>
Less Children education fee paid	<u>70,000</u>	
<u>Amount allowed</u>		
a) 5% of tuition fee paid	Rs. 35,00	
(70,000 x 5/100 )		
b) 25 % of taxable income		
(645,000x 25/100)	Rs. 161,250	
c) No of children (60,000 x 3 )	Rs. 180,000	
d) whichever is less so		<u>3,500</u>
Taxable Income		<u>641,500</u>
<b>Computation of Gross Tax</b>		
Income tax on Rs. 500,000	7,000	
Income tax on balance Rs. 141,500 @ 10%	<u>14,150</u>	21,150
Add: Tax on property income exceeding Rs. 200,000		
@ 5 % (300,000-200,000) =100,000		<u>5,000</u>
		26,150

INCOME TAX

Amount Admissible for Average Relief

Investment in health insurance Rs. <u>40,000</u>	40,000
Amount admissible Restricted up to 5 % taxable income or Rs. 150,000, whichever is less so 40,000	40,000
Contribution to approved pension fund Rs <u>50,000</u>	
Amount admissible (Approved pension fund or 20% of taxable income, whichever is less,	<u>50,000</u> <u>90,000</u>

*Less* Average Relief

$\frac{26150}{941500} \times 90000$	<u>2,500</u>
(see note-10)	

23,650

<i>Less</i> Tax on cash withdrawal from bank (Rs. 100,000 @ 0.3%)	<u>300</u>
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Tax Payable with return	<u>23,350</u>
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Income under FTR

Profit on government securities (Rs. 80,000 $\times \frac{10}{100}$ )	<u>8,000</u>
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**Notes**

1. No deduction in respect of books purchased is available with effect from tax year 2003.
2. Agricultural income is totally exempt from tax irrespective of the amount of agricultural income.
3. Capital gains on sale of shares of public company holding period more than four years is totally exempt.
4. Children education fee is deductible allowance under section 60D of the Income Tax Ordinance, 2001.
5. Profit on government securities will be taxed @ 10% and will be treated under FTR.
6. Loan installment does not affect the tax payable.

ASSESSMENT OF INDIVIDUAL NON-SALARIED PERSONS

7. If a person withdraws in cash a total amount exceeding Rs. 50,000 in a day, the banking company shall, at the time of making payment, deduct tax @ 0.3%.
8. Royalty for literary work is fully taxable in the current year if work is done within 24 months
9. From tax year 2017 income from property is taxable under separate tax rates if rent income is more than Rs. 200,000.
10. Taxable income:  
Normal taxable income +Property income (641,000+300,000)=941,000.
11. Gross Tax:  
Normal gross tax + tax on property income (21150+5000)=Rs. 26,150.

### Question No.8

From the following data, calculate the taxable income and tax payable of Mr. Mohammad Fayyaz for the tax year ended 30<sup>th</sup> June 2018

1.	Income from house property	Rs. 375,000	
	(a) Fire insurance premium	Rs. 18,000	
	(b) Property tax	15,000	
	(c) Collection charges	10,000	
	(d) Water charges	<u>2,000</u>	<u>45,000</u>
	(e) Advance tax on rent paid		8,750
2.	Income from fish farming business		800,000
3.	Profit on sale of inherited jewelry (holding period within 12 months)		75,000
4.	Profit on sale of Modaraba certificate (holding period less than 12 months)		10,000
5.	Insurance money received on maturity of policy		1,80,000
6.	He has claimed the following for rebate:		
	(a) Donation to approved charitable institution		45,000
	(b) Personal expenditure incurred on legal service		16,000

INCOME TAX

	(c) Children education expenditure	25,000
7.	Interest on bank deposit certificates	15,000
8.	Dividend (net)	8,500
9.	Tax paid with motor vehicle	2,000
10.	Donation to SKMH, Lahore (specified in clause 61)	50,000
11.	Royalty for literary work (literary work done after 24 months	60,000
12.	Income from Photo state machine	400,000
13.	Rent of furniture and fitting	300,000

**Solution**

Mr. Mohammad Fayyaz

Tax Year: 2018

Tax Year Ended: 30.06.2018

Residential Status: Resident

Computation of Taxable Income and Tax Payable

	Rs.	Rs.
<b>Income from Property (Section 15)</b>		
Rental value of property (separate tax rates)	<u>375,000</u>	_____
<b>Income from Business (Section 18)</b>		
Income from Phot state machine		400,000
Income from fish farming business		800,000
Rent of furniture and fitting		300,000
<b>Capital Gain (Section 37)</b>		
Profit on sale of Modaraba Certificate (Holding period less than 12 months) (separate block of income)	<u>10,000</u>	
Profit on sale of inherited jewelry (holding period within 12 months)		75,000
<b>Income from Other Sources (Section 39)</b>		
Royalty for literary work (literary work completed after 24 months , 60,000 x 1/3)		20,000
Insurance money received on maturity of policy	<u>1,80,000</u>	_____

**ASSESSMENT OF INDIVIDUAL NON-SALARIED PERSONS**

Total Income		15,95,000
Less donation to SKMH Trust Lahore		50,000
Restricted up to 30 % total income (specified in clause 61)		
Children education fee (Not allowed as total Income exceeds Rs.15,00,000)		
Taxable Income		<u>15,45,000</u>
<b>Computation of Gross Tax</b>		
Income tax on Rs.15,00,000	144,500	
Income tax on exceeding Rs. 45,000 @ 20%	<u>9,000</u>	153,500
Add: Income tax on property income exceeding Rs. 200,000 @ 5 % (375000-200000)=175,000 @ 5 %		8,750
Profit on sale of Modaraba certificate (holding period less than 12 months )10000@ 15 %		<u>1,500</u>
		163,750
<b>Amount Allowed for Rebate</b>		
Donation to approved charitable institution (Maximum upto 30% of taxable income) <u>45,000</u> (Rs. 19,30,000 × $\frac{30}{100}$ = Rs. 579,000)(see note -6)		
<i>Less</i> Average Relief		
$\frac{\text{Gross Tax}}{\text{Taxable Income}} \times \text{Amount Admissible for Average Relief}$		
$\frac{163750}{1930000} \times 45000$		<u>3,818</u>
Net Tax = Gross Tax – Rebate = Rs. 163750 – 3818		159,932
<i>Less</i> Tax paid with motor vehicle tax	2,000	
Advance tax on rent paid	<u>8,750</u>	<u>10,750</u>
Tax payable with return		<u>149,182</u>
<b>Tax under Final Tax Regime</b>		

## INCOME TAX

1.	Interest on bank deposit (Rs. 15,000 @ 10%)	1,500	
2.	Dividend Net (Rs. 8,500 x 100/85 (10,000 @ 15%)	<u>1500</u>	<u>3,000</u>

### *Notes*

1. Deductible allowance for total income on children education expenses is available with effect from tax year 2017. Not allowed as total income exceeds Rs. 15,00,000
2. From tax year 2017, income from property is taxable under separate tax structure and prescribed deduction are not allowed.
3. Royalty for literary work may be divided in three years for tax purpose if work is done in more than 24 months .
4. No average relief in case of personal legal expenditure is available with effect from tax year 2003.
5. Profit on sale of inherited jewelry holding period within 12 months is taxable under the head "Capital Gain".
6. Taxable Income:  
Normal taxable income +profit on Modaraba certificate + property income (1545000+10000+375000)= 19,30,000
7. The amount of advance tax paid on rental income, however is an adjustable amount and so has been adjusted against net tax.



# Question No. 9

## MR. MUSADDIQUE NOOR

Mr. Musaddique Noor is a consultant in a group of companies. He derived following income during the income year July 01, 2018 to June 30, 2019:

Particulars	Rupees
(i) <b>Salary income</b>	
Basic salary	200,000 per month
House rent allowance	80,000 per month
Utility allowance	10,000 per month
Medical allowance	10,000 per month

He is also provided with a 1,000 cc car valuing Rs 1,200,000, which is partly used for company's business. He has also been granted a housing loan of Rs.550,000 on which no profit/interest has been charged.

In addition to above, he also received a gratuity of Rs. 75,000 from his previous employers during the year. The gratuity fund is not approved by the Commissioner of Income Tax or FBR.

Tax deducted at source from his salary amounted to Rs. 150,000.

(ii) <b>Property Income</b>	<b>Rupees</b>
Rent from a house let out	100,000 per month
He incurred following expenses on this property during the year:	
Repairs	30,000
Collection & administrative charges	7% of rent
Ground rent	10,000
Property Tax	15,000
Rent-sharing with housing finance company	3,000 per month

He received a deposit of Rs. 2,000,000, not adjustable against rent, out of which he refunded Rs. 1,000,000 to previous tenant, 'who vacated the house after 3 years' tenancy.

(iii) <b>Other Income</b>	<b>Rupees</b>
Profit on PLS Bank account (net of 10% withholding tax)	9,000
Commission from Sale of plots (net of 10% withholding tax)	18,000
Lecturing and examination services fees from Professional institutes	20,000

### Required:

As a tax consultant you are required to compute Mr. Musaddique's total income and his income tax liability for the tax year 2019 (ignore minimum tax u/s 153 application, if any).

**MR. MUSADDIQUE NOOR**

RESIDENT INDIVIDUAL

TAX YEAR 2019

## COMPUTATION OF TAXABLE INCOME

Particulars	Gross amount	Exemption/ admissible deductions	Taxable income	Remarks
<b>Income from salary</b>				
Basic salary	2,400,000		2,400,000	
House rent allowance	960,000		960,000	
Utility allowance	120,000		120,000	
Medical allowance	120,000	120,000		Exempt up to 10% of basic salary U/c 139 Part I, 2nd Sch.
Co. maintained car 1,000 CC	60,000		60,000	Rs. 1,200,000 x 5%
Interest on housing loan	55,000	-	-	Not taxable upto Rs. 1 million
Gratuity	75,000	37,500	37,500	(50% of gratuity is Exempt u/c 13 of 2nd Sch.)
			<u>3,577,500</u>	
<b>Income from salary (A)</b>				
<b>Income from property</b>				
Rent from house let out	1,200,000			
<b>Un-adjustable advance N-1</b>				
	170,000		<u>1,370,000</u>	
			<u>1,370,000</u>	
<b>Income from property (Separate block of Income (B))</b>				
<b>Income from other sources</b>				
Lecturing and examination fee	20,000		<u>20,000</u>	
			<u>20,000</u>	
<b>Income from other sources (C)</b>				
Total Income (A+B+C)			<u>4,967,500</u>	
<b>Less: Income from property (Separate block of income)</b>			<u>(1,370,000)</u>	
<b>Taxable income</b>			<u>3,597,500</u>	
<b>Computation of Income tax liability</b>				
Tax on Rs. 3,597,500 (60,000 + (3,597,500-2,400,000)x10%			119,750	
Tax on property Rs. 1,370,000 [170,000 @ 5%]			8,500	
Tax on profit on debt 10,000@ 10%			1,000	
Tax on commission 20,000 @ 12%			<u>2,400</u>	
<b>Total tax liability</b>			<u>131,650</u>	
Less tax deducted				
Tax on salary			150,000	
Tax on PLS account profit			1,000	
Tax on commission			2,000	
Total tax paid			<u>153,000</u>	
<b>Balance tax refund</b>			<u>21,250</u>	

Particulars	Gross amount	Exemption/ admissible deductions	Taxable income	Remarks
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**Note 1: Un-adjustable advance**

			<b>Rs.</b>
Un adjustable advance			2,000,000
Less advance already changed		1,000,000 /10 × 3	(300,000)
Balance amount			<u>1,700,000</u>
Advance chargeable as rent		1,700,000/10	<u>170,000</u>

**Note 2: Lecturing and examination fee**

Lecturing and examination fee has been offered to tax under the normal tax regime. In case tax was deducted on the same, tax deductible @ 10% would have been treated as minimum tax and compared against the proportionate income tax liability calculated under the normal tax regime.

# Question No. 10

## MR. A. D. CHUGHTAI

Being a Tax Consultant you have been provided with the following information in respect of Mr. A. D. Chughtai, a Senior Manager of a local company for the period 1st July, 2018 to 30th June, 2019 (Tax Year, 2019):

	<b>Rupees</b>
Basic pay/wages	2,100,000
House rent	600,000
Medical allowance	100,000
Cost of living allowance	70,000
Utilities	60,000
Servant allowance	30,000
Bonus	210,000
Company car 1300 CC valuing Rs. 1,800,000 (Partly used for company's business)	
Leave fare assistance	50,000
Employer's contribution to provident fund	80,000
Employer's contribution to pension fund	80,000
Income tax deducted u/s 149	100,000
In addition to the above you have been provided with the following data:	
(i) Dividend income (withholding tax deducted Rs. 3,000, Zakat deducted Rs. 750)	30,000
(ii) Profit on PLS Account (withholding tax deducted Rs: 5,000; Zakat deducted Rs. 1,250)	50,000
(iii) Professional fee received	50,000
(iv) School Fee paid for two children (Receipts show National Tax Number)	200,000
(v) Legal expenses (consultant fee) (Receipt show National Tax Number)	60,000
(vi) There is no time scale for this position.	

### Required:

Work out the taxable income and tax liability of Mr. A. D. Chughtai for the tax year 2019 (ignore fee).

**MR. A. D. CHUGHTAI**

RESIDENT INDIVIDUAL

TAX YEAR 2019

## COMPUTATION OF TAXABLE INCOME

Particulars	Gross amount	Exemption/admissible deductions	Taxable income	Remarks
<b>Income from salary</b>				
Basic pay	2,100,000	-	2,100,000	
House rent allowance	600,000	-	600,000	
Utility allowance	60,000	-	60,000	
Medical allowance	100,000	100,000	-	Medical allowance is exempt up till 10% of basic salary from tax u/c 139 part I, 2 <sup>nd</sup> Sch.
Bonus	210,000	-	210,000	

Particulars	Gross amount	Exemption/admissible deductions	Taxable income	Remarks
Cost of living allowance	70,000	-	70,000	
Co. maintained car	90,000	-	90,000	[Rs. 1,800,000 x 5%]
Servant allowance	30,000	-	30,000	
Leave fare assistance	50,000	-	50,000	
Employer contribution to Provident fund	80,000	80,000	-	It is assumed that provident fund is recognized. Lesser of 10% of (basic salary + cost of living allowance) (2,100,000 + 70,000) = Rs.2,170,000 x 10% or Rs. 150,000 is exempt.
Employer contribution to pension fund	80,000	80,000	-	Exempt
<b>Income From other sources</b>				
Professional fee	50,000		50,000	
Total income			3,260,000	
Less: Zakat deducted			(8,000)	
Less: Educational Expenses as deductible allowance (u/s 60D) 5% of 200,000 (total educational expense)			(10,000)	
Taxable income			3,242,000	

**Computation of income tax liability on the taxable income**

Tax on Rs.3,242,000 [Rs.60,000 + 10% of amount exceeding Rs.2,400,000]	144,200
Tax on Profit on PLS account Rs. 50,000 @ 10%	5,000
Total tax	149,200
Tax on dividend income (assumed gross) (30,000 @ 15%)	4,500
Total tax	153,700
Less: tax deducted from:	
Salary	100,000
Dividend	3,000
Profit on PLS account	5,000
Balance tax payable	45,700

Note: fee has been offered to tax under the normal tax regime. In case tax was deducted on the same, tax deductible @ 10% would have been treated as minimum tax and compared against the proportionate income tax liability calculated under the normal tax regime.