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## Allama Iqbal Open University Solved Assignments Spring 2026

Course Code:	456 Code
Course Name:	Business Taxation (بزنس ٹیکسیشن)
Class:	BA/B.Com
Total Credit Hours	3
Total Assignments	2

**گھر بیٹھے حل شدہ مشقیں، گیس پیپرز، کتابیں اور خلاصے حاصل کرنے کے لیے رابطہ کریں واٹس ایپ نمبر: 03036940016**

**نوٹ:** ہم طلبہ کے لیے جامع اور معیاری تعلیمی خدمات فراہم کرتے ہیں۔ ہماری خدمات میں علامہ اقبال اوپن یونیورسٹی کے حل شدہ اسائنمنٹس، گیس پیپرز، سابقہ پرچے، تازہ ملازمتوں کی معلومات، آن لائن سی وی تیار کرنا، ملازمت کے لیے درخواست دینا، یونیورسٹی داخلوں میں رہنمائی اور درخواست جمع کروانا شامل ہیں۔ اس کے علاوہ یونیورسٹی سے متعلق طلبہ کے ہر قسم کے تعلیمی اور رہنمائی کے کام میں مکمل تعاون فراہم کیا جاتا ہے تاکہ طلبہ کو ایک ہی جگہ پر تمام ضروری سہولیات میسر آسکیں۔



واٹس ایپ گروپ جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



واٹس ایپ چینل جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



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## Assignment 2

### Q.1. Powers and functions of the Federal Board of Revenue (FBR) under the Income Tax Ordinance 2001.

#### Powers of FBR

Power	Section(s)
Make rules (forms, procedures, valuation)	237
Issue notices for returns, documents	114, 176, 177
Audit and scrutiny of returns	177-179
Amend assessments (escaped income, errors)	122, 122A, 122B
Recover tax (attach accounts, seize property)	135-145
Administer withholding tax regime	149-169
Prescribe advance tax and collection	147-148
Grant exemptions/concessions	various
Conduct inquiries, summon persons	176-181
Impose penalties for non-compliance	182
Rectify own orders (clerical errors)	219

#### Functions of FBR

1. **Revenue collection:** Assess, collect, account for federal taxes (income tax, sales tax, FED, customs).
2. **Tax policy:** Draft proposals for Finance Bill, issue circulars and clarifications.
3. **Taxpayer registration:** NTN, Active Taxpayer List (ATL), IRIS portal.
4. **Automation:** IRIS for return filing, payment, statements, refund tracking.
5. **Withholding tax administration:** Enforce deduction at source by employers, banks, contractors, importers.
6. **International tax relations:** Negotiate DTAA, exchange information under CRS/TIEA.
7. **Anti-avoidance:** Apply GAAR (Section 95) to counter artificial transactions.
8. **Taxpayer services:** E-guide, national faceless campaign, chatbot "Roshan Apna Pakistan".
9. **Enforcement and prosecution:** Refer cases to ATIR, High Court, or criminal court (Section 191).
10. **Administer other taxes:** Sales tax, federal excise duty, customs.



## Q.2. Concepts of withholding tax and advance tax under the Income Tax Ordinance 2001.

### A. Withholding Tax (WHT)

**Definition:** Payer (withholding agent) deducts a percentage of tax from a payment and deposits it to government. The deducted amount is a **credit** for the payee (or **final tax** for certain incomes).

**Common WHT rates (filer / non-filer):**

Type	Section	Rate (Filer/Non-Filer)	Nature
Salary	149	Progressive rates	Adjustable
Dividend	5	15% / 20%	Final
Bank interest	151	15% / 20%	Final (individuals)
Contract payments (goods)	153	3.5% / 6.5%	Adjustable
Cash withdrawal from bank	150	0.4% / 0.6% (above Rs. 50,000/day)	Adjustable
Imports	148	1% / 3% (varies)	Adjustable
Sale of immovable property	152	2% / 4%	Adjustable
Rent	155	10% / 15%	Adjustable

**Withholding agent responsibilities:**

- Obtain NTN of payee.
- Deduct tax on earlier of payment or credit date.
- Deposit tax by 15th of following month.
- File monthly statement (Form 12-B/12-C) via IRIS.
- Issue deduction certificate to payee.
- Penalties for failure (Section 182).

### B. Advance Tax (Section 147)

**Definition:** Payment of estimated tax liability in **four installments** during the tax year before filing the return.

**Who must pay:**



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- Every taxpayer whose tax liability in the latest tax year exceeded a threshold (Rs. 1,000,000 for individuals/AOPs; Rs. 10,000,000 for companies – may vary) OR whose estimated current year liability exceeds that threshold.

#### Installment schedule for individuals/AOPs:

Installment	Due Date	Amount
1st	15 September	25% of estimated annual tax
2nd	15 December	25% of estimated annual tax
3rd	15 March	25% of estimated annual tax
4th	15 June	25% of estimated annual tax

#### Consequences of default:

- Default surcharge (12% per annum) on unpaid amount (Section 205(1B)).
- Penalty under Section 182 if paid less than 75% of final liability.

**Exemptions:** Individuals with income below taxable limit; salaried persons whose full tax is deducted by employer (if no other income).

### Q.3. Appellate authorities under the Income Tax Ordinance 2001.

#### Hierarchy

Tier	Authority	Section
1st	Commissioner Inland Revenue (Appeals) – CIR(A)	127
2nd	Appellate Tribunal Inland Revenue (ATIR)	130-132
3rd	High Court	133
4th	Supreme Court	133(3)

#### 1. Commissioner Inland Revenue (Appeals)

**Jurisdiction:** Appeals against orders of officer of Inland Revenue (assessment, penalty, registration, refusal of exemption, etc.).

**Procedure:** File within **30 days** (extendable to 60 days). Powers: confirm, reduce, enhance, annul, or set aside with direction for fresh order.



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## 2. Appellate Tribunal Inland Revenue (ATIR)

**Jurisdiction:** Appeals against orders of CIR(A). File within **60 days**. Benches: one judicial + one accountant member. Decision is final on facts; question of law may be referred to High Court.

## 3. High Court

**Jurisdiction:** Only on **question of law** arising from ATIR order. Application within **60 days**. High Court may answer the question and confirm, vary, or set aside the order.

## 4. Supreme Court

**Jurisdiction:** Appeal against High Court order (civil) with leave of Supreme Court. Final authority.

## Alternative Dispute Resolution (Section 134)

Committee of experts (retired judges, tax experts) mediates dispute; agreement binding and non-appealable.

## Q.4. Sales Tax Act 1990: Registration and Audit.

### (a) Registration under sales tax

**Who must register (Section 14):**

Category	Threshold
Manufacturer	Annual taxable supplies > Rs. 10 million
Retailer (single outlet)	> Rs. 10 million (specific goods – compulsory regardless)
Wholesaler/distributor	Annual turnover > Rs. 100 million
Importer	No threshold (must register)
Service provider	Annual value > Rs. 10 million

**Procedure:**

- Online application via IRIS → verification → issuance of Sales Tax Registration Number (STRN).



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### Obligations:

- Charge output tax, issue tax invoices, file monthly returns by 18th of following month, pay net tax, maintain records for 5 years.

**Penalty for non-registration (Section 33):** Rs. 5,000 for first month + Rs. 500 per day thereafter (max Rs. 100,000). Also 1% of value of taxable supplies made during default.

### (b) Audit under sales tax (Section 25, 25B, 25C)

#### Types:

- **Risk-based audit (RBA):** Computer-selected based on risk parameters.
- **Comprehensive audit:** Rotational or specific information.
- **Special audit:** Conducted by independent chartered accountant at taxpayer's expense.
- **Post-clearance audit:** After goods are cleared from customs.

#### Procedure:

1. Notification via IRIS.
2. Production of books, invoices, records.
3. Examination of output tax, input tax, zero-rating, etc.
4. Notice of deficiency.
5. Hearing.
6. Final order determining additional tax, penalty, surcharge.

#### Consequences:

- Additional tax + default surcharge.
- Penalty up to 100% of tax evaded for false declaration (Section 33).
- Cancellation of registration and criminal prosecution for fake invoices.

**Taxpayer rights:** Representation by advisor, hearing, appeal to CIR(A) within 30 days.

### Q.5. Calculate taxable income and tax payable by Mr. Zain.

#### Step 1: Compute income under each head

Item	Amount (Rs.)	Head / Treatment
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Sales	29,00,000	Gross business receipts
Cost of sales	(12,50,000)	Deduction
Depreciation	(50,000)	Deduction (Section 23)
Financial expenses	(15,000)	Deduction
Salaries & wages	(35,000)	Deduction
<b>Income from business</b>	<b>15,50,000</b>	
Capital gains (private company shares, > 1 year)	50,000	Capital gains (ordinary rates)
Income from property	100,000	Property income
Zakat paid	(5,000)	Deductible allowance
Donation to school	(10,000)	Deductible allowance

## Step 2: Total income and taxable income

Total income = 15,50,000 + 50,000 + 100,000 = **Rs. 17,00,000**

Deductible allowances = 5,000 + 10,000 = **Rs. 15,000**

**Taxable income** = 17,00,000 – 15,000 = **Rs. 16,85,000**

## Step 3: Apply progressive tax rates (as supplied)

Slab	Taxable income	Tax
Up to 600,000	0	0
600,001 – 1,200,000	600,000 × 5% = 30,000	
1,200,001 – 16,85,000	(16,85,000 – 1,200,000) = 4,85,000 × 15% = 72,750	



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**Total tax = 30,000 + 72,750 = Rs. 1,02,750**

#### **Step 4: Tax payable**

No withholding tax information given → no credit.

**Tax payable by Mr. Zain = Rs. 1,02,750**



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