

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Certificate in Accounting and Finance Stage Examination

Taxation Principles and Compliance

Examiners' Comments

Spring 2026

PASSING %

Question-wise								Overall
1	2	3	4	5	6	7	8	
26%	54%	17%	8%	60%	37%	33%	49%	31%

GENERAL COMMENTS

The overall performance in this session showed a decline compared to Autumn 2025, with the pass rate decreasing from 35% to 31%. Despite question 1 (MCQs) generally being considered a scoring question, performance was below expectations, with only 26% of examinees securing passing marks.

Relatively weaker performance was also observed in Questions 3 and 4, particularly the short scenario-based questions and the question covering administrative aspects of taxation.

Examinees are encouraged to develop a stronger grip on basic concepts and focus on the practical application of the relevant provisions of taxation.

QUESTION-WISE COMMON MISTAKES OBSERVED

Question 1

- MCQs (i), (ii), and (vi) were the least well-answered.

Question 2

- 12 months were taken in computing income from salary.
- In respect of furnished accommodation, 45% of the basic salary was ignored.
- Reimbursement of maintenance charges was deducted from furnished accommodation instead of being added to taxable income.
- The value of the employer's contribution to the recognized provident fund was incorrectly computed. Moreover, interest on the provident fund was also not correctly computed.

- Amount adjusted against notice period was not taken in taxable salary.
- Payment of the accumulated balance of the provident fund was not treated as exempt.
- In respect of the employee share scheme, the amount was not chargeable to tax under the head salary, since the shares became transferable during the year. Capital gain was not calculated as differential of value per share on the date of disposal and the value per share on the date the restriction of sale/transfer was removed.
- The tax credit was either not calculated or was calculated incorrectly. Moreover, tax on capital gains, being a separate block of income, was inappropriately considered in the computation of the tax credit.
- The rate of tax on capital gains was incorrect.

Question 3 (a)

- The statutory dates and the deadlines in the given cases were not correctly identified. Specifically, performance in the last five points was not up to the mark.

Question 3 (b)

- It was not identified that the return filed for tax year 2019 constitutes a deemed assessment order.
- The validity of assessments was not correctly determined with reference to the applicable timeframes, i.e., five years from the date of assessment and one year from the date of amended assessment. Consequently, the relevant limitation dates of 30 June 2025 and 30 June 2026 were not specified.
- The appropriate appellate forums, namely the Commissioner Appeals and the Appellate Tribunal Inland Revenue, in the case of CL surrendering its right to appeal before the Commissioner Appeals, were not identified.

Question 4 (i)

- It was not identified that the office premises constituted a depreciable asset and that cessation of business use resulted in the disposal of a business asset. Accordingly, the gain on disposal was not computed. Moreover, in cases where the gain on disposal was calculated, it was not recognized that, since the asset is immovable property and its fair market value exceeds the cost of the asset, the fair market value shall be treated as the cost of the property.
- In discussing income from property, the amount of rent chargeable to tax and the related repair allowance allowable as a deduction were either not computed or incorrectly computed.

Question 4 (ii)

While computing gain/loss on disposal of machines, depreciation, including initial allowance, was not deducted in determining the written down value, despite the existence of a tax exemption period up to tax year 2025.

Question 4 (iii)

It was not recognized that no depreciation is allowable in respect of the delivery vehicle having a fair market value exceeding Rs. 1 million, where payment is made through cash cheque. Moreover, such an amount is not to be treated as the cost of the asset for the computation of any gain on disposal of the delivery vehicle.

Question 5(a)

It was not recognized that residential status could not be determined solely on the basis of the number of days stayed in Pakistan, while the other prescribed criteria were overlooked. Consequently, many examinees concluded that since Gohar stayed in Pakistan for only 122 days, which is less than 183 days, he would be treated as a non-resident for the tax year 2026 and, therefore, his interest income would be exempt in Pakistan.

Question 5(b)

While responding to part (ii), reasons were either not provided or were not properly explained.

Question 5(c)

Many examinees confined their responses to the applicability of further tax, while the remaining distinguishing points relating to taxable supplies made to registered and unregistered persons were not discussed.

Question 6

- The technical advisory fee paid to Marjan was considered admissible.
- In computing the tax liability of Y&M, the minimum turnover tax was ignored.
- Loss on share in income from AOP was not ignored in computing the taxable income of Yakoot.
- Share in rental income was either not taken at net amount in computing taxable income of Yakoot and Marjan or was treated as income of Y&M.
- Profit on debt was not grossed up using the tax rate.
- Zakat was deducted from the total income of Marjan instead of the profit on debt.

- In the case of Marjan, taxable income for rate purposes and the corresponding tax rate were not computed.
- The computation of the share from AOP of each member was either incorrect or ignored.

Question 7

- It was not specified that no adjustment to sales is required in respect of cash-based transactions, as all sales invoices were under Rs. 200,000.
- It was not stated that the purchase of meat from wholesalers not possessing NTN was disallowed at 10% of the purchase value.
- Stamp duty relating to unimproved land was not capitalized as part of the land's cost; instead, it was incorrectly deducted from the cost of the unimproved land.
- Rent from sublease was classified under income from property instead of income from other sources.
- Tax depreciation (including 100% depreciation on the cost of ramps) and amortization for the year were claimed before adjusting for the brought-forward business losses relating to tax year 2024. In some instances, business losses related to tax year 2019 were not considered lapsed.
- While claiming unabsorbed tax depreciation, a limitation of 50% was applied to the unabsorbed depreciation amount instead of 50% of taxable income.
- In computing the tax liability, capital gains were taxed using an incorrect rate, and the surcharge was either omitted or incorrectly calculated at 9%.

Question 8

- For third schedule items, the value of supply was not taken at the retail price.
- Tax paid on office equipment was not treated as inadmissible.
- In case of import of goods specified in the Third Schedule, 130% of custom assessed value was not considered as the value of supply.
- The reversal of input tax on payment of outstanding balance after 180 days, as well as unclaimed tax relating to October 2025, was not taken into account.
- The supply of taxable goods on a flight bound for Italy was not treated as zero-rated.
- Input tax apportionment was carried out, although it was not required in this question.
- Supply to the factory in EPZ was treated as zero-rated.

- Advance received from a wholesaler against future supply of taxable goods was not considered taxable.
- Supply to the local government was incorrectly treated as exempt. Moreover, where it was considered taxable, the value of the supply was not correctly determined.
- Gift vouchers were incorrectly treated as subject to output tax.
- The applicability of further tax on supplies to unregistered wholesalers and its non-applicability to local government were overlooked.

(THE END)