

Taxation Management (FIN623)

Assignment # 01

Solution:

Case # 01:

A company is a resident company for a tax year if, it is incorporated or formed by or under any law in force in Pakistan [s.83 (a)]. As PSO Ltd is incorporated under the Companies Ordinance, 1984, PSO Ltd is a resident company for the tax year 2009. The test of control and management of the affairs of the company whether or not situated wholly in Pakistan is not relevant, since PSO Ltd meets the test of being incorporated under the Companies Ordinance, 1984.

Case # 02:

(i) Income from land situated in Canada Rs. 1,000,000

Income from growing crops on lands situated in Pakistan is treated as agricultural income. However, where income is from agricultural operations on lands situated outside Pakistan, it is not treated as 'agriculture income' [s.41]. Since Mr Waqas is resident in Pakistan, his income from abroad is taxable in Pakistan.

(ii) Gross receipts from poultry farm Rs. 1,500,000

Poultry farming does not fall within the definition of agriculture [s.41]. Therefore the income from the poultry farm is taxable. Expenses relating to deriving this income will, however, be allowable as per the provisions of the Income Tax Ordinance, 2001.

(iii) Forfeited deposit Rs. 1,000,000

A forfeited deposit paid under a contract for the sale of the land or a building is included in the definition of rent and as such is taxable. [s.15 (2)]