


EDITION
2021

 **Jahangir Success Series**

FEDERAL BOARD OF REVENUE

INSPECTOR **INLAND REVENUE** **GUIDE**

Salient Features:

- ✓ English Grammar & Usage
- ✓ Functions of Federal Board of Revenue
- ✓ Fiscal Policy of Pakistan
- ✓ Tax Administration and Reforms
- ✓ Federal Excise Act, 2005 (Amended upto 2021)
- ✓ Income Tax Ordinance, 2001 (Amended upto 2021)
- ✓ Sales Tax Act, 1990 (Amended upto 2021)
- ... & much more

FPSC
Exam Pattern

Test Prep Experts



Jahangir Success Series

FEDERAL BOARD OF REVENUE
**INSPECTOR
INLAND REVENUE
GUIDE**



Test Prep Experts

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PART-I

ENGLISH

SYNONYMS

Note: Answers are **Bold and Underlined**.

Direction: In each of the following questions, out of the given alternatives, choose the one which best expresses the meaning of the given word.

SET 1

- | | | | | |
|-----------------|------------------------|------------------|-------------------------|-------------------|
| 1. SPASMODIC | (a) Continuous | (b) Gradual | (c) <u>Intermittent</u> | (d) Spontaneous |
| 2. PARAMOUR | (a) Lover | (b) Companion | (c) Friend | (d) Rival |
| 3. REFECTORY | (a) <u>Dining-room</u> | (b) Parlour | (c) Living room | (d) Restaurant |
| 4. ASSENT | (a) Compromise | (b) Judgment | (c) <u>Agreement</u> | (d) Expression |
| 5. BAFFLE | (a) Tease | (b) Trick | (c) <u>Puzzle</u> | (d) Hoodwink |
| 6. CONFIDENTIAL | (a) Hidden | (b) Private | (c) Trusted | (d) <u>Secret</u> |
| 7. COMBAT | (a) Quarrel | (b) <u>Fight</u> | (c) Conflict | (d) Feud |
| 8. SUBSIDE | (a) Submit | (b) Oppress | (c) <u>Subdue</u> | (d) Surrender |
| 9. ABSCOND | (a) Turn | (b) <u>Flee</u> | (c) Manage | (d) Avoid |
| 10. GAINSAY | (a) Advantage | (b) Proposal | (c) <u>Contradict</u> | (d) Suggestion |
| 11. PROFOUND | (a) Profuse | (b) Boundless | (c) <u>Deep</u> | (d) Fathomless |
| 12. SOPORIFIC | (a) Lethargic | (b) Merry | (c) <u>Soothing</u> | (d) Impressive |
| 13. ANNEAL | (a) Commence | (b) Forget | (c) Patch | (d) <u>Temper</u> |

14. **ABOMINATION**
(a) Revulsion (b) Disgust (c) Criticism (d) Attack
15. **BURLESQUE**
(a) Insult (b) Irritate (c) Mock (d) Annoy
16. **FOSTER**
(a) Encourage (b) Fabricate (c) Foment (d) Nurture
17. **ENIGMA**
(a) Elusive (b) Clear (c) Puzzle (d) Praise
18. **FILTHY**
(a) Healthy (b) Ugly (c) Dirty (d) Angry
19. **NOSTALGIC**
(a) Soothing (b) Homesick (c) Diseased (d) Indolent
20. **OVERSEE**
(a) Supervise (b) Chance (c) Contest (d) Look
21. **MUFFLE**
(a) Wrap (b) Soften (c) Hasten (d) Disturb
22. **SUSTAIN**
(a) Support (b) Revive (c) Believe (d) Allow
23. **SCOUR**
(a) Search (b) Flow (c) Raise (d) Push
24. **INDUSTRIOUS**
(a) Intelligent (b) Hard-working (c) Clever (d) Reserved
25. **LACHRYMOSE**
(a) Unimpressive (b) Mournful (c) Moist (d) Impious
26. **FORAGE**
(a) Search (b) Research (c) Fly (d) Travel
27. **ULTERIOR**
(a) Revealed (b) Implied (c) Extreme (d) Decisive
28. **WARY**
(a) Cautious (b) Accurate (c) Quick (d) Practical
29. **WELTER**
(a) Sacrifice (b) Clarity (c) Height (d) Confusion
30. **RETRIEVE**
(a) Repeat (b) Repose (c) Retort (d) Recover
31. **GARNISH**
(a) Decorate (b) Compose (c) Impress (d) Impose
32. **ALLOW**
(a) Accept (b) Seek (c) Permit (d) Wish
33. **CAVEAT**
(a) Dispute (b) Challenge (c) Advice (d) Warning
34. **LIABILITY**
(a) Debt (b) Debit (c) Asset (d) Credit

35. **AMALGAMATE**
(a) Try (b) Collect (c) Mix (d) Hate
36. **CONDEMN**
(a) Blame (b) Underrate (c) Hate (d) Avoid
37. **FICKLE**
(a) Constant (b) Nervous (c) Changeable (d) Poor
38. **CONGREGATION**
(a) Combination (b) Meeting (c) Assembly (d) Collection
39. **HASSLE**
(a) Greed (b) Jealousy (c) Gossip (d) Wrangle
40. **ROTUND**
(a) Flat (b) Fat (c) Foolish (d) Weak
41. **AROMATIC**
(a) Stinking (b) Sentimental (c) Fragrant (d) Crippled
42. **AMBIT**
(a) Eviction (b) Scope (c) Restriction (d) Barrier
43. **ENTHUSIASTIC**
(a) Angry (b) Excited (c) Noisy (d) Violent
44. **QUELL**
(a) Postpone (b) Avoid (c) Complain (d) Suppress
45. **OMINOUS**
(a) Poisonous (b) Foregone (c) Foreboding (d) Bad
46. **MISFORTUNE**
(a) Misery (b) Poverty (c) Ill-luck (d) Sadness
47. **INDOMITABLE**
(a) Inactive (b) Authoritative (c) Rebellious (d) Unconquerable
48. **LUG**
(a) Drag (b) Denounce (c) Decline (d) Degrade
49. **LEVITATE**
(a) Float (b) Dance (c) Waver (d) Harass
50. **RANCOUR**
(a) Prejudice (b) Enmity (c) Disappointment (d) Hatred
51. **INGENUOUS**
(a) Cunning (b) Frank (c) Courteous (d) Clever
52. **CONSEQUENCE**
(a) Manner (b) Result (c) Cause (d) Order
53. **EROTIC**
(a) Sexual (b) Sensuous (c) Beautiful (d) Attractive
54. **CRUEL**
(a) Hatful (b) Dreadful (c) Indifferent (d) Merciless
55. **DODGE**
(a) Confuse (b) Avoid (c) Thwart (d) Frustrate

56. **INEXPLICABLE**
(a) Unconnected (b) Chaotic (c) Unaccountable (d) Confusing
57. **OBSTREPEROUS**
(a) Obstinate (b) Calm (c) Noisy (d) Cheerful
58. **CHIMERICAL**
(a) Erratic (b) Imaginary (c) Uncertain (d) Short-lived
59. **CONUNDRUM**
(a) Question (b) Discussion (c) Explanation (d) Solution
60. **IRK**
(a) Bore (b) Insult (c) Urge (d) Annoy
61. **DELIRIOUS**
(a) Content (b) Happy (c) Insane (d) Amused
62. **EXTRAVAGANZA**
(a) Profligacy (b) Spectacular show (c) Over-reaching (d) Falsification
63. **DETECT**
(a) Discover (b) Invent (c) Determine (d) Fix
64. **COUNTERVAIL**
(a) Recreate (b) Demolish (c) Equalise (d) Contradict
65. **LANGUOR**
(a) Excitement (b) Irritation (c) Weariness (d) Agitation
66. **FIDDLE**
(a) Examine (b) Trifle (c) Discard (d) Frown
67. **BENEFACTOR**
(a) Guardian (b) Saint (c) Do-gooder (d) Friend
68. **AMICABLE**
(a) Interesting (b) Loving (c) Affectionate (d) Friendly
69. **ENTHUSE**
(a) Pester (b) Provoke (c) Excite (d) Annoy
70. **GRUBBY**
(a) Wet (b) Muddy (c) New (d) Unwashed
71. **DECEIVE**
(a) Mislead (b) Challenge (c) Harm (d) Defeat
72. **COMPUNCTION**
(a) Anger (b) Appreciate (c) Regret (d) Wonder
73. **PREROGATIVE**
(a) Privilege (b) Request (c) Desire (d) Command
74. **AFICIONADO**
(a) Rival (b) Enthusiast (c) Critic (d) Indifferent
75. **SOLICIT**
(a) Reseech (b) Demand (c) Claim (d) Require

76. **RADIANT**
(a) Bright (b) Beautiful (c) Light (d) Influential
77. **PRUNE**
(a) Lead (b) Reduce (c) Expand (d) Prolong
78. **DILETTANTE**
(a) Opponent (b) Specialist (c) Amateur (d) Expert
79. **FLAK**
(a) Adventure (b) Advice (c) Criticism (d) Praise
80. **HOODLUM**
(a) Pioneer (b) Criminal (c) Devotee (d) Scholar

SET 2

1. **AID**
(a) Supervision (b) Co-operation (c) Assistance (d) Disease
2. **DERIDE**
(a) Mock (b) Confuse (c) Shout (d) Snarl
3. **SAVVY**
(a) Deform (b) Understand (c) Destroy (d) Taste
4. **COMMISERATE**
(a) Sympathise (b) Placate (c) Commemorate (d) Consecrate
5. **REIN**
(a) Overcome (b) Fling (c) Control (d) Pour
6. **GOOEY**
(a) Evasive (b) Sentimental (c) Ideal (d) Realistic
7. **FORAY**
(a) Indulgence (b) Raid (c) Repentance (d) Pilgrimage
8. **ABSOLUTE**
(a) Reasonable (b) Narrow (c) Limitless (d) Reliable
9. **GLITZY**
(a) Glamorous (b) Boring (c) Interesting (d) Serious
10. **VENALITY**
(a) Hope (b) Sacrifice (c) Respect (d) Corruption
11. **WARY**
(a) Tired (b) Distorted (c) Vigilant (d) Sad
12. **PIQUE**
(a) Subdue (b) Irritate (c) Repent (d) Request
13. **ICON**
(a) Monument (b) Memorial (c) Painting (d) Statue
14. **HANKER**
(a) Denounce (b) Debar (c) Renounce (d) Desire

15. **CONDONE**
(a) Bring together (b) Pardon (c) Surround (d) Contribute
16. **IRRUPTION**
(a) Hate (b) Bursting in (c) Interference (d) Altercation
17. **ECHELON**
(a) Rank (b) Opponent (c) Follower (d) Identity
18. **PREVARICATE**
(a) Anticipate (b) Lie (c) Delay (d) Authenticate
19. **EXUDE**
(a) Ooze (b) Wither (c) Overflow (d) Evaporate
20. **PRECARIOUS**
(a) Brittle (b) Perilous (c) Critical (d) Cautious
21. **MALAISE**
(a) Stagnation (b) Spite (c) Curse (d) Sickness
22. **VOGUE**
(a) Fashion (b) Rejection (c) Order (d) Satisfaction
23. **IMPREGNATE**
(a) Conceal (b) Suffer (c) Affect (d) Conclude
24. **DELEGATE**
(a) Officer (b) Participant (c) Member (d) Representative
25. **ABANDON**
(a) Admit (b) Refrain (c) Abstain (d) Forsake
26. **AVER**
(a) Assert (b) Confess (c) Impress (d) Trust
27. **YAW**
(a) Dedicate (b) Soar (c) Arouse (d) Drift
28. **DELECTABLE**
(a) Attractive (b) Delightful (c) Desirable (d) Delicate
29. **HINDER**
(a) Obstruct (b) Challenge (c) Damage (d) Ruin
30. **REITERATE**
(a) Reassess (b) Rewrite (c) Repeat (d) Stutter
31. **FEIGN**
(a) Pretend (b) Attend (c) Condemn (d) Condone
32. **VITUPERATE**
(a) Appreciate (b) Abuse (c) Appraise (d) Encourage
33. **NAUSEATE**
(a) Tempt (b) Sicken (c) Despise (d) Detest
34. **INIQUITOUS**
(a) Unequal (b) Curious (c) Biased (d) Wicked
35. **ECSTATIC**
(a) Animated (b) Enraptured (c) Bewildered (d) Fitful

36. **REPLENISH**
(a) Fill (b) Supply (c) Provide (d) Restore
37. **WALLOW**
(a) Luxuriate (b) Suffer (c) Sacrifice (d) Prosper
38. **LOATHIE**
(a) Abuse (b) Hurt (c) Repel (d) Detest
39. **VENDETTA**
(a) Proposal (b) Feud (c) Revenge (d) Compromise
40. **PRESSED**
(a) Stressed (b) Urged (c) Demanded (d) Emphasised
41. **TACITURNITY**
(a) Violence (b) Insolence (c) Prudence (d) Silence
42. **INGENUOUS**
(a) Active (b) Frank (c) Skilful (d) Smart
43. **PROMULGATE**
(a) Proclaim (b) Inform (c) Promote (d) Enforce
44. **INSIDIOUS**
(a) Slow (b) Treacherous (c) Pessimistic (d) Unfortunate
45. **UBIQUITOUS**
(a) Inescapable (b) Crowded (c) Solitary (d) Defensive
46. **WILT**
(a) Collapse (b) Strike (c) Challenge (d) Warn
47. **HANDSOME**
(a) Noble (b) Gentle (c) Good-looking (d) Polite
48. **NINCOMPOOP**
(a) Joker (b) Trader (c) Magician (d) Fool
49. **CONVENED**
(a) Summoned (b) Collected (c) Associated (d) Ended
50. **ADDLE**
(a) Soar (b) Strike (c) Stop (d) Confuse
51. **EXPLICIT**
(a) Clear (b) Exciting (c) Precise (d) Refined
52. **ANIMOSITY**
(a) Vanity (b) Empathy (c) Indifference (d) Treason
53. **BEFUDDLED**
(a) Wounded (b) Crowded (c) Enlightened (d) Stupid
54. **VENT**
(a) Stodge (b) Opening (c) End (d) Past tense of 'go'
55. **TEETER**
(a) Hesitate (b) Descend (c) Pretend (d) Climb
56. **YANK**
(a) Excuse (b) Swear (c) Pull (d) Drag

57. CAVORT
(a) Suppress (b) Jump (c) Annoy (d) Entertain
58. INNATE
(a) Unique (b) Important (c) Inborn (d) Essential
59. FURTIVE
(a) Baffling (b) Fleeing (c) Hasty (d) Stealthy
60. ACCOLADE
(a) Welcome (b) Award (c) Affection (d) Arrival
61. CITE
(a) Illustrate (b) Reveal (c) Recollect (d) Quote
62. BESIEGE
(a) Acquire (b) Attack (c) Seize (d) Surround
63. BANDIT
(a) Convict (b) Robber (c) Thief (d) Cut-throat
64. MELEE
(a) Primitive dance (b) Kindness (c) Simple song (d) Brawl
65. MARVELLOUS
(a) Wonderful (b) Attractive (c) Pleasing (d) Charming
66. MORBID
(a) Diseased (b) Dying (c) Irritated (d) Angry
67. INSOLVENT
(a) Poor (b) Bankrupt (c) Broke (d) Penniless
68. PARADIGM
(a) Theme (b) Example (c) Proof (d) Paragon
69. AUGUR
(a) Heal (b) Hurt (c) Signify (d) Reform
70. MAUNDER
(a) Warn (b) Capture (c) Concentrate (d) Wander
71. INDIGENCE
(a) Poverty (b) Prosperity (c) Suffering (d) Scarcity
72. DISTINCTION
(a) Degree (b) Difference (c) Diffusion (d) Disagreement
73. STALEMATE
(a) Deadly (b) Dead-end (c) Deadlock (d) Dead-drunk
74. REQUITE
(a) Repay (b) Demand (c) Refuse (d) Requisition
75. COMPENDIUM
(a) Glossary (b) Reference (c) Index (d) Summary
76. VAPID
(a) Virtuous (b) Priceless (c) Dull (d) Vital
77. CONTROL
(a) Restrain (b) Influence (c) Regulate (d) Dominate

78. OVERSTRUNG
(a) Active (b) Energetic (c) Concerned (d) Too sensitive
79. FRATERNISE
(a) Associate (b) Organise (c) Expel (d) Cheat
80. NUGATORY
(a) Worthless (b) Cheerful (c) Negative (d) Migratory

SET 3

1. VILIFY
(a) Desert (b) Deprive (c) Defame (d) Deceive
2. YAMMER
(a) Lament (b) Shiver (c) Strike (d) Whimper
3. STRIDENCY
(a) Harshness (b) Flippancy (c) Stress (d) Consistency
4. DROWSY
(a) Soothing (b) Lazy (c) Exhausted (d) Sleepy
5. NIMBLE
(a) Agile (b) Clean (c) Soft (d) Delicate
6. OFFAL
(a) Tendency (b) Sacrifice (c) Refuse (d) Poison
7. COLOSSUS
(a) Towering (b) Tall (c) Lofty (d) Huge
8. HELM
(a) Corner (b) Handle (c) Head (d) Edge
9. OCCULT
(a) Mysterious (b) Harmless (c) Dreadful (d) Amazing
10. REPURCUSSION
(a) Remuneration (b) Consequence (c) Reaction (d) Recollection
11. CIVIL
(a) Sophisticated (b) Social (c) Formal (d) Polite
12. ADJURE
(a) Provoke (b) Adjust (c) Entreat (d) Enjoy
13. PANDER
(a) Encourage (b) Withhold (c) Recommend (d) Withdraw
14. AFFILIATE
(a) Control (b) Associate (c) Copy (d) Discriminate
15. GAWK
(a) Sweeten (b) Stare (c) Perspire (d) Swallow
16. BENEVOLENT
(a) Charitable (b) Sympathetic (c) Liberal (d) Beneficial

17. HEGEMONY
(a) Domination (b) Materialism (c) Subordination (d) Booty
18. ENCUMBRANCE
(a) Disturbance (b) Burden (c) Distraction (d) Hindrance
19. SURREPTITIOUS
(a) Mysterious (b) Abstract (c) Secretive (d) Secret
20. CAPITULATE
(a) Surrender (b) Withdraw (c) Execute (d) Summarize
21. HOCK
(a) Repent (b) Pledge (c) Promise (d) Punish
22. DYNAMIC
(a) Vigorous (b) Forceful (c) Robust (d) Active
23. HERETICAL
(a) Fiery (b) Corrupt (c) Implous (d) Disputable
24. OBDURATE
(a) Adamant (b) Helpful (c) Simple (d) Flexible
25. IRONIC
(a) Good natured (b) Inflexible (c) Disguisedly sarcastic (d) Bitter
26. LIBERTY
(a) Obligation (b) Rights (c) Freedom (d) Democracy
27. VIRILE
(a) Boastful (b) Manly (c) Pompous (d) Athletic
28. LEGITIMATE
(a) Rightful (b) Valid (c) Illicit (d) Correct
29. JINK
(a) Inherit (b) Refrain (c) Dodge (d) Travel
30. RELUCTANT
(a) Ready (b) Willing (c) Hesitating (d) Inclined
31. ADMIT
(a) Adjourn (b) Confess (c) Relate (d) Commit
32. DOWDY
(a) Unstylish (b) Elegant (c) Rakish (d) Corpulent
33. ASSUAGE
(a) Rub (b) Prohibit (c) Ease (d) Enlarge
34. RECKLESS
(a) Daring (b) Bold (c) Rash (d) Courageous
35. CATAPULT
(a) Restrain (b) Control (c) Contain (d) Shoot
36. MUTATION
(a) Variation (b) Display (c) Severance (d) Silence

37. CONTEMPLATIVE
(a) Morbid (b) Serious (c) Calm (d) Thoughtful
38. BROOK
(a) Indulge (b) Serve (c) Tolerate (d) Taste
39. DEFERENCE
(a) Obligation (b) Respect (c) Postponement (d) Pride
40. NEPOTISM
(a) Favouritism (b) Carelessness (c) Inefficiency (d) Corruption
41. BIFURCATED
(a) Reduced (b) Stabbed (c) Ploughed (d) Forked
42. LIBERAL
(a) Progressive (b) Tolerant (c) Generous (d) Educated
43. INTERIM
(a) Temporary (b) Internal (c) Interval (d) Timely
44. HOODWINK
(a) Deceive (b) Stab (c) Prefer (d) Collide
45. IMPRECATION
(a) Abuse (b) Blessing (c) Bliss (d) Oath
46. JAUNTY
(a) Readiness (b) Hesitation (c) Reluctance (d) Cheerfulness
47. LEEWAY
(a) Flexibility (b) Leisure (c) Permissiveness (d) Course
48. SOZZLED
(a) Burnt (b) Cultured (c) Drunk (d) Moderate
49. AMBITION
(a) Expectation (b) Desire (c) Aspiration (d) Goal
50. FRACTIOUS
(a) Disheartening (b) Irritable (c) Comic (d) Pleasing
51. FLABBY
(a) Obese (b) Fatty (c) Chubby (d) Loose
52. DEMISE
(a) Decline (b) Decay (c) Dormant (d) End
53. PRISTINE
(a) Traditional (b) Expensive (c) Original (d) Meritorious
54. TURN UP
(a) Show up (b) Come up (c) Land up (d) Crop up
55. EDIFY
(a) Consume (b) Satisfy (c) Instruct (d) Amuse
56. OROTUND
(a) Stout (b) Round (c) Resonant (d) Gilded
57. APOLOGUE
(a) Moral fable (b) After thought (c) Ancient legend (d) Explanation

58. OPTIMISTIC
(a) Optimian (b) Favourable (c) Wishful (d) Hopeful
59. CANDID
(a) Sincere (b) Polite (c) Plain-spoken (d) Rude
60. INCENSED
(a) Inspired (b) Encouraged (c) Incited (d) Affected
61. INCONTINENT
(a) Unrestrained (b) Restless (c) Inconstant (d) Uncertain
62. RECIPROCATE
(a) Grant (b) Interchange (c) Receive (d) Deliver
63. ABSTAIN
(a) Resist (b) Refrain (c) Assist (d) Attain
64. RANCOUS
(a) Noisy (b) Harmful (c) Pleasant (d) Harsh
65. BROWSE
(a) Strike (b) Examine (c) Deceive (d) Heal
66. PRIVY
(a) Secret (b) Dispossessed (c) Open (d) Deprived
67. ACERB
(a) Unwilling (b) Harsh (c) Dangerous (d) Foreign
68. INANITION
(a) Silliness (b) Passivity (c) Emptiness (d) Strictness
69. SPECTATORS
(a) Listeners (b) Audience (c) Onlookers (d) Participants
70. ENTICE
(a) Tease (b) Tempt (c) Charm (d) Attract
71. SEVERE
(a) Rigid (b) Aggressive (c) Offensive (d) Sickening
72. RESTORATION
(a) Renovation (b) Renewal (c) Reinstatement (d) Recreation
73. MODISH
(a) Adorned (b) Sentimental (c) Stylish (d) Vacillating
74. IMPECCABLE
(a) Precise (b) Faultless (c) Fussy (d) Having integrity
75. INTERNECINE
(a) Deadly (b) Foolhardy (c) Stealthy (d) International
76. UMBRAGE
(a) Debate (b) Battle (c) Offence (d) Quarrel
77. PARAMOUNT
(a) Prestigious (b) Supreme (c) Valuable (d) Urgent
78. LICENTIOUS
(a) Immoral (b) Hungry (c) Gay (d) Generous

79. COVETOUS
(a) Thrifty (b) Grasping (c) Hidden (d) Sheltered
80. SIMON-PURE
(a) False (b) Genuine (c) Holy (d) Artificial

SYNONYM OF A WORD AS USED IN A SENTENCE

SET 4

- Methods of spreading the family planning message have been as *secund* as they have been abortive.
(a) Fruitful (b) Failing (c) Peculiar (d) False
- After his graduation, he had to pass through a period of *privation*.
(a) Hardship (b) Uncertainty (c) Prosperity (d) Privacy
- Now the *fury* of the demonstrators turned against the machines.
(a) Asperity (b) Passion (c) Rage (d) Acrimony
- His commands were so *peremptory* that we felt humiliated.
(a) Specious (b) Poignant (c) Dictatorial (d) Rough
- He would have been his close *associate* had he not been disloyal.
(a) Employee (b) Competitor (c) Colleague (d) Executive
- Everybody laughed at the *puerility* of his statement.
(a) Inaccuracy (b) Childishness (c) Insincerity (d) Falsehood
- Even the loss of her jewels did not disturb the lady's *equanimity*.
(a) Temper (b) Composure (c) Affability (d) Humour
- Many cities were *incinerated* during the war.
(a) Destroyed (b) Shaken (c) Bombed (d) Burnt
- The Japanese have introduced a *nippy* little car for joy riders.
(a) Funny (b) Cheap (c) Quick (d) Expensive
- The data *compiled* by the organisation was very useful.
(a) Analysed (b) Enclosed (c) Collected (d) Published
- Sporadic* rise in his temperature has caused us much worry.
(a) Frequent (b) Irritable (c) Irregular (d) Scattered
- Ant is believed to be the most *industrious* creature.
(a) Sensible (b) Diligent (c) Successful (d) Punctual
- The tour was cancelled on account of *incessant* rain.
(a) Constant (b) Heavy (c) Intermittent (d) Unexpected
- I *disdain* those who tell lies.
(a) Condemn (b) Sewn (c) Hate (d) Despise
- The *benevolence* of the god of Rain has seen a very successful monsoon this year too.
(a) Kindness (b) Goodness (c) Ruthlessly (d) None of these
- Ahsan did not *admit* his mistake in the beginning.
(a) Commit (b) Apologize (c) Accept (d) Realise

17. Man has to *encounter* many hardships in life.
(a) Solve (b) Face (c) Bear (d) Overcome
18. His wife *enjoined* him to change his ways.
(a) Asked (b) Pleaded (c) Urged (d) Threatened
19. He would have been successful, but for his lack of *temerity*.
(a) Audacity (b) Sincerity (c) Confidence (d) Strength
20. That was the time when there was a *hunger* for foreign knowledge and foreign thought.
(a) Wish (b) Appetite (c) Desire (d) Greed
21. I could achieve success through *conscious* efforts.
(a) Efforts done after gaining consciousness (b) Efforts made with critical awareness
(c) Efforts done without any desire (d) Tremendous efforts
22. He is quite *meticulous* in his dealings with others.
(a) Reserved (b) Haughty (c) Indifferent (d) Very careful
23. Sharif is going to *foot the bill* for the repairs.
(a) Own (b) Pay (c) Bear (d) Stand
24. He used to *regale* us with anecdotes.
(a) Bore (b) Flatter (c) Entertain (d) Fire
25. Different races follow different *modes* of living.
(a) Ways (b) Standards (c) Customs (d) Attitudes
26. The operator was commended for his *dexterity*.
(a) Cooperation (b) Courtesy (c) Punctuality (d) Skill
27. Millionaires become *eccentric* in their old age.
(a) Irritable (b) Peculiar (c) Dull (d) Miserly
28. She would take a deep sigh and *lapse* into silence.
(a) Pass (b) Revert (c) Turn (d) Get
29. His *judicious* handling of the matter saved the situation from going out of control.
(a) Nervous (b) Helpful (c) Sensible (d) Cautious
30. The prisoners of war were subjected to bestial *atrocities*.
(a) Hardships (b) Punishments (c) Cruelties (d) Jobs
31. We didn't believe in his statement, but *subsequent* events proved that he was right.
(a) Later (b) Earlier (c) Many (d) Few
32. The little *coy* bride was admired by everyone.
(a) Beautiful (b) Shy (c) Talented (d) Sweet
33. The small boy was able to give a *graphic* description of the thief.
(a) Vague (b) Broad (c) Vivid (d) Drawing
34. He was *dismissed* from service because they found him dishonest.
(a) Prevented (b) Removed (c) Fired (d) Stopped
35. If you *waver* at the last minute, you shall face failure.
(a) Resolve (b) Decide (c) Settle (d) Hesitate
36. Reading of poetry is not *congenial* to his taste.
(a) Suited (b) Beneficial (c) Helpful (d) Preferable

37. He always advocated the cause of *indigenous* industries.
(a) Foreign (b) Big (c) Cottage (d) Native
38. Shazia could not *recollect* the incident that had happened in her childhood.
(a) Remind (b) Recall (c) Memorise (d) Assemble
39. He was warned at the *outset* of his career.
(a) End (b) Beginning (c) Middle (d) Entrance
40. The *bounties* of nature are being exploited by man.
(a) Gifts (b) Products (c) Rules (d) Ecological balances
41. There is no *efficacious* remedy to unemployment problem in a country which has no ideological convictions.
(a) Suitable (b) Possible (c) Effective (d) Proper
42. Ali has a *penchant* for fine poetry.
(a) Desire (b) Bias (c) Liking (d) Training
43. The defendant was grateful for the judge's *clemency*.
(a) Patience (b) Mercy (c) Relaxed attitude (d) Politeness
44. He *hardly* works.
(a) Strenuously (b) Scarcely (c) Mostly (d) Arduously
45. This machine was *fabricated* in our own workshop.
(a) Operated (b) Constructed (c) Installed (d) Designed
46. The number of *aboriginal* inhabitants in Australia is considerable.
(a) Primitive (b) Ancient (c) Unoriginal (d) Irrational
47. The quiz game *comprises* three rounds.
(a) Involves (b) Incorporates (c) Retains (d) Consists of
48. Haris *ran* the marathon race in less than two hours.
(a) Succeeded (b) Rushed (c) Completed (d) Scored
49. Since he promised to do so, I *presume* he will come.
(a) Think (b) Guess (c) Suppose (d) Believe
50. The inspector was a *vigilant* young man.
(a) Smart (b) Watchful (c) Ambitious (d) Intelligent
51. The American policy did much to *escalate* the conflict.
(a) To spread in a wider area (b) To scale up
(c) To reduce in intensity (d) To put an end
52. The *lurid* details of the murder in broad day light sent chilling sensations down the spine of everybody.
(a) Realistic (b) Vivid (c) Bleak (d) Ghastly
53. The sight moved him to pity and *compunction*.
(a) Confusion (b) Wonder (c) Regret (d) Anger
54. Few teachers have been spared the problem of an *obstreperous* pupil in the class.
(a) Awkward (b) Lazy (c) Unruly (d) Sullen
55. Rahim does *unpaid* work for the charity school.
(a) Honourable (b) Honorary (c) Honest (d) Honorific

56. The host looked quite *jaded* by the time the party was over.
(a) Miserable (b) Cheerful (c) Inspiring (d) Exhausted
57. Many people buy charms and *talismans* because they think they will bring them luck.
(a) Amulets (b) Tokens (c) Lucky cards (d) Stones
58. How beautiful! This is really something to *ponder over*.
(a) Sing (b) Dance (c) Think (d) Wonder
59. Too many drugs are apt to cause *distress*.
(a) Misery (b) Depression (c) Suffering (d) Melancholy
60. Drinking is a *vice* which ultimately ruins a person.
(a) Habit (b) Crime (c) Sin (d) Evil
61. Alia asked Resham not to *meddle* in her affairs.
(a) Intercede (b) Impose (c) Cross (d) Interfere
62. His speech was full of *affectation*.
(a) Boasting (b) Pretence (c) Pedantry (d) Euphemism
63. Cross-examination could not *elicit* any reason for his being absent.
(a) Prove (b) Find fault with (c) Produce (d) Draw out
64. Many people feel *queasy* while travelling on a bus on hilly roads.
(a) Uneasy (b) Mobile (c) Drowsy (d) Dynamic
65. I wrote to him as *late* as last week.
(a) Late (b) Recently (c) Early (d) Immediately
66. He listened to my request with *indifference*.
(a) Caution (b) Displeasure (c) Concern (d) Disinterest
67. The patient began to *rave* incoherently in a fit of high fever.
(a) Talk wildly (b) Express anger (c) Pray meekly (d) Deny forcefully
68. His grandparents had grown *feeble* and helpless.
(a) Weak (b) Incapacitated (c) Timid (d) Humiliated
69. *Incensed* by his rude behaviour, the manager suspended the worker.
(a) Enthused (b) Enraged (c) Inflamed (d) Excited
70. *Foolhardiness* is the result of constant strains.
(a) Exhaustion (b) Obstinacy (c) Sickness (d) Foolishness
71. Physical courage *urges* a man to risk injury or death.
(a) Compels (b) Forces (c) Persuades (d) Forbids
72. The country's resources should be *judiciously* used.
(a) Sparingly (b) Reasonably (c) Adequately (d) Immensely
73. Everyone tries to avoid his company because he is in the habit of using too many *jibes*.
(a) Interesting incidents (b) Abuses (c) criticism (d) Taunts
74. The story is too fantastic to be *credible*.
(a) Praiseworthy (b) Readable (c) Believable (d) False
75. A government rocked by frequent scandals is an *effete* set of people with no credibility.
(a) Innocent (b) Stupid (c) Excited (d) Exhausted

76. She does not get her work done punctually and properly because she is always *dawdling*.
(a) Confused (b) Playing (c) Loitering (d) Chit-chatting
77. A bone got stuck in his *gullet*.
(a) Stomach (b) Molars (c) Chest (d) Throat
78. Pakistan is still a *virgin* land exploring its tourism potential.
(a) Undone (b) Unexplored (c) Uncouth (d) Unexploited
79. The need of the hour is to initiate the *renaissance* of moral conscience and halt the rampant corruption, for it could even hasten the end of our civilisation.
(a) Rise (b) Introduction (c) Revival (d) Significance
80. I have told him *many* times not to do that.
(a) Several (b) Unlimited (c) Endless (d) Numberless

SET 5

1. He was annoyed at his *flippant* remark.
(a) Discourteous (b) Bitter (c) Humorous (d) Casual
2. Some people are extremely *fastidious* in their choice of dress.
(a) Pompous (b) Fussy (c) Discriminating (d) Careless
3. The magazine was *embellished* with amusing articles.
(a) Filled (b) Replete (c) Adorned (d) Sprinkled
4. His views on children and their upbringing are indeed *outlandish*.
(a) Realistic (b) Funny (c) Strange (d) Offensive
5. Saleem neglected to *remit* the fees in time and therefore had to pay a fine.
(a) Exempted (b) Refused (c) Failed (d) Promised
6. His *credulous* nature often landed him in trouble.
(a) Dreamy (b) Naughty (c) Innocent (d) Willing to believe easily
7. 'To be or not to be' was the *dilemma* of Hamlet.
(a) Question (b) Obsession (c) Problem (d) Confusion
8. You should have watched that *glint* in her eyes when speaking of her husband.
(a) Disgust (b) Sparkle (c) Anger (d) Sadness
9. War always has a *baneful* effect on the people of a nation.
(a) Unpleasant (b) Foul (c) Pernicious (d) Harmful
10. People refuse to pay *obedience* to people whom they do not accept as their leaders.
(a) Attention (b) Respect (c) Obedience (d) Command
11. His endeavours proved *fruitful*.
(a) Justified (b) Futile (c) Efficient (d) Productive
12. The newly-found drug on the epidemic was not at all *deleterious*.
(a) Effective (b) Intoxicating (c) Noxious (d) Successful
13. The boy was *chided* for his impertinence.
(a) Praised (b) Beaten (c) Applauded (d) Rebuked
14. People of different *persuasions* have met on the same platform.
(a) Personalities (b) Tastes (c) Qualifications (d) Convictions

15. The house cannot *accommodate* more people.
(a) Hold (b) Allow (c) Hide (d) Associate
16. If you want the quality of your writings to improve, then avoid *redundant* words.
(a) Unwilling (b) Mistaken (c) Wrong (d) Repetitive
17. Catching snakes can be *hazardous* for people untrained in the art.
(a) Dangerous (b) Difficult (c) Harmful (d) Tricky
18. In order to tarnish the public image of his opponent, he has got a *mendacious* story planted in the local newspaper.
(a) False (b) Fabricated (c) Imaginary (d) Horrible
19. The sentiments expressed by him in the speech were *odious*.
(a) Significant (b) Hateful (c) Admirable (d) Common
20. A civilized Roman *banquet* was a thing of great richness, style and decorum.
(a) Palace (b) Feast (c) Ornament (d) Table
21. The troops were *mobilized* to take control of the tensed situation.
(a) Organised into platoons (b) Summoned to headquarters
(c) Prepared for active service (d) Collected hurriedly
22. He listened to her mellifluous music under the *genial* influence of wine.
(a) Heavy (b) Stressing (c) Drowsy (d) Sympathetic
23. His *lascivious* habits brought him nothing but bad name.
(a) Treacherous (b) Erotic (c) Lustful (d) Vicious
24. The fishing boat pulled away from the *wharf* and chugged smoothly down the bay.
(a) Harbour (b) Share (c) Quay (d) Anchor
25. The people attending the *carnival* looked gay and happy.
(a) Occasion (b) Fair (c) Function (d) Revelry
26. The *aberration* in the Pakistani economy can be attributed to short-sightedness of its political masters.
(a) Deviation (b) Steadfastness (c) Privilege (d) Procrastination
27. Feeling *drowsy* may be a side-effect of too many antibiotics.
(a) Dizzy (b) Energetic (c) Irritable (d) Sluggish
28. Pakistan has too often to *fulminate* against India's role in aiding and abetting acts of militancy on her soil.
(a) Think (b) Consider (c) Conspire (d) Protest
29. All the streets looked *just* the same.
(a) Decisively (b) Normally (c) Exactly (d) Simply
30. At the Hardy house there was great *consternation* when Aunt Gertrude saw Joe helping Frank up the stairs.
(a) Surprise (b) Panic (c) Gaiety (d) Anxiety
31. He is a *candid* politician.
(a) Frank (b) faithful (c) Fearless (d) Soft spoken
32. The purpose of his speech was to *lampoon* the leading politicians of the day.
(a) Praise (b) Expose (c) Ridicule (d) Defame
33. *Sagacity* increases with age.
(a) Wisdom (b) Love (c) Maturity (d) Efficiency

34. She has an *insatiable* love for music.
(a) Undesirable (b) Irreconcilable (c) Unchanging (d) Unsatisfiable
35. I was shocked to see my friend lying at the *edge* of the road.
(a) Side (b) Bank (c) Corner (d) Border
36. He is very *discreet* while deciding such matters.
(a) Obstinate (b) Cunning (c) Prudent (d) Trustworthy
37. Science has *revealed* the mysteries of nature to man.
(a) Released (b) Disclosed (c) Opened (d) Cleared
38. It is a *scandal* that the murderer was declared innocent.
(a) Rumour (b) Silly notion
(c) Talk (d) Disgraceful action
39. Ever since the death of his mother, my friend is utterly *forlorn* and wretched.
(a) Frustrated (b) Lonely (c) Fearful (d) Gloomy
40. The *raucous* shouts of the audience forced the management to call off the show.
(a) Unpleasant (b) Loud (c) Harsh (d) Harmful
41. He was *admonished* for the delay.
(a) Dismissed (b) Admired (c) Censured (d) Advised
42. What is the *ultimate* goal of life?
(a) Fixed (b) Final (c) Desired (d) Immediate
43. Everyone who has worked for him *hammers* home that point because they feel that it is widely unappreciated.
(a) Hints (b) Stresses (c) Strikes (d) Directs
44. We must *eradicate* corruption.
(a) Minimise (b) Control (c) Condemn (d) Uproot
45. During his stay in Canada, he had quite a few *frustrating* experiences.
(a) Disappointing (b) Disenchanted (c) Humiliating (d) Repulsive
46. I tried to persuade him to change his mind, but he remained *adamant*.
(a) Foolish (b) Aggressive (c) Stubborn (d) Defensive
47. The weavers have to do *monotonous* work.
(a) Repetitive (b) Exhausting (c) Irksome (d) Autonomous
48. There was always an *imminent* danger of the falling of that damaged roof.
(a) Constant (b) Impending (c) Remote (d) Favourable
49. She is really a *fantastic* girl.
(a) Wonderful (b) Charming (c) Beautiful (d) Intelligent
50. In present-day society, money plays the only dominant role in almost all *transactions*.
(a) Jobs (b) Negotiations (c) Business (d) Proceedings
51. The old man was fond of giving *homilies* whenever we went to him with a problem.
(a) Alternatives (b) Advice (c) Suggestions (d) Sermon
52. He enjoyed the *salubrious* climate of the place.
(a) Cold (b) Temperate (c) Warm (d) Healthful
53. The soldier displayed *exceptional* courage and saved the Major from the enemy's hand.
(a) New (b) Strange (c) Abnormal (d) Unusual

54. Everyone was listening to the news of earthquake with mounting *anxiety*.
(a) Interest (b) Eagerness (c) Uneasiness (d) Grief
55. The accident occurred due to his *lapse*.
(a) Haste (b) Error (c) Ignorance (d) Carelessness
56. *Courtesy* does not cost one anything.
(a) Gentility (b) Civility (c) Amiability (d) Urbanity
57. It was *incumbent* on him to report the matter at once.
(a) Pointless (b) Depending (c) Pressing (d) Optional
58. The intruders *strangled* the lady to death.
(a) Thrashed (b) Forced (c) Compressed (d) Throttled
59. Only my neighbour *succoured* me during my illness.
(a) Nourished (b) Treated (c) Aided (d) Attended
60. That case is not *amenable* to ordinary rules.
(a) Applicable (b) Interpreted (c) Contradictory (d) Dealt with
61. As they whispered, I felt *awkward* in their company.
(a) Inconvenient (b) Clumsy (c) Ashamed (d) Embarrassed
62. Lost in his own dream he forgot that *vicissitudes* can change the course of man's life.
(a) Difficulties (b) Changes of fortune
(c) Impediments (d) Good fortunes
63. The problem is *tedious* to tackle.
(a) Easy (b) Difficult (c) Tiring (d) Troublesome
64. We were *touched* by the honesty of the beggar.
(a) Impressed (b) Moved (c) Surprised (d) Horrified
65. The time I spent in the library was the most *rewarding* one.
(a) Precious (b) Serviceable (c) Profitable (d) Paying
66. The food we had to eat was *incompatible* to our needs.
(a) Harmonizing (b) According (c) Corresponding (d) Unsuitable
67. The kingdom suffered a constant threat from certain *predatory* tribes.
(a) Wild (b) Violent (c) Rebellious (d) Plundering
68. He decided to *accost* a big financier for his new scheme.
(a) Employ (b) Approach (c) Hire (d) Deceive
69. Many species of animals have become *extinct* during the last hundred years.
(a) Feeble (b) Aggressive (c) Scattered (d) Non-existent
70. Fifty years after independence there can be no *alibi* for not providing basic amenities to every citizen.
(a) Cause (b) Plea (c) Factor (d) Reason
71. The community is *agog* with speculation about the fate of the money collected.
(a) Excited (b) Worried (c) Depressed (d) Annoyed
72. The President of the party *deprecated* the move of the Government to introduce electoral reforms in a haste.
(a) Extricated (b) Humiliated (c) Denied (d) Protested

73. He was drawn to the *vortex* of politics at a very early age.
(a) Whirlpool (b) Field (c) Arena (d) Hell
74. Quite often parents have to cut a sorry figure when their children display *fractious* reaction over trifles.
(a) Pleasing (b) Absurd (c) Comic (d) Irritable
75. He enjoys *vicarious* authority.
(a) Tenuous (b) Limited (c) Delegated (d) Wide
76. He has *propensity* for getting into debt.
(a) Characteristic (b) Quality
(c) Natural tendency (d) Aptitude
77. If you lack in *magnanimity*, all your wealth and luxury is useless.
(a) Planning (b) Purposiveness (c) Management (d) Generosity
78. Seeds need sufficient water and air to *germinate*.
(a) Grow (b) Reproduce (c) Breed (d) Sprout
79. He tried to *cajole* her, but it was in vain.
(a) Enjoin (b) Coax (c) Rejoice (d) Inspire
80. India has been vigorously pursuing a *clandestine* nuclear weapons programme.
(a) Nefarious (b) Progressive (c) Systematic (d) Secretive

SET 6

1. He was punished to rigorous imprisonment for *larceny*.
(a) Murder (b) Forgery (c) Stealing (d) Dacoity
2. The drugs were *innocuous* and had no side-effect.
(a) Effective (b) Harmless (c) Imported (d) Newly discovered
3. He is being treated for his *somnolence*.
(a) Weakness (b) Severe pain in the joints
(c) Intoxication (d) Sleepiness
4. The pupil was asked to *rectify* the mistake.
(a) Correct (b) Condone (c) Clarify (d) Repeat
5. I used to skate quite well but I have lost the *knack* now.
(a) Agility (b) Strength (c) Skill (d) Stamina
6. The *criterion* of judgement would be fixed soon.
(a) Result (b) Decision (c) Standard (d) Consideration
7. He did not hesitate to *pester* the sleeping mother when he wanted money.
(a) Shake (b) Wake (c) Trouble (d) Disturb
8. In spite of their efforts, the team of scientists could not make much *headway* to solve the problem.
(a) Results (b) Start (c) Efforts (d) Progress
9. The speech he made on the occasion was quite *exhilarating*.
(a) Irrelevant (b) Boring (c) Lively (d) Learned
10. After that tiresome long journey, he felt *drowsy*.
(a) Sluggish (b) Irritable (c) Energetic (d) Dizzy

11. He spent his whole life caught up in *mundane* matters.
(a) Foolish (b) Worldly (c) Inconsequential (d) Criminal
12. He deserved the *accolade* he received.
(a) Comment (b) Honour (c) Appreciation (d) Blame
13. He was given a *severe* warning for coming late.
(a) Rigorous (b) Stern (c) Harsh (d) Strict
14. The notice said that the meeting would begin *precisely* at 9.00 a.m.
(a) Concisely (b) Approximately (c) Exactly (d) Accurately
15. All incoming and outgoing mail is *censored* by the Government during the times of war.
(a) Distributed (b) Confiscated (c) Checked (d) Supervised
16. The *ascending* temperature in many parts of the world confirms global warming which is an environmental *hazard*.
(a) Rising (b) Falling (c) Shooting (d) Mounting
17. It is risky to go beyond this *barricade*.
(a) Stupid (b) Adventurous (c) Hazardous (d) Inadvisable
18. He was *sentenced* to four years imprisonment.
(a) Punished (b) Acquitted (c) Assigned (d) Convicted
19. The art movie I watched this evening has put me in a *pensive* mood.
(a) Cheerful (b) Reflective (c) Confused (d) Depressed
20. He died as an *impecunious* man in a charitable hospital.
(a) Innocent (b) Ignorant (c) Faultless (d) Having no money
21. He was punished for *shirking* his official work.
(a) Slowing (b) Postponing (c) Avoiding (d) Delegating
22. The British *levied* unusually high taxes on export of Indian goods.
(a) Implemented (b) Stipulated (c) Imposed (d) Enacted
23. The one who is rich possesses many *superfluous* things.
(a) Needless (b) Superior (c) Essential (d) Expensive
24. Many of his acquaintances avoid him because he is so *garrulous*.
(a) Proud (b) Unreasonable (c) Talkative (d) Quarrelsome
25. He had been living his life according to *set pattern*.
(a) Duties (b) Model (c) Conduct (d) Behaviour
26. Absolute silence *reigned* in the whole necropolis.
(a) Duties (b) Responsibilities (c) Restrictions (d) Ruled
27. Absolute silence *reigned* in the whole *necropolis*.
(a) Cemetery (b) Hell (c) Cenotaph (d) Churchyard
28. Her today's story was merely an *exaggeration* of what happened before my eyes.
(a) Overstatement (b) Reproduction (c) Falsehood (d) Understatement
29. When kept in water, grapes become *turgid*.
(a) Bloated (b) Swollen (c) Rotten (d) Fomented
30. The *facade* of our school building got a face-lift recently.
(a) Basement (b) Floor (c) Top (d) Front

31. The stratospheric ozone layer plays an important protective role for life on earth and its disruption is obviously *fraught* with dangerous consequences.
(a) Involving (b) Concerned (c) Followed (d) Caused
32. There is not a single word that is *redundant* in the report.
(a) Bombastic (b) Unimportant (c) Flowery (d) Not needed
33. In the company of smart and crafty fellows, an *innocuous* finds himself out of place.
(a) Simpleton (b) Innocent (c) Honest (d) Cunning
34. Being a member of this club, he has certain *rights*.
(a) Virtues (b) Facilities (c) Gains (d) Privileges
35. They tolerated him though they dished his *craven* behaviour.
(a) Silly (b) Cowardly (c) Indecent (d) Mean
36. For quick promotion, he hit on a plan to *propitiate* the Manager.
(a) Evict (b) Incite (c) Praise (d) Conciliate
37. The *antidote* to these problems is hard to find.
(a) Remedy for (b) Consequence of (c) Cause for (d) Result of
38. Poets and writers are *sensuous* by nature.
(a) Sensible (b) Sentimental (c) Sensual (d) Sensitive
39. I am quite *content* to stay here.
(a) Eager (b) Happy (c) Frightened (d) Determined
40. The petals of the flowers are usually *conspicuous* to attract birds for pollination.
(a) Prominent (b) Beautifully shaped (c) Colourful (d) Scented
41. The man *vehemently* denied all the charges of corruption that were levelled against him.
(a) Devoutly (b) Hysterically (c) Forcefully (d) Serenely
42. The artists worked with tremendous *felicity* in expressive poetic language.
(a) Zeal (b) Excitement (c) Happiness (d) Expertise
43. Those who mean government *run* shops also have their palm greased.
(a) Control (b) Operate (c) Administer (d) Rule
44. The cyclone had blown some of the cars on to *sunny* places.
(a) Humorous (b) Cranky (c) Irregular (d) Odd
45. Despite his *pompous* style and gestures, the audience failed to evince any interest in his lecture.
(a) Display (b) Hide (c) Develop (d) Take
46. I have worked in this organization for five years trying to check the *erosion* of ethical values.
(a) Decay (b) Corrosion (c) Misuse (d) Expansion
47. When he returned he was accompanied by a *sprightly* young girl.
(a) Sportive (b) Intelligent (c) Lively (d) Beautiful
48. The story which Naveed *narrated* was very exciting.
(a) Disclosed (b) Told (c) Revealed (d) Explained
49. It was *presumptuous* of him to make a remark in the assembly.
(a) Ridiculous (b) Unthoughtful (c) Self-confident (d) Ambiguous

50. The earth from here is a grand ~~land~~ in the vastness of space.
(a) Greenland (b) Landscape (c) Waterhole (d) Wetland
51. It is quite ~~amusingly~~ that person should so behave with his elders.
(a) Childish (b) Ugly (c) Discourteous (d) Improper
52. The police need ~~acceptable~~ proof of his guilt before they can act against him.
(a) Convincing (b) Strong (c) Emphatic (d) Clear and Certain
53. It is a popular ~~fallacy~~ that all man-eaters are old and mangy.
(a) Observation (b) Belief (c) Fact (d) Illusion
54. Her new glasses make her look rather ~~owlish~~.
(a) Foolish (b) Solemn (c) Silly (d) Stupid
55. ~~Malice~~ is a feeling that we should always avoid.
(a) Envy (b) Cruelty (c) Spite (d) Hatred
56. How I ~~envy~~ the man who can always produce his reading glasses at a moment's notice.
(a) Resent (b) Desire (c) Crave (d) Covet
57. The ~~manfulness~~ of the businessman was great.
(a) Generosity (b) Stinginess (c) Misery (d) Tacitfulness
58. The next day, she ~~pacified~~ the teacher explaining her the reason for the previous day's leave.
(a) Quieten (b) Silenced (c) Pleased (d) Flattered
59. He could not suppress his ~~resentment~~ against that decision.
(a) Excitement (b) Irritation (c) Displeasure (d) Indignation
60. We did not expect such a ~~judicious~~ remark from him.
(a) Legal (b) Shrewd (c) Rational (d) Sagacious
61. Despite a full one hour meeting, they could not arrive at any ~~consensus~~.
(a) Settlement (b) Unity (c) Harmony (d) Agreement
62. During his meeting with the owners of the company he made a number of ~~overtures~~.
(a) Observations (b) Offers (c) Agreements (d) Promises
63. You cannot befool your mother by these ~~pretences~~.
(a) Accusations (b) Excuses (c) Statements (d) Promises
64. The eyewitness testimony was ~~incontrovertible~~.
(a) Unquestionable (b) Disputable (c) Unacceptable (d) Debatable
65. I realised they wanted to be alone together, so I felt very ~~awkward~~.
(a) Ashamed (b) Inconvenient (c) Embarrassed (d) Clumsy
66. The ~~terminus~~ of his progress would be reached when he accomplishes that honour.
(a) Beginning (b) Highest stage (c) Last point (d) Result
67. Several ~~ancillary~~ units were patronized by that large store.
(a) Small (b) Temporary (c) Standing (d) Subordinate
68. I don't see why he should be so ~~obsequious~~ to his brother just because the latter is rich.
(a) Unusually kind (b) Unfriendly (c) Excessively respectful (d) Offensive

69. An issue of the highest sensitivity, which required the greatest *finesse* and delicacy, was handled in the most slapdash manner.
(a) Carefulness (b) Attention (c) Tact (d) Action
70. Corruption ~~stalks~~ every sphere of national life.
(a) Pervades (b) Penetrates (c) Pollutes (d) Poisons
71. The militant was ~~nabbed~~ at the airport.
(a) Caught (b) Pursued (c) Arrested (d) Beaten
72. I am afraid I cannot ~~relate~~ the details now.
(a) Describe (b) Recount (c) Recollect (d) Tell
73. Both young ~~sleuths~~ felt sure there was a link between the two.
(a) Travellers (b) Boys (c) Convicts (d) Detectives
74. He did not succeed in his ~~endeavour~~.
(a) Enterprise (b) Effort (c) Trick (d) Plan
75. Five-year plans have been put into operation to ~~mitigate~~ the sufferings of the poor.
(a) Lessen (b) Remove (c) Reduce (d) Cut
76. These recent developments seem to be quite ~~adverse~~ to our interests.
(a) Favourable (b) Indifferent (c) Unfortunate (d) Opposed
77. He gave such a ~~vivid~~ description of the house we wanted to rent that we did not have to look at it.
(a) Simple (b) Detailed (c) clear (d) Confused
78. If you don't care for the ~~blemishes~~ of his style, you will find that the writer has a powerful message to convey.
(a) Excellences (b) Qualities (c) Accusations (d) Faults
79. He gave an ~~expeditious~~ reply.
(a) Exact (b) Slow (c) Elaborate (d) Prompt
80. He does not know how to ~~hothand~~ his resources.
(a) Manage (b) Govern (c) Rule (d) Watch

ANTONYMS

Directions: In each of the following questions, choose the word opposite in meaning to the given word:

SET 1

- | | | | |
|--|-------------------|-------------------------|-----------------------|
| 1. RUTHLESS
(a) Mindful | (b) Compassionate | (c) Majestic | (d) <u>Merciful</u> |
| 2. ABDICATE
(a) <u>Calm</u> | (b) Snatch | (c) Plunder | (d) Seize |
| 3. DECEIT
(a) Reality | (b) Trust | (c) <u>Truthfulness</u> | (d) Fact |
| 4. VIOLENT
(a) Tame | (b) Humble | (c) <u>Gentle</u> | (d) Harmless |
| 5. ABHORRENCE
(a) Aversion | (b) <u>Liking</u> | (c) Appreciation | (d) Fear |
| 6. PARSIMONIOUS
(a) <u>Generous</u> | (b) Frugal | (c) Crude | (d) Stingy |
| 7. DEARTH
(a) Extravagance | (b) Scarcity | (c) <u>Abundance</u> | (d) Sufficiency |
| 8. VALIDATE
(a) Legalise | (b) Spurious | (c) Authenticate | (d) <u>Disprove</u> |
| 9. LEND
(a) Hire | (b) Pawn | (c) Cheat | (d) <u>Borrow</u> |
| 10. JUDICIOUS
(a) Unequal | (b) Unlawful | (c) Impure | (d) <u>Indiscreet</u> |
| 11. JUXTAPOSITION
(a) Difference | (b) Opposition | (c) <u>Separation</u> | (d) Appropriateness |
| 12. PAUCITY
(a) <u>Surplus</u> | (b) Scarcity | (c) Presence | (d) Richness |
| 13. OFFER
(a) Beg | (b) Borrow | (c) Snatch | (d) <u>Request</u> |
| 14. BURY
(a) Examine | (b) Open | (c) <u>Disinter</u> | (d) Dig |
| 15. MINOR
(a) Heavy | (b) Tall | (c) <u>Major</u> | (d) Big |
| 16. LUSCIOUS
(a) Dry | (b) <u>Sour</u> | (c) Ugly | (d) Stale |
| 17. AMELIORATE
(a) Lessen | (b) Hasten | (c) Expedite | (d) <u>Worsen</u> |

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|---------------------------------------|-----------------------|--------------------|-----------------------|
| 18. GORGEOUS
(a) Desperate | (b) <u>Plain</u> | (c) Fashionable | (d) Sumptuous |
| 19. GOBLIN
(a) <u>Angel</u> | (b) Hermit | (c) Traveller | (d) Pilot |
| 20. ALIENATE
(a) Gather | (b) <u>Identify</u> | (c) Assemble | (d) Unite |
| 21. HAMPER
(a) Open | (b) Release | (c) Hold | (d) <u>Hasten</u> |
| 22. EVANESCENT
(a) <u>Blooming</u> | (b) Growing | (c) Twinkling | (d) Teasing |
| 23. MALICIOUS
(a) Boastful | (b) Indifferent | (c) Kind | (d) <u>Generous</u> |
| 24. OFFICIAL
(a) Domestic | (b) General | (c) Public | (d) <u>Private</u> |
| 25. HOLY
(a) Offensive | (b) Orthodox | (c) <u>Profane</u> | (d) Obnoxious |
| 26. SPURIOUS
(a) False | (b) <u>Genuine</u> | (c) Simple | (d) Systematic |
| 27. LISSOME
(a) <u>Ungainly</u> | (b) Huge | (c) Pungent | (d) Crude |
| 28. AUTONOMY
(a) Submissiveness | (b) <u>Dependence</u> | (c) Subordination | (d) Slavery |
| 29. RECEDE
(a) Rush | (b) <u>Advance</u> | (c) Approach | (d) Forward |
| 30. TRAGEDY
(a) Humorous | (b) <u>Comedy</u> | (c) Romance | (d) Calamity |
| 31. KINDLE
(a) Ignite | (b) Encourage | (c) Ignore | (d) <u>Extinguish</u> |
| 32. SHALLOW
(a) High | (b) Hidden | (c) <u>Deep</u> | (d) Hollow |
| 33. GRATUITY
(a) Annuity | (b) Stipend | (c) Discount | (d) <u>Wages</u> |
| 34. ECLIPSE
(a) <u>Shine</u> | (b) Enlarge | (c) Goggle | (d) Gleam |
| 35. MALFORMED
(a) Fetid | (b) Sketchy | (c) Curvaceous | (d) <u>Shapely</u> |
| 36. KNOWLEDGE
(a) <u>Ignorance</u> | (b) Illiteracy | (c) Foolishness | (d) Backwardness |
| 37. DEGENERATE
(a) Create | (b) <u>Progress</u> | (c) Restore | (d) Reproduce |
| 38. NADIR
(a) Progress | (b) Liberty | (c) <u>Zenith</u> | (d) Modernity |

39. WRECK
(a) Make (b) Build (c) Restore (d) Relieve
40. DELIBERATE
(a) Premeditated (b) Sparking (c) Methodical (d) Impulsive
41. FLACCID
(a) Upright (b) Taut (c) Uneven (d) Tough
42. FOREIGNER
(a) National (b) Stranger (c) Native (d) Alien
43. AVOIDANCE
(a) Possession (b) Passion (c) Pursuit (d) Power
44. IMPOUND
(a) Generate (b) Strengthen (c) Stimulate (d) Release
45. LANGUID
(a) Smart (b) Energetic (c) Fast (d) Ferocious
46. COMPLY
(a) Refuse (b) Agree (c) Disagree (d) Deny
47. BAULK
(a) Admire (b) Strengthen (c) Clamour (d) Encourage
48. STRINGENT
(a) Magnanimous (b) Lenient (c) Vehement (d) General
49. IGNORE
(a) Support (b) Favour (c) Redress (d) Accept
50. DEBAUCHEE
(a) Moralist (b) Thinker (c) Schemer (d) Dreamer
51. ALLEVIATION
(a) Exaggeration (b) Exasperation (c) Magnification (d) Intensification
52. MITIGATE
(a) Stagnate (b) Suffer (c) Aggravate (d) Instigate
53. MINION
(a) Master (b) Quorum (c) Majority (d) Host
54. LENIENT
(a) Obstinate (b) Annoyed (c) Rude (d) Harsh
55. ASSERT
(a) Agree (b) Acquiesce (c) Abjure (d) Abdicate
56. OVERT
(a) Deep (b) Shallow (c) Secret (d) unwritten
57. ACCORD
(a) Solution (b) Act (c) Dissent (d) Concord
58. START
(a) Close (b) Shut (c) End (d) Finish
59. UNIVERSAL
(a) Narrow (b) Regional (c) Miniature (d) Subsidiary

60. ALIVE
(a) Passive (b) Dead (c) Asleep (d) Drowsy
61. ANCESTORS
(a) Supporters (b) Disciples (c) Followers (d) Descendants
62. ENDOW
(a) Borrow (b) Steal (c) Snatch (d) Extort
63. SYNTHETIC
(a) Cosmetic (b) Plastic (c) Affable (d) Natural
64. BLISS
(a) Anguish (b) Sorrow (c) Agony (d) Suffering
65. SPREAD
(a) Subdue (b) Repress (c) Suppress (d) Contract
66. PRECARIOUS
(a) Dangerous (b) Safe (c) Cautious (d) Easy
67. PROFANE
(a) Arrogant (b) Benign (c) Respectful (d) Pious
68. MISERLY
(a) Hospitable (b) Generous (c) Extravagant (d) Philanthropic
69. DEEP
(a) Elementary (b) Superficial (c) Shallow (d) Perfunctory
70. OBSTINATE
(a) Inflexible (b) Prominent (c) Pliable (d) Fashionable
71. UNSTABLE
(a) Changing (b) Constant (c) Stagnant (d) Steady
72. FORMER
(a) Subsequent (b) Later (c) Resultant (d) Latter
73. IMPERVIOUS
(a) Penetrable (b) Hidden (c) Tolerable (d) Gentle
74. APPROPRIATE
(a) Unskilled (b) Unsuitable (c) Unqualified (d) Unable
75. RETRIEVE
(a) Respond (b) Dismiss (c) Foil (d) Abandon
76. RABID
(a) Decent (b) Fair (c) Rational (d) Pure
77. OPAQUE
(a) Misty (b) Covered (c) Clear (d) Transparent
78. FRATERNITY
(a) Hospitality (b) Hostility (c) Brotherhood (d) Enmity
79. PRETENTIOUS
(a) Deranged (b) Small (c) Depressing (d) Humble
80. MAWKISH
(a) Sentimental (b) Intelligent (c) Certain (d) Carefree

SET 2

- | | | | |
|------------------------------------|-----------------------|------------------------|----------------------|
| 1. BACCHANAL
(a) Cautious | (b) Grave | (c) Cunning | (d) <u>Sober</u> |
| 2. HINDRANCE
(a) Agreement | (b) Cooperation | (c) Persuasion | (d) <u>Aid</u> |
| 3. JEER
(a) Mourn | (b) <u>Praise</u> | (c) Mock | (d) Sincer |
| 4. BEAUTIFUL
(a) <u>Ugly</u> | (b) Dark | (c) Rough | (d) Dirty |
| 5. ADEQUATE
(a) Profuse | (b) Abounding | (c) <u>Scanty</u> | (d) Abundant |
| 6. PLACATE
(a) Embroil | (b) <u>Abounding</u> | (c) Amuse | (d) Pacify |
| 7. FRAILTY
(a) Emaciation | (b) <u>Strength</u> | (c) Health | (d) Boldness |
| 8. PROHIBIT
(a) Accept | (b) <u>Permit</u> | (c) Agree | (d) Grant |
| 9. EMBRACE
(a) Suspect | (b) Harm | (c) <u>Reject</u> | (d) Hurt |
| 10. BASHFUL
(a) Daring | (b) Boastful | (c) Upright | (d) <u>Confident</u> |
| 11. ROUGHLY
(a) <u>Exactly</u> | (b) Completely | (c) Pointedly | (d) Largely |
| 12. RETAIN
(a) Reject | (c) Spare | (b) <u>Renounce</u> | (d) Eject |
| 13. ESCALATE
(a) Lessen | (c) <u>Reduce</u> | (b) Subside | (d) Heal |
| 14. TERRIBLE
(a) Horrible | (c) <u>Delightful</u> | (b) Awesome | (d) Hideous |
| 15. INTRUDE
(a) Withhold | (c) Accept | (b) <u>Withdraw</u> | (d) Surrender |
| 16. FACSIMILE
(a) Reproduction | (c) <u>Original</u> | (b) Sincere | (d) Engineered |
| 17. BAGGY
(a) Strict | (c) Firm | (b) Compact | (d) <u>Tight</u> |
| 18. ADDITION
(a) Multiplication | (c) Enumeration | (b) <u>Subtraction</u> | (d) Division |
| 19. DISCOUNT
(a) Interest | (b) <u>Premium</u> | (c) Profit | (d) Concession |
| 20. VOLUNTARY
(a) Ordered | (b) Alternative | (c) <u>Compulsory</u> | (d) Essential |

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|---------------------------------------|------------------|--------------------|--------------------|
| 21. ONEROUS
(a) Straight-forward | (b) <u>Easy</u> | (c) Complex | (d) Plain |
| 22. TRANSPARENT
(a) Coloured | (b) Childlike | (c) <u>Opaque</u> | (d) Imminent |
| 23. PRIDE
(a) <u>Humility</u> | (b) Shame | (c) Humbleness | (d) Debasement |
| 24. ACQUISITIVE
(a) Miserly | (b) Frugal | (c) Simple | (d) <u>Austere</u> |
| 25. URBAN
(a) Country-made | (b) Pastoral | (c) Provincial | (d) <u>Rural</u> |
| 26. BLATANT
(a) Noisy | (b) <u>Quiet</u> | (c) Barren | (d) Slow |
| 27. PRIM
(a) <u>Rash</u> | (b) Extravagant | (c) Foul | (d) Shameful |
| 28. EXHIBIT
(a) <u>Conceal</u> | (b) Prevent | (c) Withdraw | (d) Concede |
| 29. SALVAGE
(a) Outfit | (b) <u>Lose</u> | (c) Burn | (d) Remove |
| 30. KEEN
(a) <u>Dull</u> | (b) Rogue | (c) Ardent | (d) Shrewd |
| 31. HAUGHTY
(a) Pitiable | (b) Scared | (c) <u>Humble</u> | (d) Cowardly |
| 32. UNDERTAKING
(a) Resignation | (b) Trial | (c) <u>Refusal</u> | (d) Denial |
| 33. AUDACIOUS
(a) <u>Timid</u> | (b) Vulgar | (c) Low | (d) Unpractised |
| 34. ENOUGH
(a) <u>Inadequate</u> | (b) Scarce | (c) Deficit | (d) Less |
| 35. VIRTUE
(a) <u>Vice</u> | (b) Fraud | (c) Wickedness | (d) Crime |
| 36. IMPROPRIETY
(a) <u>Decorum</u> | (b) Purity | (c) Ideal | (d) Conformity |
| 37. UNSULLIED
(a) Visible | (b) <u>Foul</u> | (c) Stainless | (d) Strong |
| 38. SMOOTH
(a) Ugly | (b) Awkward | (c) Hard | (d) <u>Rough</u> |
| 39. NERVOUS
(a) <u>Bold</u> | (b) Doubtful | (c) Timid | (d) Shrewish |
| 40. ACUTE
(a) Sharp | (b) Critical | (c) <u>Dull</u> | (d) Sensitive |
| 41. BASE
(a) Roof | (b) Height | (c) <u>Top</u> | (d) Climax |

42. DISSUADE
(a) Incite (b) Persuade (c) Advise (d) Instigate
43. NAIVE
(a) Cunning (b) Wealthy (c) Sophisticated (d) Complicated
44. MOIST
(a) Parched (b) Dry (c) Hard (d) Crisp
45. ANATHEMATISE
(a) Radiate (b) Regulate (c) Deceive (d) Bless
46. FECUND
(a) Barren (b) Solid (c) Unploughed (d) Raid
47. DEMON
(a) Charitable (b) Rind-hearted (c) Angel (d) Fair-minded
48. VANQUISH
(a) Surrender (b) Debase (c) Destroy (d) Ruin
49. BELIE
(a) Argue (b) Justify (c) Admire (d) Approve
50. DELETE
(a) Impound (b) Insert (c) Inspire (d) Injure
51. DESPONDENCY
(a) Humility (b) Pleasure (c) Cheerfulness (d) Excitement
52. MISERLY
(a) Liberal (b) Spendthrift (c) Charitable (d) Generous
53. ZEAL
(a) Hostility (b) Diffidence (c) Apathy (d) Contempt
54. SYMPATHY
(a) Enmity (b) Cruelty (c) Abhorrence (d) Apathy
55. ERUDITE
(a) Professional (b) Immature (c) Unimaginative (d) Ignorant
56. HAPLESS
(a) Lucky (b) Kind (c) Helpful (d) Futile
57. HAPPINESS
(a) Contentment (b) Grief (c) Renunciation (d) Beatitude
58. ACQUITTED
(a) Entrusted (b) Convicted (c) Burdened (d) Freed
59. VULGAR
(a) Refined (b) Cheerful (c) Jolly (d) Relevant
60. THRIFT
(a) Purchase (b) Destroy (c) Waste (d) Invest
61. LACONIC
(a) Prolix (b) Profligate (c) Prolific (d) Bucolic
62. QUERULOUS
(a) Bright (b) Splendid (c) Smart (d) Happy

63. ABSOLUTE
(a) Scarce (b) Limited (c) Faulty (d) Deficient
64. TRUMPERY
(a) Defeat (b) Wastage (c) Treasure (d) Vague
65. MAGNIFY
(a) Induce (b) Diminish (c) Destroy (d) Shrink
66. DISSENT
(a) Agreement (b) Dispute (c) Disunity (d) Controversy
67. CELIBACY
(a) Chastity (b) Misogyny (c) Matrimony (d) Divorce
68. BOOST
(a) Hinder (b) Obstruct (c) Discourage (d) Rebuke
69. COMIC
(a) Painful (c) Tragic (b) Fearful (d) Emotional
70. COMMUNICATIVE
(a) Primitive (c) Dumb (b) Passive (d) Reticent
71. LOYAL
(a) Rebellious (c) Faithful (b) Courageous (d) Friendly
72. SUBJUGATE
(a) Liberate (c) Enrich (b) Enslave (d) Identify
73. EVACUATE
(a) Admit (b) Abandon (c) Emerge (d) Invade
74. OUTMODED
(a) Polished (b) Practicable (c) Stylish (d) Fashionable
75. CONDENSE
(a) Lengthen (b) Expand (c) Distribute (d) Interpret
76. BRIDGE
(a) Divide (b) Bind (c) Release (d) Open
77. TRANQUIL
(a) Impatient (b) Agitated (c) Vociferous (d) Noisy
78. INDULGE
(a) Avoid (b) Abstain (c) Forego (d) Neglect
79. ATTRACT
(a) Repulse (b) Reject (c) Repel (d) Distract
80. RESPITE
(a) Tension (b) Exertion (c) Regularity (d) Delay

SET 3

1. **APPOSITE**
(a) Inappropriate (b) Intemperate (c) Inconsistent (d) Irregular
2. **JETTISON**
(a) Rejoice (b) Surrender (c) Accept (d) Defend
3. **PERSISTENT**
(a) Wavering (b) Obstinate (c) Enduring (d) Steady
4. **SCOLD**
(a) Enamour (b) Rebuke (c) Criticise (d) Praise
5. **PODGY**
(a) Short (b) Thin (c) Weak (d) Slim
6. **SEGREGATION**
(a) Appreciation (b) Cohesion (c) Integration (d) Union
7. **JITTERY**
(a) Profuse (b) Tense (c) Bold (d) Shaky
8. **VIRTUOUS**
(a) Scandalous (b) Vicious (c) Wicked (d) Corrupt
9. **EXASPERATE**
(a) Belittle (b) Annoy (c) Please (d) Tarnish
10. **SORDID**
(a) Steady (b) Enthusiastic (c) Generous (d) Splendid
11. **GRIM**
(a) Serious (b) Satisfying (c) Delightful (d) Painful
12. **EXODUS**
(a) Restoration (b) Return (c) Home-coming (d) Influx
13. **PREVENT**
(a) Excite (b) Support (c) Invite (d) Incite
14. **RUGGED**
(a) Delicate (b) Coarse (c) Tough (d) Timid
15. **EDIFICATION**
(a) Lamentation (b) Annotation (c) Corruption (d) Segregation
16. **INNOCENT**
(a) Sinful (b) Guilty (c) Deadly (d) Corruption
17. **BESEECH**
(a) Bully (b) Solicit (c) Demand (d) Dismiss
18. **SEETHE**
(a) Plumb (b) Cool (c) Freeze (d) Chill
19. **HUMBLE**
(a) Dominant (b) Proudly (c) Despotism (d) Pompous
20. **EXECRABLE**
(a) Importable (b) Acceptable (c) Desirable (d) Irritable

21. **STRIDENT**
(a) Stable (b) Pleasant (c) Musical (d) Melodious
22. **REAR**
(a) Front (b) Foreground (c) Forehead (d) Forward
23. **BATTY**
(a) Prudent (b) Sane (c) Cunning (d) Cautious
24. **MILITANT**
(a) Religious (b) Combative (c) Spiritual (d) Pacifist
25. **PACIFY**
(a) Insult (b) Injure (c) Offend (d) Aggravate
26. **SUBLIME**
(a) Strange (b) Low (c) Ridiculous (d) Mean
27. **GRADUALLY**
(a) Hastily (b) Suddenly (c) Thoughtlessly (d) Impulsively
28. **SAGE**
(a) Rogue (b) Fool (c) Egoist (d) Snob
29. **ACCLAMATION**
(a) Denunciation (b) Suppression (c) Termination (d) Applause
30. **AMBIGUOUS**
(a) Obscure (b) Secular (c) Explicit (d) Equivocate
31. **ANTIPATHY**
(a) Obedience (b) Admiration (c) Agreement (d) Fondness
32. **EXONERATE**
(a) Compel (b) Accuse (c) Imprison (d) Boldness
33. **LIBERALISM**
(a) Humanism (b) Dynamism (c) Sectarianism (d) Totalitarianism
34. **MISERLY**
(a) Generous (b) Liberal (c) Spend thrift (d) Charitable
35. **WONDER**
(a) Stock (b) Amusement (c) Expectation (d) Surprise
36. **MALICE**
(a) Honour (b) Ecstasy (c) Goodwill (d) Happiness
37. **DENSITY**
(a) Brightness (b) Clarity (c) Intelligence (d) Rarity
38. **COMMODIOUS**
(a) Limited (b) Expensive (c) Numerous (d) Leisurely
39. **APPOINTMENT**
(a) Disappointment (b) Suspension (c) Dismissal (d) Discharge
40. **CONTENTED**
(a) Rash (b) Narrow-minded (c) Gloomy (d) Disappointed
41. **MAMMOTH**
(a) Dull (b) Weak (c) Tiny (d) Bright

42. CONCEAL
(a) Unfold (b) Reveal (c) Open (d) Discover
43. EXTENSION
(a) Condensation (b) Subtraction (c) Deletion (d) Weakening
44. KILL
(a) Azure (b) Relief (c) Execute (d) Animate
45. SELDOM
(a) Rarely (b) Daily (c) Often (d) Never
46. PERTINENT
(a) Indifferent (b) Detached (c) Determined (d) Irrelevant
47. AMALGAMATE
(a) Generate (b) Repair (c) Materialise (d) Separate
48. GUILTY
(a) Innocent (b) Pure (c) Virtuous (d) Argelic
49. DREARY
(a) Plenty (b) Monotonous (c) Unhappy (d) Cheerful
50. BLISS
(a) Paradise (b) Heaven (c) Misery (d) Happiness
51. EUPHONIOUS
(a) Strident (b) Lethargic (c) Literary (d) Musical
52. EXTERIOR
(a) Internal (b) Inner (c) Interior (d) Inward
53. IMPOUND
(a) Release (b) Strengthen (c) Generate (d) Stimulate
54. COMPACT
(a) Shattered (b) Enlarged (c) Spread (d) Diffused
55. HOST
(a) Accomplice (b) Enlarged (c) Spread (d) Diffused
56. VIGOUR
(a) Failure (b) Negligence (c) Frailty (d) Health
57. UNREALISTIC
(a) Natural (b) Visionary (c) Reasonable (d) Actual
58. DEPRAVED
(a) Great (b) Enhanced (c) Moral (d) Prosperous
59. METICULOUS
(a) Slovenly (b) Meretricious (c) Shaggy (d) Mutual
60. AMICABLE
(a) Cunning (b) Shy (c) Hostile (d) Crazy
61. CLARITY
(a) Exaggeration (b) Adour (c) Confusion (d) Reserve

62. OPULENT
(a) Wealthy (b) Poor (c) Sumptuous (d) Drooping
63. SANCTIFY
(a) Dedicate (b) Patronise (c) Venerate (d) Pollute
64. CHALLENGE
(a) Admire (b) Accept (c) Favour (d) Praise
65. TEDIOUS
(a) Pleasant (b) Lovely (c) Lively (d) Gay
66. COMMEND
(a) Censure (b) Condemn (c) Defy (d) Defame
67. SUPERFICIAL
(a) Artificial (b) Deep (c) Shallow (d) Real
68. EFFETE
(a) Adamant (b) Strong (c) Courageous (d) Bold
69. COMMEND
(a) Suspend (b) Admonish (c) Hate (d) Dislike
70. SERENE
(a) Jovial (b) Moving (c) Agitated (d) Nervous
71. ANTIPATHY
(a) Fondness (b) Obedience (c) Agreement (d) Admiration
72. DAUNTLESS
(a) Cautious (b) Thoughtful (c) Weak (d) Adventurous
73. CHAFFING
(a) Expensive (b) Achieving (c) Capitalistic (d) Serious
74. TRAGIC
(a) Funny (b) Comic (c) Light (d) Humorous
75. PACIFY
(a) Quarrel (b) Challenge (c) Threaten (d) Darken
76. FURTIVE
(a) Straight (b) Obvious (c) Unambiguous (d) Open
77. SECULAR
(a) Righteous (b) Religious (c) Spiritual (d) Moral
78. DEAR
(a) Cheap (b) Worthless (c) Free (d) Priceless
79. ASCETICISM
(a) Bliss (b) Pleasure (c) Joy (d) Trance
80. PREDILECTION
(a) Denial (b) Concealment (c) Aversion (d) Attraction

ANTONYM OF A WORD USED IN A SENTENCE

SET 4

1. In all places, and at all times, there is *profusion* of talents.
(a) Plenty (b) Generosity (c) Aversion (d) Scarcity
2. He is a man of *mellow* temper.
(a) Excitable (b) Hot (c) Irrational (d) Fickle
3. The actor is well-known both for his *humility* and courage.
(a) Gentleness (b) Honesty (c) Determination (d) Pride
4. He was in a *dejected* mood.
(a) Irritable (b) Romantic (c) Jubilant (d) Rejected
5. Ashish has an *innate* sense of humour.
(a) Natural (b) Inborn (c) Unusual (d) Acquired
6. He could not *confirm* that he had made any such statement.
(a) Reject (b) Avoid (c) Deny (d) Refuse
7. His *rustic* behaviour astonished the teacher.
(a) Impolite (b) Genuine (c) Sophisticated (d) Awkward
8. This piece of land is the most *fertile* and yields a good harvest each year.
(a) Starling (b) Sterile (c) Worthless (d) Futile
9. Always be *impartial* in your dealings.
(a) Discourteous (b) Impudent (c) Disrespectful (d) Unfair
10. He is extremely *intelligent* but proud.
(a) Simple (b) Ignorant (c) Weak (d) Dull
11. She looked *gorgeous* in her new dress.
(a) Ugly (b) Beautiful (c) Ordinary (d) Shabby
12. We all heard her but it was a *superficial* talk.
(a) Profound (b) Difficult (c) Secretive (d) Mystical
13. In ancient days, a *fragile* glass jar was considered to be more valuable than a human slave.
(a) Broad (b) Tall (c) Strong (d) Heavy
14. The Mughal rulers *patronised* all cultural activities and thus the Mughal era came to be known as 'the Golden Era' of Indian history.
(a) Criticised (b) Rejected (c) Opposed (d) Spurned
15. Last month tomatoes were quite *cheap*.
(a) Inexpensive (b) Costly (c) Insufficient (d) Less
16. His move was a *calculated* one.
(a) Idiotic (b) Simple (c) Thoughtless (d) Artless
17. I *accept* your plan.
(a) Deny (b) Dismiss (c) Reject (d) Decline
18. Sherlock Holmes is a *fictitious* character.
(a) Real (b) Imaginative (c) Fancy (d) Foreign

19. It was really a *sinister* move on his part.
(a) Malevolent (b) Sinful (c) Auspicious (d) Right
20. Politicians today are *robbing* the nation of its wealth.
(a) Strengthening (b) Protecting (c) Helping (d) Enriching
21. A feeling of brotherhood should be *propagated* amongst the masses.
(a) Disseminated (b) Suppressed (c) Dissipated (d) Crushed
22. She is beautiful as well as *frivolous*.
(a) Indecent (b) Serious (c) Insane (d) Rude
23. The problem of dowry in our country has assumed *gargantuan* proportions.
(a) Negligible (b) Bearable (c) Minute (d) Minimal
24. The boy found himself in a *pathetic* situation.
(a) Comical (b) Marvellous (c) Common (d) Surprising
25. We must realise the *futility* of wars.
(a) Urgency (b) Usefulness (c) Value (d) Importance
26. The scheme proved *harmful* for the people, the middle income group in particular.
(a) Common (b) Usual (c) Specific (d) General
27. His punctuality and regularity *propitiates* everyone with whom he deals.
(a) Depresses (b) Excites (c) Enrages (d) Appeases
28. Most surfaces are made *glassy* by polishing.
(a) Rough (b) Crude (c) Dull (d) Ugly
29. It is *obligatory* for a common citizen to follow the rules.
(a) Optional (b) Superfluous (c) Necessary (d) Advisable
30. Every detail of the painting is *prominent* enough to be seen.
(a) Negligible (b) Insignificant (c) Trifling (d) Inconspicuous
31. I thought about her a lot during the *following* months.
(a) Receding (b) Preceding (c) Proceeding (d) Succeeding
32. This is the *cardinal* point of the issue.
(a) Minor (b) Vital (c) Debatable (d) Insignificant
33. The dacoit had to *surrender* under the most pressing circumstances.
(a) Release (b) Claim (c) Plunder (d) Attack
34. The students *assembled* in the meeting hall.
(a) Removed (b) Diffused (c) Dispersed (d) Eliminated
35. His *boorish* ways amused everyone.
(a) Refined (b) Funny (c) Eccentric (d) Friendly
36. How can you cut an apple with this *blunt* knife?
(a) Pointed (b) Sharpened (c) Polished (d) Filed
37. He has suspended his secretary on a *flimsy* ground.
(a) Vigorous (b) Strong (c) Sound (d) Salutory
38. A faithful officer is always *vigilant* towards his duties.
(a) Innocent (b) Ignorant (c) Irresponsible (d) Careless
39. The gross domestic product (GDP) is an *essential* component of economy.
(a) Rough (b) Coarse (c) Superfluous (d) Estimated

40. It was really a *gracious* occasion for me.
(a) Benign (b) In Fructuous (c) Churlish (d) Fateful
41. The man at the gate had a *forbidding* appearance.
(a) Lenient (b) Handsome (c) Tranquil (d) Mild
42. Terrorism is a serious *hazard* to the country.
(a) Chance (b) Peril (c) Safety (d) Problem
43. *Nourishing* food is a necessity both for a pregnant mother and a baby.
(a) Unhygienic (b) Poor (c) Undercooked (d) Heavy
44. There is a *dearth* of milk in Lahore nowadays.
(a) Extravagance (b) Scarcity (c) Abundance (d) Sufficiency
45. Pakistan did not welcome the idea being a mute spectator to the *atrocious* behaviour of the whites towards the non-whites in Africa.
(a) Gracious (b) Noble (c) Civilised (d) Pleasing
46. A *friendly* dog met us at the farmgate.
(a) Hostile (b) Quiet (c) Understanding (d) Helpful
47. The scene was indeed *captivating*.
(a) Hateful (b) Disgusting (c) Repulsive (d) Obscene
48. That police officer is known to be *humane* in his approach.
(a) Unsympathetic (b) Uncultured (c) Uncompromising (d) Uncivilised
49. A crowd *gathered* quickly when the police came.
(a) Collected (b) Dispersed (c) Spread (d) Disappeared
50. Matter *expands* on heating.
(a) Shrinks (b) Reduces (c) Diminishes (d) Contracts
51. Hydra is biologically believed to be *immortal*.
(a) Undying (b) Perishable (c) Ancient (d) Eternal
52. *Crestfallen* he returned as he had never faced such humiliation in the whole of his life.
(a) Disturbed (b) Vainglorious (c) Triumphant (d) Indignant
53. She is indeed *humane*.
(a) Universal (b) Devilish (c) Terrestrial (d) Divine
54. It was universally characterised as a *progressive* measure.
(a) Abhorrent (b) Retrograde (c) Obstructive (d) Regressive
55. She is loved by all for her *meekness*.
(a) Harshness (b) Pride (c) Anger (d) Passion
56. It was a *voluntary* gesture.
(a) Compulsory (b) Violent (c) Deliberate (d) Valuable
57. There has always been a feeling of *rancour* between the two families.
(a) Rivalry (b) Competition (c) Friendliness (d) Suspicion
58. The government is taking measures to *augment* the country's food supply.
(a) Prohibit (b) Decrease (c) Surpass (d) Compensate
59. People know him for his *vanity*.
(a) Humanity (b) Honesty (c) Courtesy (d) Modesty

60. Let us not *aggravate* the sufferings of the poor.
(a) Abbreviate (b) Alleviate (c) Advocate (d) Appreciate
61. It was a mystery as to where the young girl had acquired such a *cynical* attitude.
(a) Mature (b) Naive (c) Eccentric (d) Crazy
62. Avogadro's *hypothesis* has proved significant till the present day.
(a) Fact (b) Theory (c) Conclusion (d) Experiment
63. He stood gazing at the *serene* expanse of the sea.
(a) Scenic (b) Clear (c) Tranquil (d) Ruffled
64. The authorities inflicted harsh *penalty* on him for indulging in forgery.
(a) Commendation (b) Default (c) Concession (d) Reward
65. He is always *hungry* for wealth.
(a) Ravenous (b) Famished (c) Satiated (d) Greedy
66. Machine-civilization has made human life *artificial*.
(a) Genuine (b) Natural (c) True (d) Authentic
67. This shop keeps only *genuine* articles.
(a) Imported (b) Spurious (c) Antique (d) Duplicate
68. He has been *commended* for all that he did.
(a) Dismissed (b) Condemned (c) Censured (d) Rejected
69. The drug will have *pernicious* effect on your health.
(a) Beneficial (b) Prolonged (c) Rinous (d) Pornographic
70. It was a *unanimous* decision.
(a) Uncertain (b) Partial (c) Discordant (d) Divergent
71. That man is known for his *elegance*.
(a) Awkwardness (b) Indelicacy (c) Clumsiness (d) Savagery
72. It is a *Herculean* task for me.
(a) Indecent (b) Puny (c) Ponderous (d) Big
73. The man was *liberated* from tale charge.
(a) Emancipated (b) Enclosed (c) Concealed (d) Imprisoned
74. *Genuine* drugs are available in most of the medical shops.
(a) Harmful (b) Wrong (c) Dubious (d) Spurious
75. For the first time I saw him speaking so *rudely* to Raja.
(a) Softly (b) Gently (c) Politely (d) Slowly
76. The new government has *abolished* the Gold Control Act.
(a) Approved (b) Passed (c) Restored (d) Removed
77. He was asked to *accelerate* the pace of work.
(a) Check (b) Control (c) Slacken (d) Supervise
78. He looked *elated* on hearing the news.
(a) Exasperated (b) Depressed (c) Desperate (d) Anxious
79. He always advocated the use of *indigenous* goods.
(a) Cheap (b) Native (c) Silly (d) Foreign

80. His *timidity* proved to be costly.
 (a) Boldness (b) Arrogance (c) Self-assertion (d) Self-confidence

SET 5

1. I liked the poem for its *literal* meaning.
 (a) Complex (b) Figurative (c) Deep (d) Fictitious
2. The leader was *pragmatic* in his approach to the problems facing the country.
 (a) Optimistic (b) Idealists (c) Indefinite (d) Vague
3. He is really an *obstinate* man.
 (a) Considerate (b) Friendly (c) Understanding (d) Compliant
4. His *diabolical* ways made him unpopular.
 (a) Mischievous (b) Lavish (c) Seraphic (d) Azure
5. Under the circumstances, such *pejorative* comments should have been avoided.
 (a) Soothing (b) Sporting (c) Appreciative (d) Critical
6. The property of *contraction* of matter on cooling is put to several practical uses.
 (a) Improvement (b) Growth (c) Expansion (d) Diminution
7. He is a man with a *jovial* nature.
 (a) Talkative (b) Morose (c) Monotonous (d) Quiet
8. It was a very *dreary* day.
 (a) Drab (b) Dangerous (c) Beautiful (d) Bright
9. The flight was *delayed* because of bad weather.
 (a) Quickened (b) Released (c) Expedited (d) Triggered
10. The beautiful girl looked so *morose*.
 (a) Healthy (b) Gloomy (c) Haggard (d) Cheerful
11. The error in the newspaper article is *accidental*.
 (a) Permissible (b) Usual (c) Conventional (d) Intentional
12. The General ordered the troops to *advance* to the fort.
 (a) Retire (b) Return (c) Escape (d) Retreat
13. She bought a *gaudy* shawl as a wedding gift for her sister.
 (a) Famous (b) Sober (c) Garnish (d) Ornate
14. His friends liked everything about him except his *frugality*.
 (a) Short Temper (b) Extravagance (c) Shabbiness (d) Punctuality
15. Our knowledge of the past is still largely a matter of informed *conjecture*.
 (a) Guess (b) Position (c) Certainty (d) Form
16. *Ambiguity* of thoughts can prove disastrous.
 (a) Rigidity (b) Clarity (c) Certainty (d) Rationality
17. Professors are generally *serious* about what they say.
 (a) Jolly (b) Thoughtful (c) Smug (d) Insincere
18. He *urges* to learn everything.
 (a) Desires (b) Denies (c) Dislikes (d) Recommend

19. He was found *guilty*.
 (a) True (b) Right (c) Innocent (d) Correct
20. *Honesty* is the best policy.
 (a) Sobriety (b) Deceit (c) Uprightness (d) Rectitude
21. The Chairman *initiated* the proceedings with a brief speech.
 (a) Complicated (b) Started (c) Closed (d) Confused
22. William Wordsworth is celebrated for his *lucid* style.
 (a) Notorious (b) Unpopular (c) Unknown (d) Renowned
23. The king *consolidated* the empire into a powerful nation.
 (a) Divided (b) Isolated (c) Fragmented (d) Weakened
24. It used to be said that travel *broadens* one's outlook.
 (a) Restricts (b) Contracts (c) Shrinks (d) Narrows
25. He has a *delicate* constitution.
 (a) Fit (b) Ungainly (c) Strong (d) Rugged
26. The palace was indeed *grotesque*.
 (a) Good (b) Decent (c) Filthy (d) Congruous
27. She is *slender* in figure.
 (a) Strong (b) Well-bait (c) Stout (d) Slim
28. He seems to have a *propensity* to fight.
 (a) Scepticism (b) Penchant (c) Aversion (d) Proclivity
29. The man's actions made it *obvious* that he had a wicked plan in mind.
 (a) False (b) Obscure (c) Uncertain (d) Difficult
30. The Commission took two years to go through the *massive* collection of files and documents before preparing its report.
 (a) Ugly (b) Short (c) Light (d) Meagre
31. Religion teaches us not to run after the *transient* pleasures of the world.
 (a) Permanent (b) Sinful (c) Unnatural (d) Joyful
32. He is *adamant* ongoing.
 (a) Confused (b) Lenient (c) Stressing (d) Yielding
33. The two friends were *distinct* in everything; dress, manners, hair-style and food habits.
 (a) Similar (b) Uniform (c) Opposite (d) Different
34. The climbers found the *ascent* nerve breaking.
 (a) Slide (b) Decline (c) Fall (d) Descent
35. His appointment was *confirmed* last month.
 (a) Disappointment (b) Discharge (c) Suspension (d) Dismissal
36. The Indus is as *deep* in midstream as at the banks.
 (a) Wide (b) Narrow (c) Hollow (d) Shallow
37. Unsettled conditions in the land led to the *exodus* of hundreds of its citizens.
 (a) Expulsion (b) Invasion (c) Immigration (d) Entry
38. With the advent of Green Revolution, Pakistan now produces *sufficient* quantity of food-grains every year.
 (a) Short (b) Inadequate (c) Small (d) More

39. All his neighbours are aware of his *arrogant* nature.
(a) Informal (b) Sympathetic (c) Cooperative (d) Charitable
40. Such a scene *attracts* the onlookers.
(a) Instigates (b) Annoys (c) Repels (d) Revolts
41. This window-pane is *transparent*.
(a) Opaque (b) Translucent (c) Solid (d) Fragile
42. He has enrolled himself to an *elementary* course in computer.
(a) Secondary (b) Toughe (c) Advanced (d) Simple
43. *Abrupt* decisions are often wrong.
(a) Gradual (b) Rough (c) Sharp (d) Hurried
44. He climbed up a *stationary* wagon.
(a) Moving (b) Speeding (c) Shunting (d) Standing
45. He is in the habit of taking a *casual* leave.
(a) Futile (b) Regular (c) Formal (d) Systematic
46. A *serene* mind can never be the pioneer of a great revolution.
(a) Nervous (b) Jocular (c) Earnest (d) Agitated
47. Of all the companions of our joyous *ascent*, there were only the two of us left.
(a) Decent (b) Descent (c) Descant (d) Descendant
48. He returned home much *inspired*, no wonder the plan had worked.
(a) Overwhelmed (b) Dispirited (c) Disillusioned (d) Sceptical
49. You must quote examples to *support* your statement.
(a) Reveal (b) Restrain (c) Contradict (d) Adduce
50. Only an *agile* person can be a successful sportsman.
(a) Brisk (b) Emaciated (c) Feeble (d) Sluggish
51. Such *lofty* dreams can never come true.
(a) Puny (b) Humble (c) Insignificant (d) Casual
52. The decision to stop firing across the border was a *unilateral* one.
(a) Collective (b) Bilateral (c) Multilateral (d) Multiple
53. We were advised not to *extinguish* our hopes for the time being.
(a) Aggravate (b) Intensify (c) Inflate (d) Promote
54. You can't work out this project with *nebulous* plans in mind.
(a) Useful (b) Practical (c) Clear (d) Fundamental
55. He *abandoned* his family.
(a) Saved (b) Supported (c) Pleased (d) Encouraged
56. We have no doubt about the *veracity* of the statement.
(a) Morality (b) Falsity (c) Propriety (d) Truthfulness
57. Good actions cannot *camouflage* one's bad qualities.
(a) Exhibit (b) Demonstrate (c) Reveal (d) Parade
58. His family has *accumulated* wealth over the years.
(a) Drained (b) Squandered (c) Amassed (d) Dispersed
59. There was a *marginal* increase in his pay.
(a) Unforeseen (b) Negligible (c) Significant (d) Peripheral

60. This tonic serves to *vitalise* your hair.
(a) Shorten (b) Enfeeble (c) Repress (d) Clamour
61. The teacher told the student to *abridge* the essay he had written.
(a) Amplify (b) Shorten (c) Increase (d) Modify
62. The minister was accused of indulging in *nepotism*.
(a) Impartiality (b) Hatred (c) Condemnation (d) Indifference
63. His living style and his conduct showed him *opulent*.
(a) Sumptuous (b) Drooping (c) Wealthy (d) Poor
64. Joys and tensions are *ephemeral* aspects of life.
(a) Stable (b) Permanent (c) Spiritual (d) Ethical
65. The thief *confessed* at the police station that he had stolen my watch.
(a) Concealed (b) Disproves (c) Denied (d) Admitted
66. Do not *follow* others.
(a) Emulate (b) Praise (c) Oppose (d) Criticise
67. The complete eradication of poverty from our country is really an *illusion*.
(a) A truth (b) A fact (c) A reality (d) An actuality
68. The revised *pays* scale is uniform.
(a) Equal (b) Different (c) Opposite (d) Varied
69. Faiza did not heed the *disdain* she had to bear at the hands of her step-mother.
(a) Penitence (b) Humility (c) Love (d) Admiration
70. I was shocked to hear the *scurrilous* talks of the members of the Board.
(a) Decent (b) Relevant (c) Accurate (d) Useful
71. Much to the *chagrin* of his parents, Sohaib married a very poor girl.
(a) Satisfaction (b) Relief (c) Pleasure (d) Excitement
72. His attitude is very *hostile*.
(a) Friendly (b) Kind (c) Humane (d) Helpful
73. *Tolerance* is the essence of religion.
(a) Impatience (b) Cruelty (c) Bigotry (d) Indifference
74. He made an *exhaustive* list of the items his secretary should attend to.
(a) Meticulous (b) Short (c) Interesting (d) Incomplete
75. His *urbane* attitude won him many friends.
(a) Rude (b) Rustic (c) Violent (d) Indifferent
76. The wife fainted away, *lamenting* the death of her husband.
(a) Smiling (b) Ridiculing (c) Enjoying (d) Rejoicing
77. I can't understand him: he is really a *queer* fellow.
(a) Strange (b) Careless (c) Ordinary (d) Unusual
78. His books are well-known for their *progressive* ideas.
(a) Useless (b) Old-fashioned (c) Complex (d) Reactionary
79. His *disposition* towards labour made him endearing to the Manager.
(a) Inclination (b) Unwillingness (c) Temperament (d) Watchfulness
80. He does every job with great zeal and *vigour*.
(a) Indifference (b) Constraint (c) Passion (d) Difficulty

SET 6

1. Soon the boys realised his *perverse* ways and began to avoid him.
(a) Amiable (b) Unpleasant (c) Snappish (d) Authoritative
2. The priest would not allow anyone to *desecrate* the sanctity of the temple.
(a) Desist (b) Integrate (c) Intensify (d) Consecrate
3. His *vindictive* nature often came up for comment among his friends.
(a) Timid (b) Obedient (c) Forgiving (d) Forgetful
4. It's not fair to leave dogs *loose*.
(a) Closed (b) Chained (c) Tight (d) Locked
5. She was born rich and had a *sophisticated* taste.
(a) Vigorous (b) Simple (c) Artificial (d) Superficial
6. His *servility* makes him detestable.
(a) Bravery (b) Prudence (c) Insolence (d) Slavery
7. *Recession* causes unemployment.
(a) Poverty (b) Computerisation (c) Education (d) Inflation
8. He had a *sulky* disposition.
(a) Mild (b) Cheerful (c) Loving (d) Kind
9. I know you would have to *prolong* your tour; but still I advise you to complete this job also.
(a) Obstruct (b) Curtail (c) Hinder (d) Restrain
10. He found an *ancient* statue in the village.
(a) Fresh (b) New (c) Recent (d) Modern
11. This is a *trivial* matter.
(a) Difficult (b) Easy (c) Small (d) Important
12. Elephants, when they go *wild*, ought to be killed.
(a) Tame (b) Meek (c) Mild (d) Domestic
13. Her coming to this place tomorrow is *definite*.
(a) Doubtful (b) Regrettable (c) Questionable (d) Unpredictable
14. His knowledge of the subject is *quite* extensive.
(a) Ordinary (b) Little (c) Limited (d) Restricted
15. He *abdicated* his post of his own accord.
(a) Acquired (b) Inherited (c) Seized (d) Usurped
16. They invited him to *sumptuous* lunch.
(a) Cheap (b) Magic (c) Poor (d) Nutritious
17. Life in the villages is very *dull*.
(a) Serious (b) Wasteful (c) Bluffing (d) Pleasant
18. We must *abolish* evil customs.
(a) Eradicate (b) Restore (c) Revive (d) Encourage
19. The boy was *accused* of theft.
(a) Liberated (b) Impeached (c) Exonerated (d) Sentenced

20. This is not ideology but *pragmatic* language teaching.
(a) Impractical (b) Improper (c) Imperfect (d) Impossible
21. The director had a *derisive* attitude towards some of the members of the committee.
(a) Enthusiastic (b) Respectful (c) Deprecatory (d) Encouraging
22. I think this article ought to have been put in a *compact* form.
(a) Expanded (b) Enlarged (c) Diffused (d) Broken
23. Some people indulge in loud, *vulgar* talk.
(a) Simple (b) Restrained (c) Graceful (d) Refined
24. He was the most *eccentric* and difficult patron.
(a) Normal (b) Sober (c) Genial (d) Sociable
25. Everyone wanted to be the *harbinger* of the good news to the king.
(a) Precursor (b) Tender (c) Opponent (d) Follower
26. The two girls are always together. There is a great *affinity* between them.
(a) Apathy (b) Empathy (c) Antipathy (d) Sympathy
27. He *confessed* having done a mistake.
(a) Granted (b) Conceded (c) Acknowledged (d) Concealed
28. M. Ahmad is always *jeered* at by his companions.
(a) Praised (b) Scorned (c) Mocked (d) Mourned
29. There are reports that many poor people *abandon* female children.
(a) Like (b) Reject (c) Keep (d) Help
30. Unity of thought and action has been the basis of Pakistan's strength and *stability*.
(a) Bias (b) Diversity (c) Division (d) Weakness
31. Their meeting was rather *boisterous*.
(a) Quiet (b) Business like (c) Noisy (d) Calm
32. The minister was punished with *defection* for his anti-party activities.
(a) Resignation (b) Cooperation (c) Invitation (d) Joining
33. You should quote this example as an *evidence*.
(a) Reveal (b) Adduce (c) Restrain (d) Contradict
34. There is an *obscure* cave on the other side of the hill.
(a) Admired (b) Notorious (c) Infamous (d) Well-known
35. Mr. Sohaib was a *reserved* man.
(a) Talkative (b) Defamed (c) Popular (d) Companionable
36. She *detests* government jobs.
(a) Approves of (b) Is Fond of (c) Adores (d) Is interested in
37. The officer incharge was quite *humane* in his approach.
(a) Uncultured (b) Unsympathetic (c) Uncivilized (d) Uncompromising
38. The habit of *squandering* money should not be encouraged.
(a) Saving (b) Collecting (c) Hoarding (d) Discarding
39. Moments of solitude and silence helped the poet to *concentrate* on his poetic combination.
(a) Confound (b) Disturb (c) Contradict (d) Distract
40. All these measures will *augment* employment opportunities.
(a) Constrain (b) Restrain (c) Diminish (d) Circumscribe

41. The chairman *rebutted* the accounts officer for not supervising the work of his coordinates.
(a) Praised (b) Received (c) Awarded (d) Invited
42. The incident *cemented* their relations.
(a) Destroyed (b) Wasted (c) Corroded (d) Disintegrated
43. Many of the propositions he put up at the conference were *ludicrous*.
(a) Obnoxious (b) Humorous (c) Praiseworthy (d) Impractical
44. We received a *cordial* welcome from our host.
(a) Official (b) Cold (c) Distrustful (d) Indifferent
45. Everyone *admired* his ideas on this issue.
(a) Disappointed (b) Discarded (c) Neglected (d) Disapproved
46. Every move I make seems to *affect* him adversely.
(a) Deeply (b) Favourably (c) Badly (d) Internally
47. Their team bore *delinquent* participants.
(a) Reverent (b) Uncivil (c) Quarrelsome (d) Law abiding
48. In ancient history, scholars had no interest in political power or *material* growth.
(a) Celestial (b) Psychic (c) Spiritual (d) Internal
49. It's a rule of the company to *endow* the Manager with all essential perks.
(a) Rob (b) Dispossess (c) Divest (d) Snatch
50. The story was set up in an *eerie* atmosphere.
(a) Delightful (b) Weird (c) Warm (d) Canny
51. There are four chapters that are *extraneous* to the structure of the book.
(a) Relevant (b) Integral (c) Important (d) Needful
52. He makes *occasional* visits to Karachi.
(a) Accidental (b) Strange (c) Regular (d) Frivolous
53. They have not been eating *nourishing* food.
(a) Heavy (b) Undercooked (c) Unhygienic (d) Poor
54. The plantation workers were on a *collusion* course before the labour officer intervened.
(a) Circuitous (b) Retaliatory (c) Conciliatory (d) Perfunctory
55. The new officer is a *brash* young man.
(a) Polite (b) Arrogant (c) Kind (d) Handsome
56. She decided to finish the work before it became *onerous*.
(a) Unfamiliar (b) Light (c) Burdensome (d) Unique
57. His *unscrupulous* pursuit of wealth finally landed him in prison.
(a) Superfluous (b) Single minded (c) Dedicated (d) Conscientious
58. The sudden appearance of the stranger in the cottage despite all doors being closed is *questionable*.
(a) Casual (b) Surprising (c) Dubious (d) Certain
59. Mr. Ahmad is held in high *esteem* by the residents of the colony.
(a) Revere (b) Hatred (c) Disdain (d) Notoriety
60. The inhabitants of the island were *barbarians*.
(a) Bad (b) Uncivilised (c) Cruel (d) Civilised

61. Old people are usually more *conservative* than young people.
(a) Reproachful (b) Liberal (c) Dynamic (d) Modern
62. The incident *frustrated* all his ambitions.
(a) Satiated (b) Appeased (c) Cloyed (d) Satisfied
63. When asked whether he was an atheist, he simply *quibbled*.
(a) Frowned (b) Wavered (c) Affirmed (d) Denied
64. Everybody was astonished when he used such a *profane* language.
(a) Sacred (b) Pure (c) Profound (d) High
65. My uncle is very wealthy, but rather *parsimonious* in his habits.
(a) Extravagant (b) Generous (c) Careless (d) Strict
66. I am somewhat *sceptical* about his claim.
(a) Optimistic (b) Convinced (c) Credulous (d) Hopeful
67. His writings have been much *eulogised* by Pakistani scholars.
(a) Condemned (b) Flouted (c) Disapproved (d) Disparaged
68. She was *sceptical* about the safety of the new drug.
(a) Sanguine (b) Hopeful (c) Certain (d) Doubtful
69. The members of the Board were impressed by the candidates *urbane* behaviour.
(a) Rural (b) Indifferent (c) Rude (d) Negative
70. *Infringement* of law has to be prevented in order to maintain peace and order in the country.
(a) Review (b) Revision (c) Relaxation (d) Obedience
71. He got on airs and claims himself to be *omniscient*.
(a) Ignorant (b) Uneducated (c) Unqualified (d) Backward
72. It was *altercation* throughout and there was no discussion.
(a) Resonance (b) Alternative (c) Consonance (d) Inconsistency
73. Anarchy *emerges* out of the wars of succession.
(a) Disappears (b) Sinks (c) Falls (d) Drowns
74. Unlike in Lahore Board, English is an *optional* subject in the Karachi Board.
(a) Elementary (b) Compulsory (c) Voluntary (d) Necessary
75. He was really *delighted* to see me.
(a) Scared (b) Disturbed (c) Surprised (d) Displeased
76. This offer has come as a great *boon* to me.
(a) Misfortune (b) Blemish (c) Curse (d) Trouble
77. The committee set about making *provisional* arrangements for the annual conference.
(a) Unconditional (b) Abiding (c) Permanent (d) Lasting
78. This painting is full of *radiant* colours.
(a) Delicate (b) Dull (c) Bright (d) Rare
79. She began to *babble* in front of the guests.
(a) Quiet (b) Din (c) Mourn (d) Cry
80. She used to *disparage* her neighbour every now and then.
(a) Denigrate (b) Belittle (c) Praise (d) Please

ACTIVE & PASSIVE VOICE

Voice – In English there are two voices, namely, the Active Voice and the Passive Voice. The former is used to show that the person or the thing denoted by the subject does the action; the latter is used to show that the subject is affected by an action performed by someone or something else:

- The dentist pulled out the tooth.

We find that the *dentist* (subject) did the action.

If, however, we say: -

- The tooth was pulled out.

We find that the *tooth* is now the subject, and not the object of the verb.

In the first illustration, we have an example of the *Active Voice*; in the second, of the *Passive Voice*.

ACTIVE VOICE

Tense	Indefinite or Simple	Continuous, Progressive or Real	Perfect	Perfect Continuous
Present	My uncle helps me.	My uncle is helping me.	My uncle has helped me.	My uncle has been helping me.
Past	My uncle helped me.	My uncle was helping me.	My uncle had helped me.	My uncle had been helping me.
Future	My uncle will help me.	My uncle will be helping me.	My uncle will have helped me.	My uncle will have been helping me.

Passive Voice

Look at the following sentence:

The police arrested the thief. (Active)

Subject Verb Object

The verb *arrested* here is a transitive verb and has both a subject *the police* and an object *the thief*. The verb tells us what the subject has done. And the sentence gives a prominent place to the 'doer' or the agent of the action and the object is given a less prominent place. The verb is active.

There is another way in which this sentence can be written.

The thief has been arrested. (Passive)

Verb

Here the verb *has been arrested* tells us not what the thief did but what someone else (the police) did to him. The sentence gives a prominent place to the object of the action. What is more, it does not mention the 'doer' or the agent at all. The verb here is passive. Here are some more examples passive voice sentences:

- The shop was burnt down.

- A new library will be opened here.
- English is spoken all over the world.
- Fancy goods are sold here.
- This bridge was built last year.

All these sentences tell us about the object of the action. And the 'doer' or the agent is dropped altogether either because we do not know who he is, or because it is understood, or because it is not very important.

Would it make any difference if we wrote these sentences in active voice? Yes, it would. Look at the following example.

- English is spoken all over the world. (Passive)
- People speak English all over the world. (Active)

The active voice sentence gives more prominence to the doer of the action (people), which is unnecessary. And it pushed the really important object of the action i.e. *English* to a second place.

Let's now look at the following sentences.

- I want money very badly.
- You should catch the morning bus.

The verbs in these sentences tell us what the subject i.e. *I, you* do or should do. Here it is the *doer* who occupies the more prominent place in the sentences. The sentences are in active voice. Note the effect when we write them in passive voice.

- I want money very badly. (Active)
- Money is wanted by me very badly. (Passive)

The passive voice sentence looks awkward. You will notice that it loses much of its force also. Can you guess the reason? The reason is that here we are more interested in the 'doer' *I* which should therefore occupy the subject position. Use of passive voice here is clearly out of place.

To sum up, we use active voice when we are more interested in the 'doer' or the agent. And we use passive voice when we are more interested in the object of the action. Most passive voice sentences don't need the mention of the agent. In some sentences however the agent is specified and has to be mentioned.

- Romeo and Juliet was written by Shakespeare.
- The prizes were distributed by the Chief guest.
- Here are some more examples of passive constructions.
- My brother has been transferred to Sialkot.
- Five enemy tanks were captured in the battle.
- All fees must be paid by the 10th of every month.
- The budget will be presented today.
- The admission list has been put up on the notice board.

Note that the name of the 'doer' has been omitted in each case. Can you guess the reason?

All these sentences make use of impersonal language necessary in official dealings. In each of these sentences it is hardly necessary for us to know the name of the 'doer'. In fact, the active construction would make these sentences look awkward.

- The Government has transferred my brother to Sialkot.
 - Everyone must pay all fees by the 10th of every month.
- Only the transitive verbs can be used in passive constructions. Intransitive verbs cannot have passive constructions because they do not take objects after them.

Changes Necessary in Passive Voice

(a) Changes in the form of the verb

Active: Ethiopian eat rice.

Passive: Rice is eaten by Ethiopians.

The verb in passive voice has the form be + past participle. The verb in the active voice is *eaten* in the simple present tense. But when we change it, we have to use be + past participle of the verb. The form of be depends upon the tense of the sentences and also on the person and number of the new subject.

Here the tense is simple present, and its past participle is *eaten*. The new subject *Rice* is third person singular. So the correct form of be here would be *is*. The passive form of the verb would be be + past participle of the verb is *eaten*.

(b) Change in the form of the pronouns used as subjects & objects

Active: He taught her for ten years.

Passive: She was taught by him for ten years.

When the subject *He* becomes the object of the passive sentence it changes into *him*. Similarly *her* used as an object in the active sentence becomes *She* when used as a subject in the passive construction. Other pronouns change forms similarly.

Remember that by + noun/pronoun is to be used only where it is absolutely necessary.

Forms of the Passive Verbs

The following chart gives the form of be in different tenses.

Passive Voice Construction

Simple Future

Present Be -	am is are
Simple past	was were
Simple Future	will/shall be
Present Continuous - being	am being is being are being
Past	was being were being
Present Perfect - Been	has been have been
Past Perfect	had been

Passive form of Infinitive

Active: To beat Passive: to + be + past participle = to be beaten

Passive form with modal auxiliaries

1. Modal aux. + be + past participle
may be beaten
2. Modal aux. + have + been + past participle
may have been beaten

Examples

(a) Simple Present

	Active	Passive
1.	My stepmother treats me well.	I am treated well by my stepmother.
2.	People speak English in many parts of the world.	English is spoken in many parts of the world.
3.	We promote you to the next class.	You are promoted to the next class.
4.	They make these transistors in China.	These transistors are made in China.

(b) Simple Past

5.	The people cheered him during his speech.	He was cheered during his speech.
6.	Someone took all the injured persons to the hospital immediately.	All the injured persons were taken to the hospital immediately.
7.	They built this fort in the twelfth century.	This fort was built in the twelfth century.
8.	The court sentenced him to death.	He was sentenced to death.

(c) Future

9.	The Minister will distribute the prizes.	The prizes will be distributed by the Minister.
10.	A rich man has started a library in this town.	A library has been started by a rich man in this town.
11.	The government has honoured five sportsmen this year.	Five sportsmen have been honoured by Government this year.

(d) Past Perfect

12.	We had sent the reply last week.	The reply had been sent last week.
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(f) Present Continuous

13.	They are singing a hymn in the church.	The hymn is being sung in the church.
14.	The teams are playing the final matches today.	The final matches are being played today.

(g) Past Continuous

15.	The income tax inspector was questioning them about their income yesterday.	They were being questioned about their income yesterday.
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(h) Infinitive

16. It is time to take tea.

It is time for tea to be taken.

Modal Auxiliaries

17.	They can ask you about your experience.	You can be asked about your experience.
18.	They couldn't stop him from going out.	He couldn't be stopped from going out.
19.	The committee should recommend his name to the government.	His name should be recommended by the committee to the government.
20.	You must obey the traffic rules.	The traffic rules must be obeyed.
21.	Our team might win the hockey cup this year.	The hockey cup might be won by our team this year.
22.	They ought to follow the instructions carefully.	The instructions ought to be followed carefully.
23.	Someone could have stopped him from going out.	He could have been stopped from going out.
24.	The committee should recommend his name.	His name should have been recommended by the committee.
25.	The shopkeeper must have sold all the copies by now.	All the copies must have been sold by now.
26.	Rains may have delayed the plane's arrival.	The plane's arrival may have been delayed due to rains.

SELF-ASSESSMENT TEST 1

Change the following sentence into the passive voice. Use the by-agent only where it is absolutely necessary.

1. They train army officers in the academy.
2. The police fined him for rash driving.
3. They lock the hostel gates at 11 p.m.
4. They say funny things about you.
5. Someone hit him on the head with a stone.
6. Someone has just picked my pocket.
7. People must not leave valuables here.
8. We use wood here as fuel.
9. Somebody can easily repair this.
10. The explosion killed twenty people.
11. The authors will complete the book by the end of June.
12. Somebody has stolen two of my best paintings.
13. You can make the payment by cheque or by money-order.
14. Students must complete all assignments before the vacations.
15. They build a house of bricks and mortar.
16. They are printing our book here in this press.

17. People should take these medicines with care.
18. They distil the best wines in France.
19. The customer may pay money in instalments.
20. The police have interrogated everyone in the office.
21. They will keep all banks open this Sunday.
22. We are warning you for the last time.
23. They should open a college here.
24. Your uncle could pay your fees.
25. Someone has contacted him earlier also.
26. The government might hold elections next year.
27. Some people stopped the train and robbed the passengers between the two stations.
28. They will discuss this question tomorrow.
29. They will expect you here on Monday.
30. Dirty water can spread cholera.

ANSWERS

1. Army officers are trained in this academy.
2. He was fined for rash driving.
3. The hostel gates are locked at 11 p.m.
4. Funny things are said about you.
5. He was hit on the head with a stone.
6. My pocket has just been picked.
7. Valuables must not be left here.
8. Wood is used here as fuel.
9. This can easily be repaired.
10. Twenty people were killed in the explosion.
11. The book will be completed by the end of June.
12. Two of my best paintings have been stolen.
13. The payment can be made by cheque or by money order.
14. All assignments must be completed before the vacations.
15. A house is built of bricks and mortar.
16. Our book is being printed here in this press.
17. These medicines should be taken with care.
18. The best wines are distilled in France.
19. The money may be paid in instalments.
20. Everyone in the office has been interrogated.
21. All banks will be kept open this Sunday.
22. You are being warned for the last time.
23. A college should be opened here.
24. Your fees could be paid by your uncle.
25. He has been contacted earlier also.
26. Elections might be held next year.
27. The train was stopped and the passengers were robbed between the two stations.

28. This question will be discussed tomorrow.
 29. You will be expected here on Monday.
 30. Cholera can be spread by dirty water.

Negative in Passive Construction

Look at the following sentences:

1.	They don't use tractors everywhere.	Tractors are not used everywhere.
2.	One doesn't always admire a humble person.	A humble person is not always admired.
3.	No one knows his address.	His address is not known to anyone.
4.	We can't consider this issue now.	This issue can't be considered now.
5.	No one has seen him since morning.	He has not been seen since morning.
6.	Nobody spoke any words.	No words were spoken.
7.	No one liked the play.	The play was not liked by anyone.
8.	No one has ever climbed this peak.	This peak has never been climbed.

Notice that in all the passive constructions the negative word *not* is put between the auxiliary and the past participle. In sentences like 'No one has seen him since morning,' *no one*, itself is negative. But since it is indefinite and has to be omitted in the passive construction, the negative is transferred to the verb and is placed between the auxiliary and the past participle. In sentence 6 the negative in the subject is transferred to the new subject. In sentence 8 the negative in the subject is transferred to the adverb of frequency, *ever*, which becomes *never* in the passive construction.

SELF-ASSESSMENT TEST 2

Change the following into the passive voice.

- No one will ever know the truth.
- They could not play the match due to bad light.
- We have never seen such floods before.
- No one has ever tasted this wine before.
- Nobody has touched this box.
- No one cast a vote in this village.
- Passengers must not open the doors of the carriage at night.
- Not many people attended the party.
- The President did not pardon him.
- We shouldn't punish him for this minor offence.

ANSWERS

- The truth will never be known.
- The match could not be played due to bad light.
- Such floods have never been seen before.
- This wine has never been tasted before.
- This box has not been touched.

- No vote was cast in this village.
- The doors of the carriage must not be opened at night.
- The party was not attended by many people.
- He was not pardoned by the President.
- He should not be punished for this minor offence.

Passive Constructions in Sentence with Two Subjects

Look at the following sentence:

- Mr. Solomon teaches us English. (Active)
- We are taught English by Mr. Solomon. (Passive)

The sentence in the active voice has two objects, a direct object (*English*) and an indirect object (*us*). The indirect object is generally a personal object. As there are two objects, two passives are possible. But since our interest is more in persons than in things we use the indirect (personal) object to make passives. In the sentence given above the passive construction with *we* is more usual. However if the intention is to emphasize the direct object, we could say:

- English is taught (to) us by Mr. Solomon.

SELF-ASSESSMENT TEST 3

Change the following sentences into passive using the personal object as the subject of the passive construction.

- They have allotted us a room each.
- The management pays the workers their wages by the 7th of every month.
- No one has given me any present on my birthday.
- We haven't shown them everything.
- The authorities may award him a medal for his bravery.
- You must tell the police the full facts of the case.
- The Railways allow every passenger forty kilograms of free baggage.
- They will ask you questions about current affairs in the interview.
- We should teach him a lesson for his rude behaviour.
- They gave each one of us a pen.

ANSWERS

- We have been allotted a room each.
- The workers are paid their wages by the 7th of every month.
- I haven't been given any present on my birthday.
- They haven't been shown everything.
- He may be awarded a medal for his bravery.
- The police must be told the full facts of the case.
- Every passenger is allowed forty kilograms of free baggage by the Railways.
- You will be asked question on current affairs in the interview.
- He should be taught a lesson for his rude behaviour.
- Each one of us was given a pen.

Passive constructions in Sentences with Object Complements

Look at the following sentences:

1.	The principal chose him captain of the team.	He was chosen captain of the team.
2.	The president has appointed him governor.	He has been appointed governor.
3.	The authorities declared him unfit for the job.	He was declared unfit for the job.
4.	The court found him innocent.	He was found innocent.

Notice that the sentences on the left contain only one object and therefore only one passive is possible here. In sentence 1 for example, the object is *him* and *captain of the team* is an object complement. It completes the meaning of the object. When this sentence is turned into passive the object becomes the subject but the complement does not change its place. However since it now completes the meaning of the new subject it becomes the subject complement.

The object complement may be a noun as in sentences 1 and 2 or an adjective as in sentence 3 and 4.

Look at the following sentences:

- They asked me to wait.
- He ordered him to leave the room.
- The teacher made the boy write it again.

In these sentences the object complements are infinitive phrases. The passives are formed in the same manner as shown earlier.

- I was asked to wait.
- He was ordered to leave the room.
- The boy was made to write it again.

Not that in active voice the verb *make* takes the infinitive without *to*. But *to* becomes necessary in the passive form.

SELF-ASSESSMENT TEST 4

Turn the following sentences into passive voice. This is a mixed exercise. Some sentences have two objects and some have an object and an object complement. Where there are two objects give the passive with the indirect object.

1. The principal has promised us a holiday.
2. The news left her very unhappy.
3. They found the building unsuitable for a school.
4. People called him Hercules for his strength.
5. He named the house Lake View.
6. They have offered me a job at the bank.
7. No one has taught him English.
8. We showed them the new college building.
9. They will ask you very easy questions.
10. People crowned him king.

ANSWERS

1. We have been promised a holiday by the principal.
2. She was left very unhappy by the news.
3. The building was found unsuitable for a school.
4. He was called Hercules for his strength.
5. The house was named Lake View by him.
6. I have been offered a job at the bank.
7. He hasn't been taught English.
8. They were shown the new college building.
9. You will be asked very easy questions.
10. He was crowned king.

Passive Constructions in Sentences with Verb+ Preposition/ Adverb Particles

Look at the following sentences:

1.	They laughed at the blind boy.	The blind boy was laughed at.
2.	We have looked into your case.	Your case has been looked into.
3.	We must look after our old parents properly.	Our old parents must be looked after properly.
4.	We must work for success.	Success must be worked for.
5.	Someone can object to your presence in the meeting.	Your presence in the meeting can be objected to.
6.	We haven't heard of him since May.	He hasn't been heard of since May.
7.	They didn't approve of the plan.	The plan wasn't approved of.

The verbs in the sentences on the left take a preposition after them. When we turn them into passives the preposition stays with the verb.

- The blind boy was laughed at.

Now look at these sentences:

- The car ran over a dog. A dog was overrun by the car. Grass grows over the field. The field is overgrown with grass. The army passed by the town. The town was bypassed the army.

Note that each of these sentences has a prepositional phrase, *ran over*, *grows over*, *passed by*, which consists of a verb followed by a preposition. But in passive construction these prepositions change their place and are put before the verb and form a single word with them. i.e. *overrun*, *overgrown*, *bypassed*.

In some sentences verbs take adverb particles instead of prepositions. Like the prepositions, the adverb particles too stay with the verb.

1.	They sent him back.	He was sent back.
2.	The picture brought my childhood memories back.	My childhood memories were brought back by the picture.

SELF-ASSESSMENT TEST 5

Turn the following into the passive voice:

1. The authorities have taken away his passport.
2. No one had ever dreamt of such a tragedy.
3. People still believe in superstitions.
4. They couldn't object to your remarks in the meeting.
5. No one ever listens to words of advice.
6. Someone has tampered with the telephone wires.
7. No one has lived in this old palace for a hundred years.
8. Her beautiful look took him in.
9. We should take care of old people.
10. We haven't thought of anything so far.
11. A committee will go into all the charges of corruption.
12. The guide pointed out the Lahore Castle to the tourists.
13. People ought not to talk about scandals in public.
14. You mustn't throw away old books.
15. You shouldn't hold back the truth.

ANSWERS

1. His passport has been taken away.
2. Such a tragedy had never been dreamt of.
3. Superstitions are still believed in.
4. Your remarks in the meeting couldn't be objected to.
5. Words of advice are never listened to.
6. The telephone wires have been tampered with.
7. This old palace has not been lived in for a hundred years.
8. He was taken in by her beautiful looks.
9. Old people should be taken care of.
10. Nothing has been thought of so far.
11. All the charges of corruption will be gone into by a committee.
12. The Lahore Fort was pointed out to the tourists by the guide.
13. Scandals ought not to be talked about in public.
14. Old books must not be thrown away.
15. Truth shouldn't be held back.

DIRECT & INDIRECT SPEECH

The words of a speaker can be reported in two ways. We may quote the actual words used by him or we may report his speech in the form of narrative. The former is called the direct speech, and the latter is known as the indirect speech. It can be illustrated by an example.

- Saeed said, "I like mangoes." (Direct Speech)
- Saeed said that he liked mangoes. (Indirect speech)

The words that are not enclosed within inverted commas are called the *reporting speech* and the words that are enclosed within the inverted commas are called the *reported speech*. In the above example "Saeed said" is the reporting speech, and 'I like mangoes' is the reported speech. The first word of the reported speech is written with a capital letter. When we change the direct speech into the indirect speech we remove the comma and inverted commas and in most cases place a suitable conjunction between the reporting speech and the reported speech. When we change the direct speech into the indirect speech, the reporting verb is changed according to the tense of the reported speech.

Indirect Speech

The conversion of direct statements into indirect speech is a constant though unconscious daily process with all of us. From childhood we have been accustomed to reporting, by word of mouth, things that have been said to us by other people. For example, a mother sends her child to a shop for certain groceries. The child tells the grocer all that he requires, and the shop-man says, "I am sorry that we have not any ginger-nut biscuits in stock; they will be in tomorrow. Tell your mother that I will send her a pound of them, as soon as they arrive." The child on its return home does not quote the actual words of the grocer. It starts off with some such remark as, "Mr. Faraz says that he is sorry, but he has not any ginger-nuts in stock; they will be in tomorrow, and I was to say that he would send you a pound of them as soon as they arrived."

The student can see for himself the changes that have introduced by the reporter, that is to say, the child, who has never learned any rules on the subject of indirect speech, but just models its speech on what it has heard other people say. In a similar way, all of us, quite mechanically, and, perhaps, many times in the day, alter the direct words of a speaker when we quote his remarks to other people. Of course we can use the speaker's very words, if we wish to do so. The child might have gone home and spoken as follows: "Mr. Faraz said, 'I am sorry we have not any.....'"

Yet, oddly enough, it appears that, when students are set the task of putting a piece of direct speech into indirect statement, they usually seem to imagine that they are performing some new and difficult task. Grammar books give rules and directions that make the exercise appear a very formal and difficult matter. But, as we have seen, a child goes quite simply through the process without thought or effort. In working the examples given at the close of these remarks, it will be well for the reader to put himself in the place of the "reporter," and say: "If those words had been spoken to me, how should I proceed to report them to somebody else?"

The first step is to recollect that an introductory verb is necessary, such as: "He said..... he remarked..... he thought..... he ordered..... he asked." The choice of this word will depend upon the form of the sentence to be reported. If it happens to have been a wish, the person reporting would start with "He wished that....."; or, if it was a command, he would lead off with some verb explanatory of the imperative mood, as, "He ordered that....." If a question is

asked in the direct speech, then we must employ for the indirect speech some such words as "They asked," or "He inquired," or "He wished to know whether"..... so as to imply, by means of the introductory phrase of the indirect speech that a question was asked in the direct speech. The student should be careful in his selection of this verb in the introductory sentence, and, when reporting in indirect speech, should omit the inverted commas that are employed if actual words are quoted in direct speech.

Again, when people speak to us, they naturally refer to the place where we chance to be as "here"; or to the time when they are speaking as "now," or "today." When we report their speech at some later time, we have to alter such words into "there," or "then," or "on that day," as the case may be. There is no need to learn lists of these changes. An intelligent person employs them quite naturally when he speaks.

You will have noticed that the grocer said, "I am sorry." The child, reporting the answer, might say, "Mr. Faraz said that he was sorry." In this one little example you see how the person and the verb undergo a change. The first person becomes the third; the present tense becomes the past tense. The grocer remarked, "I will send her a pound"; the child, because it was addressing its mother directly, said, "he would send you a pound." The word "tomorrow" is retained because the speech was reported on the same day. If it had been reported a day or so later, "tomorrow" would have been changed into "the following day," or "the next day," or some such phrase.

Students often seem to think that it is necessary for them to alter the original cast of sentences, shifting punctuation marks, leaving out full-stops, changing the character of the original piece of composition. This should not be done. The original composition should, as far as possible, stand unaltered, except for the necessary logical variations.

RULES FOR CHANGING DIRECT INTO INDIRECT SPEECH

(a) Change of Tenses

1. If the verb of the reporting speech is in the present or future tense, there will be no change in the verb of the reported speech, for example:

Direct: Rahim says, "I get up early in the morning."

Indirect: Rahim says that he gets up early in the morning.

Direct: Rahim will say, "I do not take eggs."

Indirect: Rahim will say that he does not take eggs.

2. If the reporting verb is in the past tense, we shall note the following changes in the verb of the reported speech:

- (i) Present Indefinite tense into Past indefinite tense:

Direct: He said, "I like this book."

Indirect: He said that he liked that book.

- (ii) Present continuous tense into Past Continuous tense

Direct: He said, "It is raining."

Indirect: He said that it was raining.

- (iii) Present Perfect tense into Past Perfect tense:

Direct: He said, "I have broken the leg of the chair."

Indirect: He said that he had broken the leg of the chair.

- (iv) Present Perfect Continuous tense into Past Perfect Continuous tense:

Direct: He said, "I have been suffering from fever since Monday."

Indirect: He said that he had been suffering from fever since Monday.

- (vi) Past Indefinite tense into Past Perfect tense

Direct: He said, "I went to Karachi."

Indirect: He said that he had gone to Karachi.

Direct: Rehan said, "I lived many years in Japan."

Indirect: Rehan said that he had lived many years in Japan.

- (vii) Past Continuous tense into Past Perfect Continuous tense:

Note: We do not change Past Perfect and Past Perfect Continuous tense in any other tense.

3. When the reported speech expresses a *universal truth* or a *habitual action* we do not change the tense of the reporting speech:

Direct: He said, "The earth moves round the sun."

Indirect: He said that the earth moves round the sun.

Direct: He said, "There are thirty days in November."

Indirect: He said that there are thirty days in November.

Direct: He said, "The Muslims believe in one God."

Indirect: He said that the Muslims believe in one God.

Direct: Raheem said, "Honesty is the best policy."

Indirect: Raheem said that honesty is the best policy.

Direct: He said, "Barking dogs seldom bite."

Indirect: He said that barking dogs seldom bite.

(b) Change of Pronouns

First Person Pronouns

The first person pronouns in the reported speech are changed into the case of the subject of the reporting speech. The pronouns of the first person are *I, me, my, mine, we, us, our, ours*.

Direct: He said to me, "I am going to market."

Indirect: He told me that he was going to market.

Direct: He said, "I have broken the chair."

Indirect: You said that you had broken the chair.

Direct: The boy said to the teacher, "I will not read today."

Indirect: The boy told the teacher that he would not read that day.

Second Person Pronouns

The second person pronouns (*thou, thee, thy, thine, you, your, yours*) in the reported speech are changed into the person and gender of the person addressed in the reporting speech. If there is no person addressed in the reporting speech, pronouns of the second person are changed into pronouns of the third person. If the subject of the reporting verb is in the third person, it should be preferably changed into first person pronoun.

Direct: He said to me, "You have done your duty."
 Indirect: He told me that I had done my duty.
 Direct: He said to me, "You are going to market."
 Indirect: He told me that I was going to market.
 Direct: He said to you, "You are making mischief."
 Indirect: He told you that you were making mischief.
 Direct: He said to his mother, "You are very kind."
 Indirect: He told his mother that she was very kind.
 Direct: I said, "You are reading a novel."
 Indirect: I said that he was reading a novel.

Third Person Pronouns

Third person pronouns (*He, him, his, she, her, it, its, they, them, their*) in the reported speech are not changed in the indirect speech. We should also remember that all nouns are in third person, and so they do not change.

Direct: The boy said to me, "He wants to serve his country."
 Indirect: The boy told me that he wanted to serve his country.
 Direct: Moin said to Nadeem, "He is a good boy."
 Indirect: Moin told Nadeem that he was a good boy.
 Direct: He said, "They are playing badminton."
 Indirect: He said that they were playing badminton.

(c) Change into Words Showing Nearness

Words expressing nearness in time or place in the reported speech are generally changed as mentioned on the following page:

Now	into	Then	Today	into	That day
Here	into	There	Tomorrow	into	The next day
Ago	into	Before	Hither	into	Thither
This	into	That	Hence	into	Thence
These	into	Those	Yesterday	into	The previous day
Thus	into	So	Last night	into	The Previous night
Come	into	Go			

(d) Rules for Statements

When we change an assertive (or statement) sentence into indirect speech, we use the conjunction 'that' between the reporting speech and the reported speech. If the reporting verb 'say' or 'said' is followed by a noun or a pronoun, we change it into 'tell' or 'told' or according to the sense of the reported speech such as 'promised', 'reminded', 'replied', etc.

Direct: He says, "I am going."
 Indirect: He says that he is going.
 Direct: He said to me, "I am writing a letter."
 Indirect: He told me that he was writing a letter.

When we change 'yes' or 'no' into the indirect speech we use replied in the affirmative for 'yes', and replied in the negative for 'no'.

Direct: The painter said to me, "Yes, I have painted this picture."
 Indirect: The painter replied in the affirmative and told me that he had painted that picture.
 Direct: He said, "No, I have not broken the glass."
 Indirect: He replied that in the negative and said that he had not broken the glass.
 Sometimes the verb of the reporting speech is replaced by the verb of the reported speech e.g.:
 Direct: Rizwan said, "I think it will rain heavily."
 Indirect: Rizwan thought that it would rain heavily.
 Direct: I said to him, "I thank you for helping me."
 Indirect: I thanked him for helping me.
 Direct: The teacher said to me, "I hope you will pass."
 Indirect: The teacher hoped that I would pass.

The teacher expressed his hope that I would pass.

(e) Reported Speech (Imperative)

Commands and Requests

The Imperative Mood in direct speech is changed into indirect speech into the infinitive. The verb *say* is changed into some other verb appropriate to the context, such as *tell, ask, request, order, advise, command*, etc. A negative imperative is reported by means of a negative infinitive.

Direct: The teacher said to the boys, "Sit down!"
 Indirect: The teacher ordered the boys to sit down.

Use of "Must" and "Needn't" in the Reported Speech

Must usually expresses a necessity, frequently a command, sometime as assumption or conclusion. With *not* it expresses a prohibition.

Must in ordinary speech has three possible meanings, each of which has a different from when reported. *Needn't* sometimes behaves in the similar way.

- In the present or at the moment of speaking *Must* changes into a word showing past tense when reported, e.g.:

I must go now.	He said he had to go then
I needn't go.	He said he didn't have to go.
I mustn't go.	He said he wasn't to go.
- In the Future Tense *Must* and *Needn't* change to the condition in the reported speech, e.g.,

I must go next week.	He said he would have to go the following week.
I needn't go next week.	He said he wouldn't have to go the following week.
I mustn't go there.	He said he wasn't to go there.
- Must* remains unchanged in necessity, command, permanent ruling or prohibition, e.g.,
 - He told us we must all be ready at nine.
 - He told us we mustn't touch the pictures.
 - You mustn't cross the road against the red light.

Reported Speech (Question)

- For questions the word order is the same as for an ordinary direct statement. Tenses, Pronouns, Possessives, Adjectives and Adverbs of time and place change as they do in the sentences of statement.
- If the introductory verb is *say*, it must be changed according to the sense into ask, inquire, query, demand, want to know, wonder, etc.
- Whether* or *if* is used after the introductory verbs whenever the direct question may have *yes* or *no* for an answer. The use of *whether* is better than *if* because it implies or not.
- If the direct question begins with a question word (when, where, why, who, how, etc.) it is repeated in the indirect narration.
- The reporting verb *say* is changed into wonder to express a pure future e.g.,
 - He said, "Where shall I be in 2005?"
 - He wondered where he would be in 2005.

Change of 'shall' and 'will'

- Questions beginning with *shall I* are changed into *whether he would* for a pure future: *whether he should* for a request or an instruction, e.g.:
 - "Shall I ever go there again?" (he asked)
He asked whether he would ever go there again.
 - "Shall I come with you?" (he asked)
He asked whether he should come with me.

Reported Speech (Exclamation)

- Exclamatory sentences in direct speech can be changed into indirect speech as though they were ordinary assertive sentences.
- The introductory verb is changed according to the sense into *wish*, *bliss*, *pray*, *cry*, *exclaim*, or some other similar verb.
- Interjections such as *Alas*, *Hurrah*, *Huh*, *Oh*, *Bravo* etc. are dropped:
 - "What a splendid performance!" the spectator said when the match was over. (Direct)
When the match was over the spectator exclaimed that it was a very splendid performance. (Indirect)
 - "What a ghastly accident!" the passer-by said. (Direct)
The passer-by exclaimed that it was a very ghastly accident. (Indirect)
 - "Étavo! Well done!" he said. (Direct)
He applauded him saying that he had done very well. (Indirect)

SELF-ASSESSMENT TEST 1

Change the following sentences into the Indirect Speech:

- I said to him, "I cannot do you a favour."
- They said to us, "Let us go out for a walk."

- "What do you want?" asked his mother.
- Rasheed said to Suhail, "My brother reached Quetta yesterday."
- The teacher said to us, "Truth triumphs in the end."
- He said to me, "Did you talk rudely to your sister?"
- We said to them, "We are going to celebrate *Basant* with great pomp and show."
- Nadia said to Raheela, "Can you speak French?"
- My friend said to me, "Will you accompany me to the movie?"
- I said to Anila, "What are you doing?"

ANSWERS

- I told him that I could not do him a favour.
- They proposed to us that we should go out for a walk.
- His mother asked him what he wanted.
- Rasheed told Suhail that his brother had reached Quetta the previous day.
- The teacher told us that truth triumphs in the end.
- He asked me whether I had talked rudely to my sister.
- We told them that we were going to celebrate *Basant* that year with great pomp and show.
- Nadia asked Raheela whether she could speak French.
- My friend asked me whether I would accompany her to the movie.
- I asked Anila what she was doing.

SELF-ASSESSMENT TEST 2

- Neelum asked to her sister for confirmation that it was very hot that day?"
- Ramiz said to Ali, "What can you do for me?"
- The Headmaster said to the student, "I expect you to show good conduct."
- I said to my father, "I will not be able to go to school today as I have a headache."
- The teacher said to Shrish, "Have you done your homework?"
- I said to the teacher, "May I come in?"
- The master said to servant, "Get out of my sight."
- I said to him, "Mind your own business."
- They said to us, "Please listen to us attentively."
- Tahir said to Amir, "I may take part in dramatics."

ANSWERS

- Neelum said to her sister, "Isn't it very hot today?"
- Ramiz asked Ali what he could do for him.
- The headmaster told the students that he expected them to show good conduct.
- I told my father that I would not be able to go to school that day as I had a headache.
- The teacher asked Shrish whether she had done her homework.

6. I asked the teacher whether I might come in.
7. The master ordered the servant to get out of his sight.
8. He told him to mind his own business.
9. They requested us to listen to them attentively.
10. Tahir told Amir that he might take part in dramatics.

SELF-ASSESSMENT TEST 3

1. My father said to me, "Do you know where Mr. Raees lives?"
2. I said to her, "Do you know how to swim?"
3. My mother said to me, "Will you behave properly?"
4. The master said to the servant, "Put off the light."
5. "Can you guess who is coming tonight?" said her brother.
6. He said to me, "Why are you sad today?"
7. The beggar said, "May you live long, my son!"
8. He said, "Alas! My house has been reduced to ashes."
9. They said, "Hurrah! It is a holiday tomorrow."
10. "Ladies and gentlemen", the speaker said, "are you ready to face the consequences?"

ANSWERS

1. My father asked me if I knew where Mr. Raees lived.
2. I asked her if she knew how to swim.
3. My mother asked me if I would behave properly.
4. The master ordered the servant to put off the light.
5. Her brother asked her if she could guess who was coming that night.
6. He asked me why I was sad that day.
7. The beggar wished that he might live long.
8. He exclaimed with sorrow that his house had been reduced to ashes.
9. They exclaimed with joy that it was a holiday the next day.
10. Addressing the audience, the speaker asked them if they were ready to face the consequences.

SELF-ASSESSMENT TEST 4

1. The teacher said, "Do not put off till tomorrow what you can do today."
2. The old man said, "May you prosper in life!"
3. He said, "Does she understand English?"
4. I said to her, "I do not want to attend the meeting."
5. My mother said to me, "Why do you always pester me?"
6. They said to us, "We have not understood the implication of this matter."
7. The customer said to the shopkeeper, "How much does this shirt cost?"
8. "I did not approve of your plan," said my friend to me.
9. The captain said, "Bravo! Well played, my boys."
10. Mr. Waheed said Mrs. Mian, "How are you?"

ANSWERS

1. The teacher advised us not to put off till the next day what we could do that day.
2. The old man wished that I might prosper in life.
3. He asked me whether she understood English.
4. I told her that I did not want to attend the meeting.
5. My mother asked me why I always pestered her.
6. They told us that they had not understood the implication of that matter.
7. The customer asked the shopkeeper how much that shirt cost.
8. My friend told me that he had not approved of my plan.
9. The captain applauded the boys by saying that they had played well.
10. Mr. Waheed asked Mrs. Mian how she was.

SELF-ASSESSMENT TEST 5

1. The teacher said to Haider, "Why have you come late to the class again?"
2. His grandfather said to him, "You must save for the rainy day."
3. I said to Nawaz, "Who are you waiting for?"
4. She said to me, "Why did you not attend my wedding reception?"
5. "May I borrow your book for a day or two?" asked Naila.
6. "Your manners are atrocious", remarked the stranger.
7. "What a beautiful building it is!" said he.
8. My father said to me, "Do not hurt anyone."
9. The teacher said, "Let him come in."
10. My father said to him, "Do you know the rules of cricket?"

ANSWERS

1. The teacher asked Haider why he had come late to the class again.
2. His grandfather advised him that he must save for the rainy day.
3. I asked Nawaz who he was waiting for.
4. She asked me why I had not attended her wedding reception.
5. Naila asked me if she might borrow my book for a day or two.
6. The stranger remarked that his manners were atrocious.
7. He exclaimed with wonder that it was a beautiful building.
8. My father advised me not to hurt anyone.
9. The teacher told me that he might be allowed to come in.
10. My father asked him whether he knew the rules of cricket.

PREPOSITIONS

Correct Use of Prepositions in Sentences Exemplified

1. I acquit you *of* all complicity in the crime, and hope you will be compensated *for* the annoyance entailed upon you *by* the groundless imputation.
2. I was horrified *at* the sight *of* so much distress.
3. He did not die *of* cholera but *from* effects *of* overexposure *to* the sun *at* an unhealthy time *of* the year.
4. This shopkeeper deals *in* grain, but he did not deal honestly *with* me and I shall have no more dealings *with* him in future.
5. You will have to answer *to* me *for* your misconduct.
6. Forty students competed *with* one another *for* a single scholarship.
7. I must consult *with* you *on* that matter shortly.
8. Do not exult offensively *in* the victory you have won *over* your rivals.
9. He is not possessed *of* much wisdom but possessed *with* a very high notion *of* his own importance.
10. Will you entrust me *with* that letter? No, I will entrust nothing *to* you.
11. Always be prepared *for* the worst.
12. That motive prevails *with* me.
13. I prevailed *on* him *to* make the attempt, but he could not prevail *over* his adversary.
14. I rejoiced not only *in* my own success, but also *at* yours.
15. We must provide *for* our children against the evil day.
16. Some men remain stick *to* their point.
17. Why do you stare me *in* the face? It is bad manners to stare *at* one *in* that manner.
18. The ship touched *at* Gibraltar. She touched upon *the* subject *of* tides.
19. He supplied money *to* the men; and they supplied his horses *with* provender.
20. He could smile *at* their treats, for fortune continued to smile *on* him.
21. They proceeded *with* the business that they had commenced yesterday, before they proceeded *to* the consideration *of* any new questions.
22. Do not live *for* riches, but whatever you live *for*, live *by* honest labour; and if you have to live *on* a small income, live *within* your means.
23. He is labouring *under* a misapprehension, but he thinks he is labouring *on* a good cause and *for* the public welfare.
24. He once laid me *under* an obligation, and therefore, I am very unwilling to lay the blame *of* this affair *to* his charge.
25. He not only intruded *into* my house but upon my leisure, for I was engaged *at* that time *in* reading an interesting book.
26. The railways intersect *with* each other *at* this place.
27. Let me intercede *with* you *for* my friend.
28. I enquire *of* him concerning that matter.

29. He is impressed *with* that notion, and he desires to impress it *on* me.
30. The river *to* which I went *with* my brother abounds *in* fish; we took a boat and rowed *across* the stream *to* the opposite bank.
31. He promised to abide *by* the contract, and they relied *on* his honour *for* its fulfilment. But they were disappointed *of* their hopes, and found they could never trust their work *to* him again.
32. He lives *at* small cost, and he does so *by* abstaining *from* every kind of luxury and accustoming himself *to* humble fate such as is suitable *to* a person *of* small income.
33. The person who stood *before* the judge yesterday was accused *of* throwing a stone *at* his neighbour's window, but nothing more came *of* the matter, and he was acquitted *of* the charge imputed *to* him.
34. A man *of* honour will adhere *to* his convictions, and act *from* a sense *of* duty, even if men rail *at* him and think him weak *of* understanding and wanting *in* common sense.
35. The intentions *of* that man admit *of* no doubt; we must agree *to* his terms, whether we approve *of* them or not, and there is no reason *to* be anxious *about* the result.
36. Aim *at* doing your duty *at* all risks, and do not be uneasy *in* mind *about* the consequences.
37. He was much alarmed *at* what he had just heard; and alluded *to* it as soon as he arrived *at* my house and alighted *from* his carriage.
38. The ship stopped a little way *off* the shore and an experienced man was at once appointed *to* the post *of* pilot *for* bringing her *into* port.
39. He had a great affection *for* his parents; but he had no taste *for* hard work and was not attentive *to* his studies.
40. One man complained *to* the Magistrate *of* A's dishonesty; another brought a complaint against A *about* some debt; in fact, A has made many enemies *for* himself.
41. When you attend school, attend *to* your studies. What has been the cause *of* your idleness, hitherto? Surely there was no just cause *for* such laziness.
42. He took advantage *of* my ignorance, but he gained no real advantage *over* me *in* the end.
43. I am vexed *with* him *for* what he has done.
44. A man is adapted *for* any occupation, which is adapted *to* his capacities.
45. I am annoyed *with* him *for* saying that; and I am not easily annoyed *at* trifles.
46. Whatever you decide *on* stick *to* it and do your best *under* difficulties.
47. I understand *from* all I hear that, though he despairs *of* success, nothing will deter him *from* his purpose.
48. I differ *with* you *at* the exact point in which dogs differ *from* wolves *in* shape or kind. But there is no difference *of* opinion *as* *to* their comparative fierceness.
49. He is so weak that all food disagrees *with* him. Care must be taken that he does not die *from* weakness.
50. He was deprived *of* that very thing *in* which he delighted most.
51. I depended *on* his coming *at* four o'clock; but notwithstanding all the hopes I had formed he deviated *from* his purpose and did nothing *to* defend me *from* injustice.
52. I disapprove *of* your way *of* working, and must, therefore, dispense *with* your services.
53. A blind man cannot distinguish light *from* darkness. Death does not distinguish *between* the rich and the poor.

54. I can divide this apple between two persons, but it is too small to be divided among forty; for it cannot be divided into forty parts.
55. When they had disposed of all their wares, there was a dispute about the profits, each man differing with the other.
56. Dissuade him from this folly, if you can; but I fear he is weak in his head from constant overwork and anxiety.
57. I will have nothing to do with a man who tries to domineer over everyone and cavils at everything, which does not coincide with his own opinion.
58. More things are wrought by prayer than these world dreams of.
59. He dwells among a simple-minded people, at the village in the northern part of the district.
60. He dwelt for a long time on that subject but no one really knew that he was driving at.
61. The Magistrate's decision on that case was not in accordance with the evidence. We must appeal to a higher court, where perhaps this slur on our character will be removed.
62. He has an excellent appetite for his dinner; but no aspiration for anything higher.
63. The hill was veiled in a mist; and we were tired of waiting till the mist cleared off, besides being tired with our exertions.
64. I am reconciled with my opponent, but not to my losses.
65. He was disqualified for the post on account of age, but he was not disqualified from competing for diploma.
66. It is better to be clothed in rags than to be clothed with shame.
67. He embarked on board of the steamer, which was to take him to Pakistan, where we intended to embark in some kind of trade.
68. He was more popular than most men with the people of his country.
69. In some places the sea encroaches on the land, in others the land gains on the sea. This is so well known that I need not expatiate on it any further.
70. As soon as he emerged from poverty, he entered into partnership with a man of wealth, and the two then entered upon a grand commercial career.
71. I will exchange this book with you for another, if you have a good one to offer me in exchange.
72. He rejoiced in his success, and exulted over his fallen rival. I am not familiar with that subject, so I cannot fall in with your views, or engaged in this controversy any longer.
73. He fought with the robbers for his life. The Spaniards allied with the English fought against the French in what is called the Peninsular War.
74. While the cat was running at the mouse, the mouse ran into its hole and freed itself from danger.
75. Be so good as to furnish me with a copy of that letter. Furnish medicine to the sick.
76. A glance at this letter will convince you of its contents that he is grasping at your money. Everyone will grieve for your loss.
77. He increased in wisdom with the increase of age, and at last grew out of follies of his boyhood and youth. Thus by degrees he rose to eminence in his profession.
78. A young man should be on his guard against bad company, beware of falling into their evil ways.
79. He loitered about this place for the greater part of the day, sometimes leaning against the wall, and sometimes strolling to the opposite side of the street.

80. Madagascar is an island off the east coast of Africa. The French could not prevail upon the inhabitants to surrender without an effort.
81. We must get rid of this difficult business at once. Let us enquire about the danger, and be ready against the evil day.
82. Your words are strange and quite beyond my comprehension. It is foolish to say what no one can understand and I thought you were about such folly.
83. This leaves no stain on his character, and no further prejudice against him should be entertained, as he has now cleared himself of all the faults imputed to him.
84. I have no liking for that man; to fact, I have taken a decided dislike to him. For all that, I wish to deal fairly by him.
85. My relations with him are now quite friendly and there is no ill feeling left in relation to that dispute.
86. Did you beg pardon of the teacher? No, I do not like to entreat anyone for mercy.
87. I cannot agree with you in this matter; and therefore I do not agree to your proposal.
88. I blush at my won fault more than I blush for your reputation.
89. Rhetorical might be compared with poetry.
90. I am in need of good advice, but there is no need for your reproaches.
91. There is no use in my purchasing that article, for I have no use for it.
92. I have failed of my purpose because I failed in my first attempt and was not allowed to make another.
93. He is invested with full authority by me to invest my money in that speculation.
94. He is profuse in his promises, but not at all profuse of his money.
95. You must apologise to him for what you have done, even though the act was not done with any bad intention.
96. You will have to answer to your master for that mistake and you may hope for pardon, if you ask for a fresh trial; but it will be wiser to appoint some man who is versed in such matters to act as arbitrator between you and the opposite party.
97. You can appeal to a higher court and apply for a fresh trial; but it will be wiser to appoint some man who is versed in such matters to act as arbitrator between you and the opposite party.
98. To continue arguing and disputing with a man, when you are certain that he will not assent to your own views is not wise of you; men will only blame you for wasting your time, and ascribe our conduct to obstinacy.
99. While he was battling with the sea, the wind rose and the waves beat against the shore; he begged for help from the people who were in the boat, and they pulled him up out of the water.
100. I have bestowed great attention on that subject, and I bethought myself of one thing, namely that a bridge must be built at once over the river, and that this bridge should be of iron, not of wood or brick.
101. One may boast of his wealth, another prides himself on his wisdom: we cannot help blushing for persons who are so wanting in modesty and who cannot blush at their own faults.
102. A country borders on Burma and is separated from it partly by the Bay of Bengal, which lies between them, and partly by a line of mountains situated to the north of the Bay.

103. A man should not brood over his troubles, however, much he may be burdened with them.
104. She burst into tears, when she found that he did not care for her affection.
105. I am indifferent to heat and cold, because I have strong chest and there is no need for caution; I am sorry, however, that you have need for so much caution with every change in the weather.
106. He has a great capacity for mathematics and in respect of this subject his teacher has a great respect of his abilities.
107. In consideration of the fact that no one is perfect, you ought to show more consideration for other men's weaknesses, though there is no need to connive at their faults.
108. A drowning man will catch at a straw; and if he escapes, you need not caution him against the danger of throwing himself into the water and bathing out of his depth.
109. Cease from speaking evil of others, and cling to charity. You will yourself be judged according to your judgment of others.
110. It is useless to clamour for what we cannot have. Do not complain of your lot. Be content with what you have already, and leave the future to Providence.
111. An eye for an eye, and a tooth for a tooth; this was the old law, but it has now been superseded by the duty of forgiveness.
112. They brought a complaint before the Magistrate against their neighbour who without asking their consent had dug a hole almost under the foundation of their house and thus rendered it unsafe for a dwelling place. The Magistrate complied with their request and issued summons against him. He sentenced him to a fine for trespass.
113. A man who confides in a friend will not conceal anything from him, but will confer with him on all matters of real importance.
114. The wing of a bird corresponds to the arms of a man.
115. I had a long correspondence with him on the wisdom of conforming to custom, but he did not yield to my advice and remained unconvinced of his error. A man convinced against his will is of the same opinion still, as you know from the proverb. You cannot cure a man of his prejudices.
116. The culprit craved for pardon, and succeeded in getting it.
117. One cock crowed over the other an account of its victory, as one man boasts of having conquered another, and exults over his defeated rival.
118. You cannot compete with a man who is superior to yourself in resources. It is better to acquiesce in the fact that he has the advantage over you.
119. That trader there, who deals in cotton goods, has dealt hardly by his customers, and they must not concede to his demands in future.
120. The point you spoke of will be attended to. But if you ever touch upon it again, I hope you will speak at length on the wider question on which that point hinges.
121. This is an exception to the usual rule. I hope, therefore, you will make an exception of my son's case, and show some forbearance for his inexperience.
122. Live amenable to reason, and independently of other men's help.
123. It is better even to be blind of one eye, than to be blind to one's own faults.
124. He is committed to a policy which he now dislikes and is not at all certain of its success.
125. He is blessed in his children, who have all turned out well, but he is not blessed with good health.

PREPOSITIONS (MCQS)

- There is abundance _____ extremism in India.
(a) for (b) to (c) of (d) None of these
- Non Muslim countries have no affection _____ Muslim Countries.
(a) to (b) by (c) for (d) None of these
- You should not take advantage _____ the weakness of my leniency.
(a) of (b) to (c) for (d) None of these
- He has no aptitude _____ English.
(a) in (b) by (c) for (d) None of these
- The President did not give assent _____ the all parties to convene meeting.
(a) for (b) in (c) to (d) None of these
- He has no aversion _____ speaking Persian.
(a) for (b) in (c) by (d) None of these
- The Parents should care _____ there children.
(a) to (b) of (c) by (d) None of these
- You should not comment _____ the performance of cricket team.
(a) to (b) of (c) on (d) None of these
- You should have confidence _____ your abilities.
(a) in (b) to (c) by (d) None of these
- He does not has control _____ his Subordinate.
(a) of (b) to (c) over (d) None of these
- His craving _____ getting latest knowledge is not limited.
(a) for (b) to (c) of (d) None of these
- His desire _____ becoming professor had not been fulfilled.
(a) to (b) for (c) on (d) None of these
- He does not show distaste _____ reading good books.
(a) to (b) by (c) for (d) None of these
- It is my eagerness _____ attending ceremony.
(a) to (b) in (c) by (d) None of these
- India has enmity _____ every neighboring country.
(a) to (b) for (c) with (d) None of these
- He could not escape _____ bad days.
(a) to (b) for (c) in (d) None of these
- I have esteem _____ parents.
(a) for (b) to (c) by (d) None of these
- Optimistic person has faith _____ God.
(a) to (b) for (c) in (d) None of these
- He is gratitude _____ Aslam.
(a) to (b) for (c) in (d) None of these
- He had no hatred _____ watching cinema.
(a) to (b) for (c) in (d) None of these
- He does not take interest _____ music.
(a) in (b) for (c) by (d) None of these

22. Hardworking is key _____ Success
(a) in (b) for (c) to (d) None of these
23. His liking _____ flattery is well known.
(a) for (b) by (c) of (d) None of these
24. Mr. Aslam was no match _____ Noor.
(a) in (b) to (c) for (d) None of these
25. The aggression of Israel is a menace _____ Islamic World.
(a) in (b) for (c) by (d) None of these
26. The neglect _____ duty can not be forgiven.
(a) to (b) in (c) by (d) None of these
27. The Judge should not show partiality _____ delivering judgment.
(a) for (b) in (c) to (d) None of these
28. He has no passions _____ poetry.
(a) for (b) to (c) in (d) None of these
29. He has no pity _____ terrorist.
(a) to (b) by (c) for (d) None of these
30. The popularity of General Musharraf _____ people is increasing in the referendum campaign.
(a) in (b) with (c) for (d) None of these
31. I have preference _____ English to Urdu.
(a) for (b) by (c) to (d) None of these
32. There is no proof _____ stealing the Jewellery.
(a) to (b) in (c) of (d) None of these
33. He had quarrel _____ his younger brother.
(a) with (b) to (c) of (d) None of these
34. I have regret _____ failure in C.S.P. exam.
(a) for (b) to (c) of (d) None of these
35. Your request _____ promotion is under discussion.
(a) in (b) by (c) for (d) None of these
36. She does not have resemblance _____ her mother.
(a) to (b) in (c) for (d) None of these
37. Pakistan must not put reliance _____ I.M.F. and world bank.
(a) on (b) to (c) for (d) None of these
38. Many States of India are revolting _____ the present government.
(a) against (b) to (c) for (d) None of these
39. He has no sympathy _____ the poor.
(a) to (b) in (c) of (d) None of these
40. The religious political parties do not trust _____ General Musharraf.
(a) to (b) for (c) in (d) None of these
41. Mr. Abid is gifted _____ good mind.
(a) to (b) with (c) in (d) None of these
42. You are not fit _____ this job.
(a) for (b) in (c) by (d) None of these
43. He is guilty _____ committing malpractices.
(a) in (b) to (c) of (d) None of these

44. Smoking is very harmful _____ health.
(a) in (b) of (c) to (d) None of these
45. He is not honest _____ his job.
(a) in (b) of (c) by (d) None of these
46. India is hostile _____ the progress of Pakistan.
(a) for (b) to (c) in (d) None of these
47. The ruler must not be ignorant _____ the law and order situation.
(a) in (b) by (c) of (d) None of these
48. He is imperious _____ critics.
(a) in (b) to (c) for (d) None of these
49. He has been indifferent _____ his wife
(a) to (b) for (c) in (d) None of these
50. You are not inferior _____ any one.
(a) for (b) of (c) to (d) None of these
51. Is he guilty or innocent _____ the crime?
(a) in (b) to (c) of (d) None of these
52. He feels Jealousy _____ the success of his friend.
(a) of (b) in (c) by (d) None of these
53. He is notorious _____ robbery.
(a) in (b) of (c) for (d) None of these
54. I am not oblivious _____ the threats.
(a) of (b) to (c) in (d) None of these
55. A mother is patient _____ her children.
(a) to (b) in (c) with (d) None of these
56. She is qualified _____ computer.
(a) of (b) at (c) in (d) None of these
57. He is responsible _____ doing this work.
(a) in (b) of (c) at (d) None of these
58. There is no need for you to be so sensitive _____ criticism.
(a) for (b) of (c) by (d) None of these
59. She must not be shy _____ telling truth.
(a) of (b) to (c) in (d) None of these
60. He is true _____ his word.
(a) of (b) to (c) in (d) None of these
61. This license is valid _____ five years.
(a) for (b) in (c) to (d) None of these
62. I am weary _____ your promises.
(a) of (b) to (c) in (d) None of these
63. He is worthy _____ respect.
(a) to (b) in (c) for (d) None of these
64. Who is knocking _____ the door?
(a) to (b) in (c) at (d) None of these
65. You should repent _____ bad deeds.
(a) of (b) to (c) in (d) None of these

66. Pakistan must rely _____ its resources.
(a) on (b) to (c) in (d) None of these
67. He trembled _____ the sound of bursting bomb.
(a) in (b) for (c) at (d) None of these
68. He wondered _____ the success of his friend in C.S.S. exam.
(a) to (b) at (c) in (d) None of these
69. He will not yield _____ the pressure of his opponent.
(a) to (b) for (c) at (d) None of these
70. Do not stare _____ me.
(a) on (b) in (c) at (d) None of these
71. Pakistan sided _____ U.S.A in connection with countering terrorism.
(a) with (b) to (c) on (d) None of these
72. He succumbed _____ his injuries and died in hospital.
(a) in (b) at (c) to (d) None of these
73. He was threatened _____ dire consequences.
(a) to (b) on (c) with (d) None of these
74. India is not being prevented _____ committing atrocities on Kashmiries.
(a) to (b) in (c) from (d) None of these
75. Do not scoff _____ me.
(a) at (b) on (c) in (d) None of these
76. I prefer _____ die than humiliation.
(a) for (b) to (c) in (d) None of these
77. He shuddered _____ seeing the dreadful incident.
(a) on (b) in (c) at (d) None of these
78. Do not insist _____ doing this work.
(a) on (b) in (c) at (d) None of these
79. She persisted _____ living here.
(a) in (b) to (c) for (d) None of these
80. I do not object _____ his criticism.
(a) in (b) for (c) to (d) None of these
81. You must embark _____ leaving her.
(a) to (b) in (c) upon (d) None of these
82. He did not fail _____ exam.
(a) in (b) for (c) at (d) None of these
83. I assure you _____ my help.
(a) on (b) of (c) in (d) None of these
84. You must make amends _____ your folly.
(a) for (b) to (c) in (d) None of these
85. Afghanistan was attacked _____ October, 2001.
(a) in (b) at (c) on (d) None of these
86. I am bargaining _____ him.
(a) with (b) on (c) to (d) None of these
87. I do not repose confidence _____ you.
(a) in (b) to (c) at (d) None of these

88. I have access _____ the president.
(a) for (b) in (c) to (d) None of these
89. I am candidate _____ this post.
(a) to (b) for (c) at (d) None of these
90. A tough competition is going on _____ him.
(a) to (b) at (c) with (d) None of these
91. Take decision _____ this issue instantly.
(a) on (b) to (c) at (d) None of these
92. I do not have fondness _____ her.
(a) in (b) at (c) for (d) None of these
93. Press does not enjoy freedom _____ restriction.
(a) from (b) to (c) by (d) None of these
94. Do not guess _____ me.
(a) on (b) in (c) at (d) None of these
95. I feel grief _____ the death of his father.
(a) of (b) in (c) by (d) None of these
96. There is hindrance _____ get success in life.
(a) for (b) to (c) of (d) None of these
97. I have no longing _____ him.
(a) for (b) to (c) at (d) None of these
98. He does not have lust _____ wealth.
(a) to (b) at (c) for (d) None of these
99. He has no opportunity _____ raising his status.
(a) for (b) to (c) at (d) None of these
100. I should not pride _____ my qualification.
(a) to (b) at (c) in (d) None of these

ANSWERS

1.	c	2.	c	3.	a	4.	c	5.	c	6.	d	7.	b
8.	c	9.	a	10.	c	11.	a	12.	b	13.	c	14.	a
15.	c	16.	d	17.	a	18.	c	19.	a	20.	b	21.	a
22.	c	23.	a	24.	c	25.	d	26.	d	27.	a	28.	a
29.	e	30.	b	31.	a	32.	c	33.	a	34.	a	35.	c
36.	a	37.	a	38.	a	39.	d	40.	c	41.	b	42.	a
43.	c	44.	c	45.	a	46.	b	47.	c	48.	b	49.	a
50.	c	51.	c	52.	a	53.	c	54.	a	55.	c	56.	c
57.	d	58.	d	59.	a	60.	b	61.	a	62.	a	63.	d
64.	c	65.	a	66.	a	67.	c	68.	b	69.	a	70.	c
71.	a	72.	c	73.	c	74.	c	75.	a	76.	b	77.	c
78.	a	79.	a	80.	c	81.	c	82.	a	83.	b	84.	a
85.	c	86.	a	87.	a	88.	c	89.	b	90.	c	91.	a
92.	c	93.	a	94.	c	95.	a	96.	b	97.	a	98.	c
99.	a	100.	c										

IDIOMS

SELF-ASSESSMENT TEST 1

Directions: Select the appropriate word that is **SIMILAR** in meaning to the numbered word.

1. to make clean breast of:
(a) to gain prominence
(c) to confess without of reserve
(b) to praise oneself
(d) to destroy before it blooms
2. to keep one's temper:
(a) to become hungry
(c) to preserve one's energy
(b) to be in good mood
(d) to be aloof from
3. to have an axe to grind
(a) a private end to serve
(c) to have no result
(b) to fail to arouse interest
(d) to work for both sides
4. to cry wolf
(a) to listen eagerly
(c) to turn pale
(b) to give false alarm
(d) to keep off starvation
5. to end in smoke
(a) to make completely understand
(c) to excite great applause
(b) to be ruined
(d) to overcome someone
6. to pick holes
(a) to find some reason to quarrel
(c) to criticise someone
(b) to destroy something
(d) to cut some part of an item
7. to leave someone in the lurch
(a) to come to compromise
(c) to put someone at ease
(b) constant source of annoyance
(d) to desert in difficulties
8. a black sheep
(a) a disreputable member of a group
(c) an ugly person
(b) a lucky person
(d) a partner who takes no share of the profits
9. a man of straw
(a) a man of no substance
(c) a worthy fellow
(b) a very active person
(d) an unreasonable person
10. to smell a rat
(a) to see signs of plague epidemic
(c) to suspect foul dealings
(b) to get bad smell of a bad dead rat
(d) to be in a bad mood
11. to hit the nail right on the head
(a) to do the right thing
(c) to announce one's fixed views
(b) to destroy one's reputation
(d) to teach someone a lesson
12. to flog a dead horse
(a) to do interesting things
(c) to beat a horse that is dead
(b) to try to take work from a weak horse
(d) to revive interest in an outdated subject
13. to ring a bell
(a) to take a break
(c) to sound familiar
(b) to be believable
(d) to seem dangerous

14. run of the mill
(a) ordinary (b) unique
(c) complicated (d) exciting
15. hand in hand
(a) on friendly terms
(c) working very quickly
(b) occurring together
(d) without effort
16. to touch on something
(a) to avoid talking about
(c) to finish discussing
(b) to talk about briefly
(d) to give a long explanation
17. to get the upper hand
(a) to be responsible
(c) to get a lot of help
(b) to gain more power
(d) to become overworked
18. a drop in the bucket
(a) a failed attempt
(c) a valuable contribution
(b) a risky activity
(d) an insignificant amount
19. to be on the same page
(a) to experience a similar problem
(c) to be close to someone
(b) to have similar ideas
(d) to be where the action is
20. on target
(a) fixed as an absolute
(c) not moving
(b) completely accurate
(d) busy at work
21. shift gears
(a) wait for a few minutes
(c) move to a different topic
(b) end the discussion
(d) start an argument
22. take someone to task
(a) scold or criticize them harshly
(c) buy them lunch
(b) talk to them privately
(d) encourage them to succeed
23. bed of roses
(a) very soft bed (b) dull life
(c) belong to (d) full of joys
24. hit below the belt
(a) give a crippling blow (b) hit in the thighs
(c) act unfairly (d) act brutally
25. to bite the dust
(a) to be defeated in battle
(c) to be ashamed of
(b) to learn a lesson
(d) to work very hard
26. between the devil and the deep sea
(a) in a dilemma
(c) to be evil-tempered
(b) a man who is drowning
(d) a deep sea diver
27. oily tongue
(a) flattery
(c) word power
(b) soft speech
(d) fluency in speech
28. to wrap up
(a) to make worthwhile
(c) to bring to a conclusion
(b) to give a gift or present
(d) to do a job well
29. bottom line
(a) an easy task (b) the main point
(c) the best solution (d) a minor point
30. in a nutshell
(a) all at once (b) in great detail
(c) in a few words (d) one by one

31. draw the line between
(a) make a connection
(c) argue for one side
32. lost heart
(a) become desperate
(c) become angry
33. blows his own trumpet
(a) flatter someone
(c) admonish others
34. burning question
(a) a widely debated issue
(c) a relevant problem
35. to bell the cat
(a) to take lead in danger
(c) to be alert of the enemy
36. for a song
(a) at a reasonable price
(c) very cheaply
37. a snake in the grass
(a) a secret enemy
(c) an unforeseen danger
38. once for all
(a) authoritatively
(b) finally
(c) angrily
(d) coldly
39. off and on.
(a) everyday
(b) regularly
(c) never at all
(d) occasionally
40. burn your fingers
(a) be unhappy
(b) be happy
(c) suffer
(d) be ill

ANSWERS

1.	c	2.	b	3.	a	4.	b	5.	b	6.	c	7.	d
8.	a	9.	a	10.	c	11.	a	12.	d	13.	c	14.	a
15.	b	16.	b	17.	b	18.	d	19.	b	20.	b	21.	c
22.	a	23.	d	24.	c	25.	a	26.	a	27.	a	28.	c
29.	b	30.	c	31.	d	32.	d	33.	d	34.	a	35.	a
36.	c	37.	b	38.	b	39.	d	40.	c				

SELF-ASSESSMENT TEST 2

1. Please stop that (mischief) and do some serious work. Please stop _____.
(a) dog and pony show (b) monkey business (c) piggyback (d) road hog
2. Please (be patient and wait) while I make a phone call. Please _____.
(a) call the dogs off (b) have a whale of a time
(c) flog a dead horse (d) hold your horses

3. The new product is (a good source of money) for our company. It's _____.
(a) a cash cow (b) as strong as an ox
(c) a horse of different color (d) a dark horse
4. Amjad is (an aloof unemotional person) and rarely talks to us. He is _____.
(a) a cold fish (b) has a whale of a time
(c) acts as a guinea pig (d) busy as a beaver
5. I was convinced he would win but I (supported the wrong person). I _____.
(a) shed crocodile tears (b) had a whale of a time
(c) was a chicken feed (d) backed the wrong horse
6. The police are (following the wrong course) if they think I got the money. They are _____.
(a) barking up wrong tree (b) are doing monkey business
(c) eating crow (d) backing the wrong horse
7. The new accountant is (hard working and enthusiastic person). He's a real _____.
(a) eager beaver (b) cold fish
(c) cash cow (d) going to the dogs
8. We are planning a surprise party for Asma. Don't (reveal the secret). Don't _____.
(a) bark up wrong tree (b) eat crow
(c) be a copycat (d) let the cat out of the bag
9. He is the (most important person) in his company. He is the _____.
(a) holy cow (b) dog in the manger (c) alley cat (d) top dog
10. When I and Arif met, we finally met we talked (for a long time). We talked _____.
(a) in the dog house (b) as busy as a beaver
(c) until the cows came home (d) like lambs to the slaughter

ANSWERS

1.	b	2.	d	3.	a	4.	a	5.	d	6.	a	7.	a
8.	d	9.	d	10.	c								

SELF-ASSESSMENT TEST 3

1. be all ears
(a) listen attentively (b) lose self-control
(c) delay a decision (d) be everywhere
2. burn the candle at both ends
(a) waste time (b) lose self-control
(c) daydreaming (d) work hard till late at night
3. breathe down neck
(a) lose self-control (b) make a plot
(c) to watch activities (d) work very hard
4. bring home the bacon
(a) go on hunting (b) earn salary (c) delay a decision (d) be infamous
5. build bridges
(a) combat (b) be dishonest (c) arbitrate
(d) work very hard

6. one's best bet (a) be unfriendly (b) settle down (c) best move (d) reconcile
7. call a spade a spade (a) speak frankly (c) die (b) be dishonest (d) reprimand or scold
8. cash in one's chips (a) learn from mistakes (c) pass away (b) be famous and respected (d) make a blunder
9. build castles in the air (a) to daydream (c) review something (b) watch someone closely (d) reconcile
10. chalk up to experience (a) learn from mistakes (c) pass away (b) behave badly (d) suffer financially

ANSWERS

1.	a	2.	d	3.	c	4.	b	5.	c	6.	c	7.	a
8.	c	9.	a	10.	a								

SELF-ASSESSMENT TEST 4

Complete the following sentences

1. My mother was angry at me and when I broke the glass, it _____.
(a) barked up wrong tree (b) added fuel to the flames
(c) brought home the bacon (d) bugged out
2. Due to _____, I had to run to the toilet.
(a) beating a hasty retreat (b) carrying the day
(c) the call of nature (d) my best bet
3. I've been _____ for years, just waiting for a chance like this.
(a) biding my time (b) adding fuel to the flames
(c) badgering my father (d) chewing the fat
4. After I failed in the exam, I promised my father to _____.
(a) build castles in the air (b) call the shots
(c) bury head in sand (d) change my ways
5. They sat around and _____ rather than doing something constructive.
(a) buckled down (b) chewed the fat (c) breathe down neck
(d) bide their time

ANSWERS

1.	b	2.	c	3.	a	4.	d	5.	b				
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SELF-ASSESSMENT TEST 5

1. I (can't understand) Chinese language. It's _____.
(a) up in arms (b) over my head (c) at arm's length

- (d) curling my hair
2. If you want to study well, keep music (away). Keep music _____.
(a) up in arms (b) over my head (c) at arm's length
(d) curling my hair
3. The fate of the convict is still in (an uncertain position). His fate is _____.
(a) over my head (b) hanging by a hair
(c) costing an arm and a leg (d) neither hide nor hair
4. It is important that you do not lose your temper. You do not _____.
(a) be up in arms (b) be arm in arm (c) be at loggerheads
(d) lose your head
5. Jawad prefers to ignore unpleasant realities of life. He prefers to _____.
(a) be at loggerheads (b) bring things to a head
(c) bury his head in the sand (d) let his hair down
6. Qaid-e-Azam is the (best among all) the leaders. He _____.
(a) is up in arms (b) stands head and shoulders
(c) is at arm's length (d) hanging by a hair
7. Everything went (wrong for me yesterday). It was _____.
(a) above my head (b) at loggerheads (c) bad hair day
(d) curling my hair
8. Ali is his father's favourite child. He is _____.
(a) losing his father's head (b) the apple of his father's eye
(c) letting his hair down (d) up in arms
9. The review gives a (brief look at the book). It gives _____.
(a) a bird's-eye view (b) curl to my hair
(c) bad hair day (d) more than meets the eye
10. I obeyed my teacher (instantly) I obeyed him _____.
(a) in the eye of the storm (b) head and shoulders
(c) getting grey hair (d) in the blink of an eye

ANSWERS

1.	b	2.	c	3.	b	4.	d	5.	c	6.	b	7.	c
8.	b	9.	a	10.	d								

SELF-ASSESSMENT TEST 6

1. If you're having a bad hair day, it means:
(a) you've had a terrible haircut (b) nothing's going right for you
(c) you don't care what people think about you
2. If Asad and Amir are at loggerheads, they are:
(a) best friends (b) in a quarrel (c) well-balanced and trustworthy
3. If something is getting in your hair, it
(a) irritates you (b) pleases you a lot (c) has no sign or indication
4. Who is the apple of your eye means that who is:
(a) your favourite (b) irritating you (c) helping you

5. If you are able to see what is going on behind your back, you:
(a) have eyes in the back of your head
(b) have a head on your shoulders
(c) are neither hide nor hair
6. A bright-eyed and bushy-tailed person is:
(a) in a hurry
(b) very sad and gloomy
(c) very cheerful and eager
7. If you do something in the eye of the storm, you do it:
(a) to bring something to a decisive point
(b) in a difficult situation
(c) in an uncertain position
8. If something costs an arm and a leg, it is:
(a) durable and low-priced
(b) very expensive
(c) of no use

ANSWERS

1.	b	2.	b	3.	a	4.	a	5.	a	6.	c	7.	b
8.	b												

SELF-ASSESSMENT TEST 7

1. to out someone forcibly means:
(a) back-scratching
(b) over my head
(c) elbow someone out
(d) rub elbows with someone
2. to be in serious difficulty or problem means:
(a) back to the wall
(b) over my head
(c) back-scratching
(d) rub elbows with someone
3. to surprise or shock someone is to:
(a) get off someone's back
(b) set one back on one's heels
(c) make blood run cold
(d) keep one's feet on the ground
4. To betray or do harm to someone means:
(a) back to the wall
(b) burst a blood vessel
(c) elbow someone out
(d) stab in the back
5. A thing that is difficult to be accepted is:
(a) difficult to stomach
(b) back-breaking work
(c) making blood run cold
(d) going belly up
6. to act in a sensible and practical way is to:
(a) split hairs
(b) keep one's feet on the ground
(c) curdle someone's blood
(d) keep body and soul together
7. A person taking more food than one can eat has:
(a) cold blood
(b) iron stomach
(c) body and soul together
(d) eyes are bigger than one's stomach
8. to be with great spirit means with:
(a) bad blood
(b) body and soul
(c) sweat blood
(d) blood-shot eyes
9. If you argue about something unimportant, you:
(a) split hairs
(b) have a body blow
(c) sweat blood
(d) make someone's blood boil

10. hope for something better is to:
(a) keep fingers crossed
(b) get off someone's back
(c) break back
(d) keep back covered

ANSWERS

1.	c	2.	a	3.	b	4.	d	5.	a	6.	7.	d
8.	b	9.	a	10.	a							

SELF-ASSESSMENT TEST 8

1. to get on in years
(a) having a dismal face
(b) grow old
(c) be completely still
(d) look older than actual age
2. knee-high to a grasshopper
(a) child
(b) scrawny person
(c) young woman
(d) elderly person
3. wet behind the ears
(a) too old to do something
(b) young and inexperienced
(c) depressed
(d) big and strong
4. over the hill
(a) very happy
(b) sad and gloomy
(c) completely still
(d) too old to do something
5. all skin and bones
(a) fat child
(b) old person
(c) thin
(d) discouraged or depressed
6. over the moon
(a) very happy
(b) healthy
(c) completely still
(d) grandfather
7. thin on the top
(a) inexperienced person
(b) bald or hairless
(c) surprised
(d) looking healthy
8. deadpan face
(a) ugly face
(b) look deceitful
(c) without emotions
(d) looking older than actual age
9. fit as a fiddle
(a) in very good health
(b) extremely angry
(c) very thin
(d) child
10. hopping mad
(a) having a dismal face
(b) extremely angry
(c) bald, hairless
(d) discouraged or depressed

ANSWERS

1.	b	2.	a	3.	b	4.	d	5.	c	6.	a	7.	b
8.	c	9.	a	10.	b								

SELF-ASSESSMENT TEST 9

- I go to the swimming pool only (rarely) although I love to swim.
(a) green around the gills (b) with flying colors
(c) in the red (d) once in a blue moon
- The man argued with his wife until he was (very angry) but couldn't convince her.
(a) brown bagging it (b) in the black
(c) blue in the face (d) a pot calling the kettle black
- The mother (was very angry) when her daughter came home late night.
(a) rolled out the red carpet (b) saw red
(c) showed her true colors (d) looked through rose-colored glasses
- Our company told us (suddenly and without any warning) about factory shut down.
(a) out of the blue (b) once in a blue moon
(c) with flying colors (d) pitch-black
- My brother passed the test to become a police officer (easily and with great success).
(a) green (b) with flying colors (c) out of the blue (d) tickled pink
- Our company has been (losing money) for three years now.
(a) rolling out the red carpet (b) yellow-bellied
(c) in the red (d) green
- The government finally gave the city (permission) to build the new airport.
(a) the green light (b) a horse of a different color
(c) once in a blue moon (d) red tape
- My boss is not very flexible and he always sees things (as either good or bad).
(a) in the red (b) off-color
(c) with flying colors (d) in black and white
- My grandfather is in his 80s but he is still (in good health).
(a) in the red (b) off-color
(c) in the pink (d) in black and white
- Pakistan (showed excellent performance) in cricket series against India.
(a) painted the town blue (b) black and blue
(c) with flying colors (d) hit the purple patch

ANSWERS

1.	a	2.	c	3.	b	4.	a	5.	b	6.	c	7.	a
8.	d	9.	c	10.	d								

SELF-ASSESSMENT TEST 10

- The teacher (got no response) from the students when she asked the question.
(a) took attendance (b) filled in the blanks (c) drew a blank
(d) cracked a book
- My sister was a (person who loved books) during her childhood.
(a) school of thought (b) bookworm (c) teacher's pet (d) copycat

- The government is spending much money on (university and college education).
(a) the three R's (b) show-and-tell
(c) the old boy network (d) higher education
- The young man decided to go to (a farming college) after he graduated.
(a) a cow college (b) an Ivy League college
(c) a town-and-gown college (d) an honor roll
- The final exam was (very easy) and everybody passed easily.
(a) off campus (b) as easy as ABC
(c) back to basics (d) from the old school
- I decided to (study hard) for the final exam.
(a) make the grade (b) call the roll
(c) hit the books (d) know my ABCs
- I was supposed to go to school but I decided (not to go).
(a) to learn by rote (b) to live in an ivory tower
(c) to have my nose in a book (d) to play hooky
- I received (recognition for my effort) in my attempt to write a short story.
(a) an A for effort (b) a show of hands
(c) a cap and gown (d) an eager beaver
- I was able to (receive official recognition for) the math course that I took last summer.
(a) cover a lot of ground for (b) get credit for
(c) take the roll for (d) get through
- I was asked to (read all of the book) before the next class.
(a) learn the book by heart (b) publish or perish
(c) read through the book (d) read the book out loud
- I worked hard all weekend to (write a paper) for my history class.
(a) crank out a paper (b) meet the requirements
(c) pass with flying colors (d) brainstorm
- I spent most of the morning (reading a book).
(a) on campus (b) goofing off
(c) counting noses (d) with my nose in a book

ANSWERS

1.	c	2.	b	3.	d	4.	a	5.	b	6.	c	7.	d
8.	a	9.	b	10.	c	11.	a	12.	d				

GRAMMAR PRACTICE TEST

Choose the correct answer from following options.

1. Worries age a man.
(a) Noun (b) Adjective (c) Verb (d) Adverb
2. Both men looked slightly abashed, like a pair of guilty school boys.
(a) Adjective (b) Verb (c) Noun (d) Adverb
3. I saw you at the party dancing with abandon.
(a) Adverb (b) Noun (c) Adjective (d) Verb
4. She was taken to hospital with abdominal pain.
(a) Noun (b) Verb (c) Adjective (d) Adverb
5. A childhood accident had left him with an abiding fear of water.
(a) Noun (b) Adverb (c) Adjective (d) Verb
6. He apologised abjectly.
(a) Adjective (b) Noun (c) Adverb (d) Verb
7. Don't worry, your child is not abnormal.
(a) Noun (b) Adjective (c) Verb (d) Adverb
8. Decision to take action against the members of National Assembly has been put in abeyance.
(a) Noun (b) Adjective (c) Verb (d) Adverb
9. She is abnormally thin.
(a) Noun (b) Adverb (c) Adjective (d) Verb
10. You behaved abominably this evening.
(a) Noun (b) Adjective (c) Verb (d) Adverb
11. There is a statute for the abolition of capital punishment.
(a) Verb (b) Noun (c) Adverb (d) Adjective
12. She decided to have an abortion.
(a) Noun (b) Adjective (c) Adverb (d) Verb
13. There was an abortive attempt at a coup during the president's absence.
(a) Adverb (b) Noun (c) Adjective (d) Verb
14. Stories abound on the subject of his numerous marriages.
(a) Adverb (b) Adjective (c) Verb (d) Noun
15. They have been reading an abridgement of her novel on the radio.
(a) Adjective (b) Adverb (c) Noun (d) Verb
16. He will contact you when he returns from abroad.
(a) Adverb (b) Noun (c) Verb (d) Adjective
17. Our holiday came to an abrupt end when we lost all the money.
(a) Noun (b) Verb (c) Adjective (d) Adverb
18. He absent-mindedly picked up someone else's brief case.
(a) Noun (b) Adjective (c) Verb (d) Adverb
19. It will be an absolute disaster if I fail my exams.
(a) Noun (b) Adjective (c) Verb (d) Adverb
20. Was your journey absolutely by necessary?
(a) Noun (b) Adjective (c) Adverb (d) Verb

21. He is strictly abstemious in his habits of eating and drinking.
(a) Verb (b) Noun (c) Adverb (d) Adjective
22. Most immigrants say they are used to having abused shouted after them.
(a) Verb (b) Adverb (c) Adjective (d) Noun
23. He has an abysmal ignorance of grammar.
(a) Noun (b) Verb (c) Adverb (d) Adjective
24. We must draw back from the abyss of war.
(a) Noun (b) Verb (c) Adverb (d) Adjective
25. He enjoyed drawing and painting more than the academic subjects.
(a) Adjective (b) Adverb (c) Noun (d) Verb
26. Some drivers accelerate deliberately when you are trying to overtake them.
(a) Verb (b) Noun (c) Adverb (d) Adjective
27. The style of her dress accentuated her small waist.
(a) Verb (b) Adjective (c) Adverb (d) Noun
28. We accidentally discovered the right answer.
(a) Adjective (b) Adverb (c) Verb (d) Noun
29. My boss is always accommodating when any of my children are ill.
(a) Verb (b) Noun (c) Adjective (d) Adverb
30. Some of her songs are sung to a cello accompaniment.
(a) Adjective (b) Adverb (c) Noun (d) Verb
31. She was an accomplished pianist as well as singer.
(a) Noun (b) Verb (c) Adjective (d) Adverb
32. He is the only accredited agent of the multi-national organisation.
(a) Noun (b) Adjective (c) Adverb (d) Verb
33. You often get accosted by beggars in the street throughout.
(a) Adjective (b) Adverb (c) Verb (d) Noun
34. Don't move till your eyes become accustomed to the dark.
(a) Verb (b) Noun (c) Adjective (d) Adverb
35. The smaller hall is better acoustically.
(a) Noun (b) Verb (c) Adjective (d) Adverb
36. The breaking mechanism is activated when you pull the emergency cord.
(a) Noun (b) Verb (c) Adjective (d) Adverb
37. There are fewer cases of real poverty than you'd expect, in actuality.
(a) Noun (b) Verb (c) Adjective (d) Adverb
38. Khurshid was all alone when I saw him.
(a) Adjective (b) Noun (c) Adverb (d) Pronoun
39. The people of the rural areas claim to have seen strange beings from outer space.
(a) Noun (b) Verb (c) Adjective (d) Adverb
40. The adequacy of his training and qualifications was not in doubt.
(a) Adjective (b) Noun (c) Pronoun (d) Adverb
41. There are numerous nicotine and other addictive substances in cigarettes etc.
(a) Noun (b) Adjective (c) Adverb (d) Verb
42. Lots of nouns are used adjectivally.
(a) Noun (b) Adjective (c) Pronoun (d) Adverb

43. Admittedly we don't yet know all the facts.
(a) Adverb (b) Adjective (c) Noun (d) Verb
44. People who adopt a child are his adoptive parents.
(a) Noun (b) Adjective (c) Adverb (d) Verb
45. Much ado about nothing.
(a) Noun (b) Verb (c) Adjective (d) Adverb
46. The boat had been out adrift.
(a) Verb (b) Adjective (c) Adverb (d) Noun
47. She steered the car adroitly through the rush-hour traffic.
(a) Verb (b) Noun (c) Adjective (d) Adverb
48. He had been her personal adviser on press relations.
(a) Noun (b) Verb (c) Adjective (d) Adverb
49. The shock left her quite bereft of speech.
(a) Adjective (b) Noun (c) Adverb (d) Verb
50. This is not the time to consider why and wherefore of the situation.
(a) Pronoun (b) Noun (c) Preposition (d) Adverb
51. Happily I met my uncle, the engineer.
(a) Noun (b) Adjective (c) Adverb (d) Verb
52. It was a difficult word but Nasir pronounced it quite correctly.
(a) Adjective (b) Adverb (c) Pronoun (d) Verb
53. Still water runs deeply.
(a) Pronoun (b) Adjective (c) Verb (d) Adverb
54. The affluence of some of these young executives is extraordinary.
(a) Noun (b) Adjective (c) Adverb (d) Verb
55. She deleted everything she'd written and started afresh.
(a) Noun (b) Adverb (c) Adjective (d) Verb
56. I was a bit rude to her at the meeting, and afterwards I apologised.
(a) Noun (b) Adjective (c) Adverb (d) Verb
57. After the accident, his condition was agonizingly uncomfortable.
(a) Noun (b) Adjective (c) Adverb (d) Verb
58. They crowded round the window, agog with curiosity.
(a) Verb (b) Noun (c) Adjective (d) Adverb
59. I was aghast at her rudeness.
(a) Verb (b) Adverb (c) Adjective (d) Preposition
60. He knew he should visit his ailing mother.
(a) Noun (b) Adverb (c) Adjective (d) Verb
61. She left the door ajar, as she went out.
(a) Noun (b) Adjective (c) Adverb (d) Verb
62. He seems to regard his children with something akin to disgust.
(a) Pronoun (b) Verb (c) Adjective (d) Adverb
63. I liked her behaviour because she was alive.
(a) Adjective (b) Adverb (c) Noun (d) Verb
64. She had allegedly left her two-year old daughter alone in the house for two days.
(a) Verb (b) Adjective (c) Adverb (d) Noun

65. I don't owe allegiance to any political party.
(a) Noun (b) Adjective (c) Adverb (d) Verb
66. She travels all over the world but London is her base.
(a) Noun (b) Adverb (c) Adjective (d) Verb
67. He tried to keep his balance on the ice.
(a) Verb (b) Noun (c) Adjective (d) Adverb
68. I said goodbye before I left.
(a) Conjunction (b) Adjective (c) Adverb (d) Preposition
69. I lived in USA before coming to England.
(a) Adverb (b) Preposition (c) Adjective (d) Noun
70. Nawaz is away, so I am writing to you on his behalf.
(a) Noun (b) Adjective (c) Adverb (d) Verb
71. We could see the lake and the mountains beyond.
(a) Noun (b) Adjective (c) Adverb (d) Verb
72. He bid rupees one lakh for the painting.
(a) Verb (b) Noun (c) Adverb (d) Preposition
73. Bit by bit, I started to feel.
(a) Noun (b) Adjective (c) Adverb (d) Preposition
74. The firemen put out the blaze.
(a) Noun (b) Preposition (c) Adjective (d) Adverb
75. Her eyes are bright blue.
(a) Adjective (b) Adverb (c) Preposition (d) Verb
76. She was dressed in blue.
(a) Noun (b) Adjective (c) Adverb (d) Verb
77. He has been rightly branded as a bigoted religious fanatic.
(a) Noun (b) Adjective (c) Adverb (d) Preposition
78. They wanted to hold a concert to celebrate the bicentenary of the composer's birth.
(a) Noun (b) Adjective (c) Adverb (d) Verb
79. It was indeed a most bizarre happening in the market.
(a) Noun (b) Adverb (c) Adjective (d) Preposition
80. After the fight, the boy was black and blue all over.
(a) Adverb (b) Noun (c) Adjective (d) Preposition
81. The elections were open and above board.
(a) Verb (b) Adjective (c) Noun (d) Adverb
82. The jug was filled to the brim.
(a) Noun (b) Adverb (c) Adjective (d) Preposition
83. I cannot budge this heavy chest; it won't budge.
(a) Adjective (b) Adverb (c) Noun (d) Verb
84. He hit the target of bull's eye correctly.
(a) Adverb (b) Adjective (c) Noun (d) Verb
85. These planks of wood buttress the collapsing wall.
(a) Noun (b) Verb (c) Pronoun (d) Preposition
86. This tree along with its tiny flower is very beautiful.
(a) Noun (b) Adjective (c) Adverb (d) Verb

87. Najam was beaten at his own game.
(a) Preposition (b) Pronoun (c) Adjective (d) Adverb
88. In pursuance of his directions, we are taking exercises regularly.
(a) Preposition (b) Adjective (c) Noun (d) Verb
89. Can you lend me the abstract of your article on pollution.
(a) Noun (b) Adjective (c) Adverb (d) Preposition
90. In the initial, only abstract ideas on any field are formed and they may lead to some substantially concrete plannings.
(a) Noun (b) Verb (c) Adjective (d) Preposition
91. Kashif has succeeded brightly in the exam beyond all his hopes.
(a) Adverb (b) Adjective (c) Verb (d) Noun
92. The labourers were working overtime, but were working cheerfully.
(a) Noun (b) Adverb (c) Adjective (d) Verb
93. He launched a premeditated attack on my good name.
(a) Adjective (b) Adverb (c) Noun (d) Verb
94. He vigorously packed his belongings in preparation for the journey.
(a) Noun (b) Adverb (c) Preposition (d) Adjective
95. Najma is really too much out spoken in dealing with the people.
(a) Noun (b) Adjective (c) Verb (d) Adverb
96. Believe me, I have finished the cross-word all by myself.
(a) Noun (b) Preposition (c) Pronoun (d) Adverb
97. What will you attempt to complete next?
(a) Adverb (b) Preposition (c) Adjective (d) Noun
98. She pushed Ayesha hard and she fell over.
(a) Adverb (b) Adjective (c) Noun (d) Verb
99. Obviously, Waqqas is in dire need of guidance and help.
(a) Noun (b) Preposition (c) Adverb (d) Verb
100. What Najam did was proclaimed morally a lapse.
(a) Adverb (b) Adjective (c) Preposition (d) Verb
101. What annoyed Shaila most was the way he laughed at her.
(a) Adverb (b) Preposition (c) Pronoun (d) Noun
102. There is no doubt that the man has lost his mental stability.
(a) Noun (b) Adjective (c) Pronoun (d) Adverb
103. Uncasy lies the head that wears the crown.
(a) Pronoun (b) Preposition (c) Adjective (d) Adverb
104. In life, the moment which is lost, is lost for ever.
(a) Pronoun (b) Preposition (c) Adverb (d) Adjective
105. He is a very good friend of mine.
(a) Verb (b) Noun (c) Pronoun (d) Adjective
106. What is it that troubles you so much.
(a) Noun (b) Verb (c) Pronoun (d) Adjective
107. The company needs employees of your calibre.
(a) Noun (b) Preposition (c) Pronoun (d) Adjective
108. There is a calculated risk in the job.
(a) Noun (b) Pronoun (c) Adverb (d) Adjective

109. "I've never liked him, you know," he said in a moment of candour.
(a) Noun (b) Adjective (c) Adverb (d) Pronoun
110. Her is a captivating personality.
(a) Noun (b) Adjective (c) Adverb (d) Verb
111. Is it right to keep animals in captivity in a zoo?
(a) Noun (b) Pronoun (c) Preposition (d) Adverb
112. Caricatures of politicians appear in the newspapers every day.
(a) Adjective (b) Adverb (c) Noun (d) Pronoun
113. The lion is a carnivorous animal.
(a) Adjective (b) Adverb (c) Noun (d) Verb
114. Roses formed a cascade of colour on the wall.
(a) Noun (b) Pronoun (c) Adjective (d) Adverb
115. He has worked hard in the cause of peace.
(a) Preposition (b) Adjective (c) Adverb (d) Noun
116. Stars are celestial bodies.
(a) Adjective (b) Adverb (c) Pronoun (d) Noun
117. Here is a document certifying that I was born in Lahore.
(a) Verb (b) Noun (c) Pronoun (d) Adjective
118. Are you by any chance free tonight?
(a) Noun (b) Preposition (c) Adverb (d) Adjective
119. A good leader must have charisma.
(a) Noun (b) Pronoun (c) Adjective (d) Adverb
120. She had a special clique of school friends.
(a) Noun (b) Pronoun (c) Adjective (d) Adverb
121. Abdullah is a hard working student.
(a) Pronoun (b) Adjective (c) Adverb (d) Preposition
122. Higher education is the privilege for everyone, and should not be monopoly of the rich.
(a) Noun (b) Pronoun (c) Adjective (d) Adverb
123. The chess match was a real cliff-hanger.
(a) Noun (b) Adjective (c) Pronoun (d) Preposition
124. The drain is clogged with hair.
(a) Verb (b) Adjective (c) Adverb (d) Pronoun
125. The saint led a cloistered life in a forest.
(a) Adjective (b) Adverb (c) Noun (d) Verb
126. The widow did not have enough money to clothe her children.
(a) Pronoun (b) Adjective (c) Adverb (d) Verb
127. The children clustered round the door.
(a) Verb (b) Noun (c) Adjective (d) Adverb
128. Aalia suffers from severe indigestion.
(a) Noun (b) Adjective (c) Adverb (d) Preposition
129. So far, police has not been able to identify the victim.
(a) Noun (b) Adjective (c) Adverb (d) Verb
130. Secretary pointed out a number of inconsistencies in the statement.
(a) Pronoun (b) Adjective (c) Adverb (d) Noun

131. No one knows her intentions in the matter.
(a) Noun (b) Pronoun (c) Adjective (d) Adverb
132. The secret agents easily intermingled with the crowd.
(a) Noun (b) Verb (c) Adjective (d) Adverb
133. They sorted out the family issue intelligently and wisely.
(a) Adverb (b) Noun (c) Verb (d) Adjective
134. Historical buildings like Lahore Fort, Shahi Mosque, etc. are worth seeing.
(a) Adjective (b) Adverb (c) Noun (d) Verb
135. A late train to Kasur is still available.
(a) Adjective (b) Pronoun (c) Verb (d) Noun
136. Homo sapien is the only animal that can talk and laugh.
(a) Pronoun (b) Preposition (c) Adjective (d) Verb
137. All is not gold that glitters.
(a) Adjective (b) Adverb (c) Pronoun (d) Preposition
138. It will only make the situation worse.
(a) Adjective (b) Adverb (c) Pronoun (d) Noun
139. He managed to slip into the room unnoticed.
(a) Verb (b) Adjective (c) Noun (d) Adverb
140. His meaning was unmistakable.
(a) Noun (b) Verb (c) Adjective (d) Pronoun
141. He was unmoved by her tears.
(a) Verb (b) Adverb (c) Adjective (d) Preposition
142. Unquestionably, he deserves to be punished.
(a) Verb (b) Adverb (c) Adjective (d) Noun
143. There was unrest all over the country, when the government introduced higher taxes.
(a) Verb (b) Noun (c) Adjective (d) Adverb
144. That butcher charges unreasonable prices.
(a) Noun (b) Adjective (c) Verb (d) Adverb
145. If you do unwarily, he will cheat you.
(a) Adverb (b) Adjective (c) Preposition (d) Verb
146. Please place it upon the floor.
(a) Preposition (b) Adjective (c) Adverb (d) Verb
147. Thoughts of her father were uppermost in her mind.
(a) Adjective (b) Adverb (c) Noun (d) Verb
148. Could someone update me on what has been happening here?
(a) Verb (b) Preposition (c) Noun (d) Adjective
149. She has done her utmost to help him.
(a) Adjective (b) Adverb (c) Noun (d) Verb
150. There was utter silence, utter darkness, and no one spoke utterly.
(a) Adjective (b) Adverb (c) Noun (d) Pronoun
151. Has your child been vaccinated against small pox?
(a) Verb (b) Pronoun (c) Adjective (d) Noun
152. Vanity is his chief fault.
(a) Noun (b) Adjective (c) Adverb (d) Preposition

153. He has had a varied career.
(a) Preposition (b) Adverb (c) Adjective (d) Verb
154. His speech started with a joke but was basically in a serious vein.
(a) Noun (b) Adverb (c) Verb (d) Adjective
155. There is an interesting match of rugby between Lahore Greens versus Lahore Reds.
(a) Noun (b) Verb (c) Preposition (d) Adjective
156. She was on the verge of tears.
(a) Adjective (b) Adverb (c) Preposition (d) Verb
157. After the explosion, not a vestige of the building was left.
(a) Noun (b) Preposition (c) Pronoun (d) Adjective
158. He departed to USA via Japan.
(a) Preposition (b) Noun (c) Adjective (d) Adverb
159. Dogs often chase cats but not usually vice versa.
(a) Adverb (b) Adjective (c) Noun (d) Preposition
160. He keeps sending me vindictive letters.
(a) Noun (b) Adjective (c) Adverb (d) Pronoun
161. The scar on her face is scarcely visible now.
(a) Noun (b) Verb (c) Adverb (d) Adjective
162. We have sachets of shampoo of all makes.
(a) Noun (b) Verb (c) Pronoun (d) Adverb
163. It is all the same to me.
(a) Adjective (b) Preposition (c) Adverb (d) Noun
164. He was a saviour of his own country.
(a) Adjective (b) Pronoun (c) Noun (d) Adverb
165. He weighed the flour on the kitchen scales.
(a) Noun (b) Adjective (c) Preposition (d) Adverb
166. He described the likely scenario if we didn't follow his advice.
(a) Noun (b) Adverb (c) Adjective (d) Preposition
167. As soon as he came into the room, he scented trouble.
(a) Noun (b) Preposition (c) Verb (d) Adverb
168. It is beyond the scope of our realistic imagination.
(a) Noun (b) Preposition (c) Adjective (d) Adverb
169. He paints both secular and religious pictures.
(a) Noun (b) Adverb (c) Verb (d) Adjective
170. He had always been a self-reliant person, now he is a self-made millionaire.
(a) Adjective (b) Adverb (c) Preposition (d) Verb
171. You are right in a sense, but you've forgotten several important points.
(a) Preposition (b) Verb (c) Noun (d) Adverb
172. The photo is too dark because the camera was on the wrong setting.
(a) Adjective (b) Noun (c) Adverb (d) Pronoun
173. The whole trial was a sham.
(a) Adjective (b) Noun (c) Verb (d) Adverb
174. We could see his silhouette against the curtain.
(a) Adjective (b) Preposition (c) Noun (d) Adverb

175. Since I left school, I have been working as a shop assistant.
(a) Conjunction (b) Preposition (c) Adverb (d) Adjective
176. He gave a simplistic explanation which did not reflect the complicated situation.
(a) Preposition (b) Pronoun (c) Adjective (d) Adverb
177. I sincerely hope that you will succeed.
(a) Adverb (b) Preposition (c) Conjunction (d) Adjective
178. The race began at a fast pace.
(a) Conjunction (b) Preposition (c) Noun (d) Adverb
179. Is there anything in particular you want to do this weekend?
(a) Adverb (b) Preposition (c) Adjective (d) Conjunction
180. The accident was partly my fault and partly the other driver's.
(a) Preposition (b) Adjective (c) Adverb (d) Noun
181. I was driving at 60 miles per hour.
(a) Preposition (b) Adverb (c) Conjunction (d) Noun
182. You must stop the pollution of our beaches.
(a) Adverb (b) Adjective (c) Noun (d) Verb
183. Fast food restaurants popping up everywhere.
(a) Verb (b) Preposition (c) Noun (d) Adverb
184. The dancers were in position, waiting for the music to start.
(a) Preposition (b) Adverb (c) Noun (d) Verb
185. He is prejudiced against me because I am a woman.
(a) Preposition (b) Adverb (c) Adjective (d) Noun
186. I felt very privileged when I was invited to the grand party.
(a) Noun (b) Verb (c) Adjective (d) Adverb
187. The kidnappers have demanded a ransom of a million rupees.
(a) Noun (b) Verb (c) Adjective (d) Adverb
188. Choose a number at random.
(a) Verb (b) Noun (c) Adverb (d) Adjective
189. That's rather a silly question.
(a) Adverb (b) Adjective (c) Verb (d) Noun
190. Only humans have the power of reason-animals have not.
(a) Noun (b) Preposition (c) Adverb (d) Adjective
191. The meeting was reasonably attended.
(a) Noun (b) Preposition (c) Adverb (d) Adjective
192. My offer met with a rebuff.
(a) Noun (b) Preposition (c) Adjective (d) Adverb
193. He came to me recently.
(a) Adverb (b) Adjective (c) Pronoun (d) Noun
194. A dustbin is a receptacle for rubbish.
(a) Adjective (b) Adverb (c) Noun (d) Verb
195. The recipient of "Nishan-i-Haider" is given much regard and honour.
(a) Noun (b) Pronoun (c) Adverb (d) Adjective

ANSWERS

1.	c	2.	a	3.	b	4.	c	5.	c	6.	c	7.	b
8.	a	9.	b	10.	d	11.	b	12.	a	13.	c	14.	c
15.	c	16.	a	17.	c	18.	d	19.	b	20.	c	21.	d
22.	a	23.	d	24.	a	25.	a	26.	a	27.	a	28.	b
29.	a	30.	c	31.	c	32.	b	33.	c	34.	a	35.	d
36.	b	37.	a	38.	a	39.	a	40.	b	41.	b	42.	d
43.	a	44.	b	45.	a	46.	c	47.	d	48.	a	49.	a
50.	d	51.	a	52.	b	53.	d	54.	a	55.	b	56.	c
57.	c	58.	c	59.	c	60.	c	61.	b	62.	c	63.	a
64.	c	65.	a	66.	a	67.	b	68.	a	69.	a	70.	a
71.	c	72.	a	73.	a	74.	a	75.	a	76.	a	77.	b
78.	a	79.	c	80.	c	81.	b	82.	a	83.	d	84.	c
85.	b	86.	c	87.	c	88.	a	89.	a	90.	c	91.	a
92.	b	93.	a	94.	a	95.	b	96.	c	97.	a	98.	a
99.	c	100.	a	101.	a	102.	c	103.	a	104.	a	105.	c
106.	c	107.	a	108.	d	109.	a	110.	b	111.	a	112.	c
113.	a	114.	a	115.	a	116.	a	117.	a	118.	b	119.	a
120.	a	121.	a	122.	a	123.	a	124.	a	125.	a	126.	b
127.	a	128.	a	129.	d	130.	d	131.	a	132.	b	133.	a
134.	a	135.	a	136.	a	137.	c	138.	b	139.	b	140.	c
141.	a	142.	b	143.	b	144.	b	145.	a	146.	a	147.	a
148.	a	149.	b	150.	a	151.	a	152.	a	153.	c	154.	a
155.	c	156.	c	157.	a	158.	a	159.	a	160.	b	161.	c
162.	a	163.	a	164.	c	165.	a	166.	a	167.	c	168.	a
169.	d	170.	a	171.	a	172.	b	173.	a	174.	c	175.	a
176.	c	177.	a	178.	c	179.	a	180.	b	181.	a	182.	c
183.	a	184.	b	185.	c	186.	c	187.	a	188.	c	189.	b
190.	a	191.	c	192.	a	193.	a	194.	c	195.	a		

CORRECT & INCORRECT SENTENCES

Incorrect	Correct
We have received no informations.	We have received no information.
Politics are not meant for me.	Politics is not meant for me.
We saw beautiful sceneries in Kashmir.	We saw beautiful scenery in Kashmir.
The new machineries have arrived.	The new machinery has arrived.
I will take care of your luggages.	I will take care of your luggage.
There were no breads in the shop.	There was no bread in the shop. Or There were no loaves of bread in the shop.
I have had my meals.	I have had my meal.
We have bought some new furnitures.	We have bought some new furniture.
Her hairs are brown.	Her hair is brown.
This is the fruit of my father's good advices.	This is the fruit of my father's good advice.
Please excuse the troubles.	Please excuse me for the trouble.
The blinds need our support.	The blind need our support.
He was overcome by the misery of the poors.	He was overcome by the misery of the poor.
The cattles are a nuisance on our streets.	The cattle are a nuisance on our streets.
My family members will join me soon.	The members of my family will join me soon. Or My family will join me soon.
He had been to his mother's-in-law house.	He had been to his mother-in-law's house.
She is good at Mathematic.	She is good at Mathematics.
Summons have been served on the defaulters.	Summons has been served on the defaulters.
Gymnastics are given a lot of importance in our school.	Gymnastics is given a lot of importance in our school.
Athletics are his favourite sport.	Athletics is his favourite sport.
She forgot to bring her scissor.	She forgot to bring her scissors.
You must start eating fruits daily.	You must start eating fruit daily.
I have been advised to eat a lot of green vegetables.	I have been advised to eat a lot of green vegetable.
My grandmother does not wear spectacle.	My grandmother does not wear spectacles.
He is a supporter of land reform.	He is a supporter of land reforms.
He forgot to wash his trouser.	He forgot to wash his trousers.
The gentry of the town was present to greet him.	The gentry of the town were present to greet him.
The cattles are a nuisance on our streets.	The cattle are a nuisance on our streets.
He brought me three dozens oranges.	He brought me three dozen oranges.
He is a good neighbaurer.	He is a good neighbour.

There is no place in this compartment.	There is no room in this compartment.
My sister is taking part in the drama.	My sister is taking part in the play.
We had a good play of cricket.	We had a good game of cricket.
There were jokers at the circus.	There were clowns at the circus.
We have been asked to memorise the poetry.	We have been asked to memorise the poem.
She came to his boarding.	She came to his boarding house.
He asked me for a piece of blotting.	He asked me for a piece of blotting paper.
He was writing it out in his copy.	He was writing it out in his notebook.
They had only two waiting members in their team.	They had only two reserves in their team.
I saw two females at the party.	I saw two ladies/women at the party.
She has got into bad companionship.	She has got into bad company.
He spent a large number of money at the fair.	He spent a large amount of money at the fair.
The man wore new dress.	The man wore new clothes.
He forgot to put down his sign on the application.	He forgot to put down his signature on the application.
She is my cousin sister.	She is my cousin.
She took insult at my remark.	She took offence at my remark.
We are all fellow brothers.	We are all brothers.
Karachi is one of the most polluted city in the world.	Karachi is one of the most polluted cities in the world.
The road is closed for repair.	The road is closed for repairs.
One of my student has won the gold medal for public speaking.	One of my students has won the gold for public speaking.
Don't look at the back side of my house.	Don't look at the back of my house.
She happened to hurt a foot finger.	She happened to hurt a toe.
He has a ten-rupees note.	He has a ten-rupee note.
There are two ladies in our staff.	There are two ladies on our staff.
He has a Ph. D. in English.	He is a Ph. D. in English.
I think the chair's legs are broken.	I think the legs of the chair are broken.
Good night, I'm happy you could come.	Good evening. I'm happy you could come.
Cloth is sold by the yards.	Cloth is sold by the yard.
He sees that alms is given to every beggar that comes to his door.	He sees that alms are given to every beggar that comes to his door.
I'm leaving by the 8.00 train.	I'm leaving by the 8 o'clock train.
I expect you to be true to your words.	I expect you to be true to your word.
I have works to do in the city.	I have much work to do in the city.
He has no issues other than a daughter.	He has no issue other than a daughter.
I found him sleeping in his quarter.	I found him sleeping in his quarters.
It is bad manner to eavesdrop.	It is bad manners to eavesdrop.

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There are two ladies in our staff.	There are two ladies on our staff.
He has a Ph. D. in English.	He is a Ph. D. in English.
I think the chair's legs are broken.	I think the legs of the chair are broken.
Good night, I'm happy you could come.	Good evening, I'm happy you could come.
Cloth is sold by the yards.	Cloth is sold by the yard.
He sees that alms is given to every beggar that comes to his door.	He sees that alms are given to every beggar that comes to his door.
I'm leaving by the 8.00 train.	I'm leaving by the 8 o'clock train.
I expect you to be true to your words.	I expect you to be true to your word.
I have works to do in the city.	I have much work to do in the city.
He has no issues other than a daughter.	He has no issue other than a daughter.
I found him sleeping in his quarter.	I found him sleeping in his quarters.
It is bad manner to eavesdrop.	It is bad manners to eavesdrop.

You will be surprised at your own <i>emolument</i> .	You will be surprised at your own <i>emoluments</i> .
Take a <i>compass</i> and draw a circle.	Take the <i>compasses</i> and draw a circle.
I must change my <i>cloths</i> immediately.	I must change my <i>clothes</i> immediately.
You have always been finding <i>faults</i> with my work.	You have always been finding <i>fault</i> with my work.
You need not worry yourself about the <i>finance</i> of the company.	You need not worry yourself about the <i>finances</i> of the company.
He has gone abroad for higher <i>study</i> .	He has gone abroad for higher <i>studies</i> .
He has got this job on <i>merits</i> .	He has got this job on <i>merit</i> .
The course <i>materials</i> you sent were very useful.	The course <i>material</i> you sent was very useful.
My <i>circumstance</i> does not permit me to leave home at this stage.	My <i>circumstances</i> do not permit me to leave home at this stage.
The police was late in coming.	The police were late in coming.
A <i>ten-men</i> delegation met the chairman.	A <i>ten-man</i> delegation met the chairman.
Where are you going to spend your summer <i>vacations</i> this year?	Where are you going to spend your summer <i>vacation</i> this year?
The earthquake has caused <i>many</i> damages.	The earthquake has caused <i>much</i> damage.
He met all my <i>fooding</i> expenses.	He met all my <i>food</i> expenses.
The <i>sister of my friend</i> came to see me.	<i>My friend's sister</i> came to see me.
The <i>hall's walls</i> need to be painted.	The <i>walls of the hall</i> need to be painted.
Please sanction me one <i>day</i> leave.	Please sanction me one <i>day's</i> leave.
The <i>weather</i> at the hill resort was fine.	The <i>climate</i> at the hill resort was fine.
Each of the directors <i>dislike</i> the new managing director.	Each of the directors <i>dislikes</i> the new managing director.
<i>Both</i> did not take part in the discussion.	<i>Neither</i> took part in the discussions.
<i>We all</i> did not participate in the seminar.	<i>None of us</i> participated in the seminar.
Let Fozia and <i>I</i> go home.	Let Fozia and <i>me</i> go home.
I will take <i>your</i> leave after two hours.	I will take <i>leave of you</i> after two hours.
You played better than <i>me</i> .	You played better than <i>I</i> .
This job cannot be entrusted to anyone except <i>he</i> .	This job cannot be entrusted to anyone except <i>him</i> .
None of them were <i>here</i> .	None of them <i>was</i> here.
<i>Ours</i> is a small company.	<i>Ours</i> is a small company.
Faiza <i>keeps herself</i> away from late night parties.	Faiza <i>keeps</i> away from late night parties.
It was <i>me</i> who picked up your father last night.	It was <i>I</i> who picked up your father last night.
That is my book; please <i>pass</i> .	That is my book; please <i>pass</i> it.
I asked the boss for a raise in pay but he did not <i>give me</i> .	I asked the boss for a raise in pay but he did not <i>give it to me</i> .
<i>I and she</i> are friends.	<i>She and I</i> are friends.
The man who comes here <i>first</i> he will get the job.	The man who comes here <i>first</i> will get the job.

Whoever tops the class <i>she</i> will be selected.	Whoever tops the class <i>will</i> be selected.
I with some colleagues attended the conference.	I attended the conference with some colleagues.
The chairman examined the candidate if he was fit for the job.	The chairman examined the candidate to see if he was fit for the job.
Have you a pen? I have not <i>got</i> .	Have you a pen? I have not <i>got one</i> .
Is he at home? Yes, I <i>think</i> .	Is he at home? Yes, I <i>think so</i> .
Who did this? <i>Myself</i> .	Who did this? <i>I (myself)</i> .
Any of these two girls will be sent for training.	Either of these girls will be sent for training.
Everyone is sad when <i>they</i> see little children exploited.	Everyone is sad when <i>he</i> sees little children exploited.
None of us <i>have</i> seen him for quite some time now.	None of us <i>has</i> seen him for quite some time now.
The size of the bracelet should be the same as <i>this</i> bracelet.	The size of the bracelet should be the same as <i>that of this</i> bracelet.
My car is more expensive than <i>my friend's</i> .	My car is more expensive than <i>that of my friend</i> .
<i>I, you and she</i> are expected to attend the seminar.	<i>You, she and I</i> are expected to attend the seminar.
You and I have done <i>my</i> work.	You and I have done <i>our</i> work.
You and he tried <i>his</i> best to convince her of her responsibility.	You and he tried <i>your</i> best to convince her of her responsibility.
Let you and <i>I</i> handle this job together.	Let you and <i>me</i> handle this job together.
If I were <i>him</i> , I would have resigned.	If I were <i>he</i> , I would have resigned.
Will you accept <i>either</i> of these five proposals?	Will you accept <i>any of</i> these five proposals.
All the officers should respect <i>each other</i> .	All the officers should respect <i>one another</i> .
One should respect <i>his</i> parents at all times.	One should respect <i>one's</i> parents at all times.
Everyone collected <i>one's</i> pay on the first.	Everyone collected <i>his</i> pay on the first.
Every one of us should be faithful to <i>their</i> organisation.	Every one of us should be faithful to <i>his</i> organisation.
Such person <i>who</i> are diligent, achieve success in life.	Such persons <i>as</i> are diligent achieve success in life.
This is the same man <i>whom</i> you met yesterday.	This is the same man <i>who</i> you met yesterday.
You should avail of <i>this</i> opportunity to go abroad.	You should avail <i>yourself</i> of the opportunity to go abroad.
Who is there? It is <i>me</i> .	Who is there? It is <i>I</i> .
The teacher has helped Tahira and <i>I</i> .	The teacher has helped Tahira and <i>me</i> .
Anila sings better than <i>me</i> .	Anila sings better than <i>I (do)</i> .
You are as good a player as <i>him</i> .	You are as good a player as <i>he</i> .
Have you any objection to <i>I</i> joining you on this	Have you any objection to <i>me</i> joining you on this

trip?	trip?
Your's sincerely.	Yours sincerely.
He is not such a fool that would resign.	He is not such a fool as would resign.
Those who attended this discussion should consider yourself fortunate.	Those who attended this discussion should consider themselves fortunate.
Which of you would like to lend Asif your book?	Which of you would like to lend Asif his book.
He is the best defender who could be found.	He is the best defender that could be found.
This is between you and I.	This is between you and me.
Who did you see at the fair?	Whom did you see at the fair?
This is the same table whose leg you had broken.	This is the same table the leg of which you had broken.
It was him who did it.	It was he who did it.
He made your mention in his talk.	He made a mention of you in his talk.
I was pleased to receive your good report.	I was pleased to receive a good report of you.
I am yours obedient servant.	I am your obedient servant.
I have read Browning's poetry who was a lover of nature.	I have read the poetry of Browning who was a lover of nature.
It is the system, not the individual, which he hates.	It is the system which he hates, not the individual.
He repeated the story to whoever he met.	He repeated the story to whomever he met.
I am happy at them taking part in this competition.	I am happy at their taking part in this competition.
All but him had passed.	All but he had passed.
You have been working hardly.	You have been working hard.
Your flowers smell sweetly.	Your flowers smell sweet.
He arrived late as usually.	He arrived late as usual.
Every people come here for a good bargain.	Everyone comes here for a good bargain.
These all men are poor.	All these men are poor.
She held me in the both hands.	She held me in both hands.
She lives alone; she has no any children.	She lives alone, she has no children.
Both servants have not come today.	Neither servant has come today.
Don't sit idle, you must do some or other work.	Don't sit idle; you must do some work or other.
Anwar is greater than any other cricketers.	Anwar is greater than any other cricketer.
Open your book at ten page.	Open your book at page ten.
She is in class fifth.	She is in class five.
I paid him rupees fifty.	I paid him fifty rupees.
This coin belongs to the period of King Charles the eighth.	This coin belongs of the period of King Charles VIII.
My sister is elder than I.	My sister is older than I.
She sings more better than her sister.	She sings better than her sister.

The son is worst than his father.	The son is worse than his father.
His home is dirty than mine.	His home is dirtier than mine.
A two-wheeler is usefuller than a car in our city.	A two-wheeler is more useful than a car in our city.
He can't afford a house of his own because he gets less salary.	He can't afford a house of his own because he gets a small salary.
From the two the younger one is smart.	The younger one is the smarter of the two.
Of the two stories this is the best.	Of the two stories this is the better.
She is becoming smart.	She is becoming smarter.
There is a best player in that team.	There is a very good player in that team.
She has decided to spend her remaining life here.	She has decided to spend the rest of her life here.
That was a worth seeing play.	That was a play worth seeing.
There are no less than ten ladies here.	There are no fewer than ten ladies here.
Walking is more preferable to travelling in a bus here.	Walking is preferable to travelling in a bus here.
He gets just passing marks in English.	He gets just pass marks in English.
A faithful servant to his master is to be rewarded.	A servant faithful to his master should be rewarded.
The rain is plenty on the west.	The rain is plentiful on the west coast.
The two first chapters are the best in her book.	The first two chapters are the best in her book.
He did not make any further remark.	He did not make any further remark.
All the class was absent.	The whole class was absent.
He is best player in our college.	He is the best player in our college.
I found hundred rupees under the table.	I found hundred rupees under the table.
I have an urgent business at the office.	I have urgent business (or some urgent business) at the office.
If you wish to hear what he says you should not make noise.	If you wish to hear what he say you should not make a noise.
Himalayas form the border between Pakistan and China.	The Himalayas form the border between Pakistan and China.
He hails from the Karachi.	He hails from Karachi.
You know Karachi is big city.	You know Karachi is a big city.
I mean Faisalabad in Pakistan.	I mean the Faisalabad in Pakistan.
The diamonds are forever.	Diamonds are forever.
The gold is a precious metal.	Gold is a precious metal.
Man is a member of the society.	Man is a member of society.
We should love the nature.	We should love nature.
The mankind cannot ignore environment.	Mankind cannot ignore environment.
The God is one.	God is one.
What a fun! Tomorrow is declared a holiday.	What fun! Tomorrow is declared a holiday.

<i>Indus</i> is the biggest of all rivers in Pakistan.	<i>The Indus</i> is the biggest of all rivers in Pakistan.
He went for picnic yesterday.	He went for a picnic yesterday.
<i>Much effort</i> has brought their reward.	<i>Much effort</i> has brought its reward.
He is a miser man.	He is a miserable man.
He demanded a sifting inquiry.	He demanded a thorough inquiry.
I found the dog <i>laming</i> .	I found the dog lame.
Riaz is <i>most</i> generous and kinder than her sister.	Riaz is more generous and kinder than her sister.
<i>Each</i> participant cannot hope to win a gold medal.	Every participant cannot hope to win a gold medal.
Ali is <i>wiser</i> than cunning.	Ali is more wise than cunning.
He has not written <i>much</i> stories.	He has not written many stories.
Saeeda is the <i>most</i> <i>clever</i> , girl in this city.	Saeeda is the cleverest girl in our class.
Ayesha was the best and the <i>most</i> famous artist in this city.	Ayesha was the best and the most famous artist in this city.
This is the strongest of <i>all</i> other metals.	This is the strongest of all metals.
Milk is more useful than <i>any</i> food.	Milk is more useful than any other food.
Tehmoor's service is <i>more</i> superior than that of Tayyab.	Tehmoor's service is superior to that of Tayyab.
Many an artist <i>were</i> present at the gathering.	Many an artist was present at the gathering.
<i>Whole</i> the city was present at his funeral.	The whole city was present at the funeral.
<i>The</i> all participants were given certificates.	All the participants were given certificates.
He has been helping the <i>blinds</i> .	He has been helping the blind.
He has not taken <i>some</i> books from the library.	He has not taken any book from the library.
Bilal is the <i>eldest</i> player on our side.	Bilal is the oldest player on our side.
Rehana had leave of <i>ten</i> days.	Rehana had ten days leave.
<i>I'm</i> hopeless about our success.	I have no hope of our success.
I have not seen a <i>so</i> intelligent dog.	I have not seen so intelligent a dog.
She was so <i>fat</i> woman that she could not pass through the door.	She was so fat a woman that she could not pass through the door.
<i>Yours</i> affectionate son.	Your affectionate son.
<i>Your</i> lovely friend.	Your loving friend.
I was surprised to see the <i>plain</i> countryside.	I was surprised to see the flat countryside.
We live in <i>hill</i> area.	We live in a hill area.
You are <i>coward</i> .	You are a coward.
Sadia can run <i>as fast</i> , if not faster than you.	Sadia can run as fast as you, if not faster.
Sheikhupura is <i>further</i> from Lahore than Shahdra.	Sheikhupura is farther from Lahore than Shahdra.
Afzal is brighter than <i>any</i> boy in his class.	Afzal is brighter than any other boy in his class.
<i>Each</i> and every student in the class got punished.	Every student in the class got punished.
Is the film festival commencing on <i>next</i> Friday?	Is the film festival commencing on Friday next?
She prefers milk <i>than</i> tea.	She prefers milk to tea.

<i>The rice</i> is a summer crop.	<i>Rice</i> is a summer crop.
I met <i>strange</i> man in the park.	I met a strange man in the park.
<i>The</i> beggars are waiting at the gate.	Beggars are waiting at the gate.
<i>Elephants</i> of Africa have large ears.	The elephants of Africa have large ears.
Faraz is <i>sincere</i> boy.	Faraz is a sincere boy.
The people of our city have elected him <i>the</i> mayor.	The people of our city have elected him mayor.
My parents want me to join <i>the</i> government service.	My parents want me to join government service.
The man is <i>social</i> animal.	Man is a social animal.
<i>The</i> children like to play.	Children like to play.
In Karachi we stayed <i>at</i> hotel.	In Karachi we stayed at a hotel.
This is <i>famous</i> movement.	This is a famous movement.
<i>Water</i> of most oceans is polluted.	The water of most oceans is polluted.
<i>Pakistan</i> of today is progressive.	The Pakistan of today is progressive.
The beggar wants nothing less than <i>one-rupee</i> coin.	The beggar wants nothing less than a one-rupee coin.
You may give him <i>hundred</i> rupees just now.	You may give him a hundred rupees just now.
<i>Wisdom</i> of our ancient sages is to be admired.	The wisdom of our ancient sages is to be admired.
<i>President</i> of our country is on a trip abroad.	The President of our country is on a trip abroad.
<i>Apple</i> is my favourite fruit.	The apple is my favourite fruit.
Karachi is <i>most</i> populous city in Pakistan.	Karachi is the most populous city in Pakistan.
Ali is <i>cleverer</i> of the two brothers.	Ali is the cleverer of the two brothers.
<i>Ramayana</i> is popular all over the world.	The Ramayana is popular all over the world.
<i>Guilty</i> must be punished.	The guilty must be punished.
<i>Himalayas</i> are the highest mountains in the world.	The Himalayas are the highest mountains in the world.
He grabbed me by <i>my</i> collar.	He grabbed me by the collar.
He buys cars <i>by</i> dozens.	He buys cars by the dozens.
<i>Nile</i> is one of the longest rivers of the world.	The Nile is one of the longest rivers of the world.
<i>The</i> both brothers are good hockey players.	Both the brothers are good hockey players.
What you say is <i>a</i> news to me.	What you say is news to me.
Cotton is grown extensively in <i>Punjab</i> .	Cotton is grown extensively in the Punjab.
You may go to sleep; I will not make <i>noise</i> .	You may go to sleep; I will not make a noise.
I was <i>first</i> to reach the office today.	I was the first to reach the office today.
She is known to be a good artist and <i>a</i> sculptor.	She is known to be a good artist and sculptor.
I know how fine <i>singer</i> she is!	I know how fine a singer she is!
Isn't <i>pen</i> mightier than sword?	Isn't the pen mightier than the sword?
<i>Bus</i> arrived early today.	The bus arrived early today.
She had visited us <i>previous</i> day.	She had visited us the previous day.

His secretary leads him by the nose.	His secretary leads him by the nose.
Before leaving for school she had drunk the water.	Before leaving for school she had drunk the water.
He died of the diabetes.	He died of diabetes.
I am in trouble; please lend me a few rupees.	I am in trouble; please lend me a few rupees.
You may drink water kept on the table.	You may drink the water kept on the table.
Recent happenings in the country were distressing.	The recent happenings in the country were distressing.
He has resigned from his post. What fool he is!	He has resigned from his post. What a fool he is!
Educated Pakistanis are truly concerned about the environmental pollution.	The educated Pakistanis are truly concerned about the environmental pollution.
He is a good man and an accomplished officer.	He is a good and accomplished officer.
The President, Prime Minister and chief Justice are meeting today.	The President, the Prime Minister, and the Chief Justice are meeting today.
We are at a historical place.	We are at an historical place.
If you want employment, you must work hard.	If you want an employment, you must work hard.
Take an umbrella with you.	Take an umbrella with you.
You are honest businessman.	You are an honest businessman.
An European must have made such a statement.	A European must have made such a statement.
You must be a M. A in English.	You must be an M. A. in English.
He is a M.N.A. of our area.	He is an M.N.A. of our area.
Your proposal requires an early attention.	Your proposal requires early attention.
I saw her about a hour ago.	I saw her about an hour ago.
UNICEF is international organisation.	The UNICEF is an international organisation.
The author, artist and doctor met at my place.	The author, the artist and the doctor met at my place.
The sun, moon and stars are heavenly bodies.	The sun, the moon and the stars are heavenly bodies.
This is quite revolutionary recommendation.	This quite a revolutionary recommendation.
Those who are not the members of the club cannot play golf here.	Those who are not members of the club, cannot play golf here.
The majority of people living in this colony belong to Muslim Community.	The majority of people living in this colony belong to the Muslim Community.
One thing that I like about this place is its cleanliness.	The one things that I like about this place is its cleanliness.
The running waters were the cleanest.	Running waters were the cleanest.
I have purchased this car from the Honda Motors.	I have purchased this car from Honda Motors.

The people must look after the security of their neighbourhood.	People must look after the security of their neighbourhood.
Pakistani people are very industrious.	The Pakistani people are very industrious.
The honesty is the best policy.	Honesty is the best policy.
Love of wealth drove him to his doom.	The love of wealth drove him to his doom.
Truth of your statement can be challenged.	The truth of your statement can be challenged.
The children leave the school at 1:30 p.m.	The children leave school at 1:30 p.m.
I did not shake the hands with her.	I did not shake hands with her.
Decorations are out of the place here.	Decorations are out of place here.
He looked at her from the head to the foot.	He looked at her from head to foot.
His mischief came to the light when I opened the box.	His mischief came to light when I opened the box.
We walked through the busy marketplace hand in the hand.	We walked through the busy marketplace hand in hand.
She has removed the bed, the table and the chairs from her room.	She has removed the bed, table and chairs from her room.
I heard noise coming from the next room.	I heard a noise coming from the next room.
Please, don't disturb her, she has headache.	Please don't disturb her, she has a headache.
It is quarter to four now.	It is a quarter to four now.
They decided to stay in the hills for few days more.	They decided to stay in the hills for a few days more.
Camel is known as ship of the desert.	The camel is known as the ship of the desert.
He has scored high marks in the Mathematics.	He has scored high marks in Mathematics.
Don't you know that cloth is sold by metre?	Don't you know that cloth is sold by the metre?
Why are you in such great hurry?	Why are you in such a great hurry?
My sister is great singer and dancer.	My sister is a great singer and dancer.
He is the student of Govt. College.	He is a student of Govt. College.
They want an university for their state.	They want a university for their state.
We don't have an union in our organisation.	We don't have a union in our organisation.
He is an useful person to have around.	He is a useful person to have round.
I felt that it was an one-sided match.	I felt that it was a one-sided match.
There was an hole in the wall.	There was a hole in the wall.
It is a honour for me to be dining with you.	It is an honour for me to be dinning with you.
He is Waqqar Younis as far as fast bowling goes.	He is a Waqqar Younis as far as bowling goes.
Car you are looking for is not produced anymore.	The car you are looking for is not produced anymore.

Sooner you meet him, better it is.	The sooner you meet him, the better it is.
She is a girl we are looking for.	She is the girl we are looking for.
When he read that poem poet in him was troubled.	When he read that poem the poet in him was troubled.
They left the city at the daybreak.	The left the city at daybreak.
He was quite fine at the breakfast.	He was quite fine at breakfast.
He is determined to achieve his goal by the fair or the foul means.	He is determined to achieve his goal by fair or foul means.
He arrived here on the horseback.	He arrived here on horseback.
Please, don't lose the heart, things will improve.	Please, don't lose heart, things will improve.
At dawn, we set the sail.	At daybreak we set sail.
At the dead of night the attack began.	At dead of night the attack began.
He has succeeded by the dint of hard work.	He has succeeded by dint of hard work.
The news reached us by the word of mouth.	The news reached us by word of mouth.
Nobody advised him to leave the school.	Nobody advised him to leave school.
He stood up and we followed the suit.	He stood up and we followed suit.

SENTENCE COMPLETION

EXERCISE 1

Direction: Choose the correct alternative from the verbs given below each sentence.

- The secret of his good health lies in the fact that he _____ early and goes to bed early.
(a) Is getting up (b) Gets up (c) Has got up (d) Will get up
- By this time tomorrow, she _____ there positively.
(a) Will reach (b) Will be reaching
(c) Will have reached (d) Will have been reaching
- The teacher instructed us not to venture out if it _____.
(a) Rains (b) Will be raining (c) Has rained (d) Rained
- "There _____ my friend", shouted James when he saw his friend passing by the window.
(a) Goes (b) Is going (c) Went (d) Was going
- I _____ her for a long time yet I don't know where she works.
(a) Am knowing (b) Know
(c) Have been knowing (d) Have known
- The teacher warned the erring student, "It is high time you _____ behaving yourself."
(a) Started (b) Start (c) Should start (d) Ought to start
- I wish I _____ the impending danger.
(a) Should anticipate (b) Will anticipate
(c) Would have anticipated (d) Had anticipated
- The victim tried to tell us what _____ but his words were not audible.
(a) Happened (b) Has happened (c) Did happen (d) Had happened
- I want you to pick up the box of eggs carefully and _____ it in the room.
(a) Kept (b) Will keep (c) To keep (d) Keep
- If we _____ Thomas in our team, the things would have been a bit easier for the rest of the players.
(a) Had (b) Have (c) Had had (d) Would have
- If I _____ obeyed my teacher, I would not have been in trouble.
(a) Have (b) Had (c) Has (d) Been
- A recent survey conducted by different agencies _____ that the number of drug addicts is growing day by day.
(a) Indicate (b) Has been indicating
(c) Indicates (d) Indicated
- If I _____ you, I would have told him to amend his habits.
(a) Was (b) Had (c) Will be (d) None of these
- I cannot recall when she _____ me about her affair with James.
(a) Told (b) Has told (c) Had told (d) Will have told
- He _____ on the light before he entered the room.
(a) Switched (b) Has switched (c) Had switched (d) Will switch
- She came to college much later than I _____.
(a) Expect (b) Expected (c) Have expected (d) Had expected
- The Chairman _____ any decision until he had studied the case thoroughly.
(a) Had not taken (b) Has not taken (c) Did not take (d) Have not taken

18. When I met him, he was getting his car _____.
 (a) Repaired (b) Will repair
 (c) Would have repaired (d) Repair
19. Since you apologize and insist, I _____ your invitation.
 (a) Am accepting (b) Accept (c) Accepted (d) Had accepted
20. Cricket has become so popular that even elderly people _____ the game when they meet.
 (a) Are discussing (b) Discuss (c) Have discussed (d) Had accepted
21. This house _____ to me ever since my father died.
 (a) Belongs (b) Is belonging (c) Has been belonging (d) Has belonged
22. He stood on the bank when his friend _____ into the river.
 (a) Was falling (b) Fell (c) Will fall (d) Would have fallen
23. I have not played cricket since I _____ the Pakistan Air Force.
 (a) Had left (b) Have left (c) Will have left (d) Left
24. She _____ in the concert tomorrow evening.
 (a) Has been playing (b) Is playing (c) Shall be (d) Has played
25. I am worried; he _____ arrived by now.
 (a) Should (b) Should have (c) Was (d) Were
26. If I _____ money, I would have bought a car.
 (a) Have (b) Had (c) Will have (d) Had had
27. I _____ experiencing trouble with my car these days.
 (a) Have been (b) Am (c) Had been (d) Were
28. I hope it will not rain when the bride _____ the banquet hall.
 (a) Left (b) Will leave (c) Leave (d) None of these
29. I _____ a strange noise.
 (a) Hear (b) Am hearing (c) Have been hearing (d) Should hear
30. I shall telephone you when he _____ back.
 (a) Comes (b) Will come (c) Has come (d) Came
31. The town _____ its appearance completely since 1990.
 (a) Has been changing (b) Has changed (c) Is changing (d) Changed
32. The teacher made the students _____ in the sun.
 (a) Run (b) Ran (c) Running (d) to Run
33. Do not make a noise lest the teacher _____ punish you.
 (a) Should (b) May (c) Likely to (d) Will
34. It is high time you _____ your habits.
 (a) Should amend (b) Amended (c) Should have amended (d) Had amended
35. If one of the candidates _____ to leave before the examination is over, allow him to do so quietly.
 (a) Choose (b) Is choosing (c) Chooses (d) Has been choosing
36. All of my experience as the reporter of sports and games _____ that this team will not lose the match.
 (a) Is indicating (b) Indicate (c) Indicates (d) Will indicate
37. In spite of many reminders we _____ to the head office, we have received no answer from the authorities.
 (a) Sent (b) Have sent (c) Had sent (d) Send
38. _____ we had Safdar in our team, we would have certainly won the match.
 (a) Had (b) If had (c) Have (d) Were

39. Now is the time we _____ something useful.
 (a) Would have done (b) Will do (c) Did (d) Have done
40. When he comes; she _____ here for one hour.
 (a) Will have waited (b) Was waiting (c) Will wait (d) Will be waiting
41. To write, to speak or to act _____ uncommonly easy to a number of over-confident persons.
 (a) Seem (b) Seems (c) Has seemed (d) Will be seem
42. In these phrases _____ the secret of Shakespeare's genius.
 (a) Lie (b) Lies (c) Lay (d) Will lie
43. The United States easily _____ the lead in the production of steel.
 (a) Takes (b) Take (c) Is taking (d) Was taking
44. By this time next year Ali _____ his university degree.
 (a) Takes (b) Will take (c) Took (d) None of these
45. No action or instruction can be permanent which _____ not based on reason or morality.
 (a) Is (b) Are (c) Was (d) Were

ANSWERS

1.	b	2.	c	3.	d	4.	a	5.	d	6.	a	7.	d
8.	d	9.	d	10.	c	11.	b	12.	c	13.	d	14.	a
15.	c	16.	d	17.	c	18.	a	19.	b	20.	b	21.	d
22.	b	23.	d	24.	b	25.	b	26.	d	27.	a	28.	d
29.	a	30.	a	31.	b	32.	a	33.	a	34.	b	35.	c
36.	c	37.	a	38.	a	39.	c	40.	a	41.	b	42.	b
43.	a	44.	d	45.	a								

EXERCISE 2

Directions: Choose the correct alternative from the verbs given below each sentence.

1. I fear our team will not win the match if it _____ during the play time.
 (a) Rains (b) Rained (c) Will rain (d) Had rained
2. He used to visit us every week, but he _____ now.
 (a) Rarely comes (b) Rarely came (c) Is rarely coming (d) None of these
3. Pakistan _____ independent for over seventy years.
 (a) Had been (b) Is (c) Have been (d) Has been
4. He _____ everything that was taught by me.
 (a) Understand (b) Understands (c) Understood (d) Was understanding
5. I _____ to obey the orders of my officers because I am just a clerk.
 (a) Has (b) Had (c) Should (d) Have
6. The police wanted to know who _____ the theft in the village.
 (a) Committed (b) Had committed (c) Had been committed (d) Has committed
7. I am sure I _____ him talking to a stranger at the party last night.
 (a) Have seen (b) Saw (c) Had seen (d) Will see
8. This is the best book that I _____.
 (a) Ever have read (b) Ever had read (c) Ever-did read (d) Ever was reading
9. There are no taxis available because the drivers _____ on strike lately.
 (a) Have gone (b) Had gone (c) Will go (d) Will be going

10. Everyone _____ the officer to face the situation bravely.
(a) Expected (b) Was expecting
(c) Had been expecting (d) Will have expected
11. Seema was alone in the house at that time because her father _____ in the office then.
(a) Working (b) Had been working (c) Was working (d) Worked
12. He could not become a government servant because he _____ part in political activities in his college days.
(a) Took (b) Was taking (c) Has taken (d) Had taken
13. My brother _____ at the party tonight as mother is likely to be present there.
(a) Will drink (b) Will not drink (c) Will have drunk (d) Will be drinking
14. If he continues with his exercises, he _____ ten kg. by the end of this month.
(a) Will lose (b) Will have lost (c) Will be losing (d) Will have been losing
15. The man and wife in our neighbourhood _____ since they got married.
(a) Quarrelled (b) Are quarrelling (c) Quarrel (d) Have been quarrelling
16. She _____ as the principal at that school for five years next month.
(a) Will have been working (b) Will be working (c) Will have worked (d) Is working
17. Margaret Sanger made the people _____ the need for birth control.
(a) To see (b) See (c) Saw (d) Had seen
18. Finishing his work, he started working on the problem which _____ pending for long.
(a) Is (b) Was (c) Has been (d) None of these
19. When radium decays, it _____ a gas called radon.
(a) Will produce (b) Produces (c) Will be producing (d) Is producing
20. The guide told us that it _____ only three kilometres between East Pak and North Avenue.
(a) Was (b) Will be (c) Is (d) Were
21. Have you carefully read and _____ the guidelines given below.
(a) Understand (b) Understood (c) Had understood (d) Understanding
22. His wife awoke him because he _____ to set the alarm before he went to bed.
(a) Forgot (b) Forgets (c) Has Forgotten (d) Had forgotten
23. The survival instinct of cockroaches _____ so great that they are known to reproduce even within a ring of fire.
(a) Is (b) Are (c) Was (d) Were
24. The leader exhorted the audience, it is high time that you _____ for the betterment of the country.
(a) Should work hard (b) Must work hard
(c) Ought to work hard (d) Worked hard
25. He said to his son, you would have secured high marks if you _____.
(a) Work hard (b) Should have worked hard
(c) Must work hard (d) Had worked hard
26. The bunch of roses in the vase by my bed _____ surprisingly remained fresh for more than a week.
(a) Has (b) Have (c) Will (d) Did
27. If you _____ the children jump into the river, they will complain of you.
(a) Make (b) Get (c) Made (d) Got
28. I am a bit worried because the flight _____ by now.
(a) Should have landed (b) Should land
(c) Could land (d) Landed

29. If only I _____ money, I would help you.
(a) Had (b) Will have (c) Have (d) Had had
30. She is acting as if she _____ the only girl in college to secure good marks.
(a) Was (b) Is (c) Were (d) Had
31. Five days from today, we _____ on the train at this time.
(a) Will be (b) Will have been (c) Be (d) Were
32. Imran _____ five laps when I jumped into the pool.
(a) Swam (b) Already had swum (c) Swum (d) Would swim
33. Since we _____ in Lahore for a long time, we were reluctant to move to other city.
(a) Are living (b) Were living (c) Have been living (d) Had been living
34. She left the college in 1990 and since then I _____ her.
(a) Did not see (b) Had not seen (c) Have not seen (d) Will see
35. Yesterday Mir got the information that his father _____ in accident while travelling in a car.
(a) Died (b) Has died (c) Had died (d) Will die
36. He _____ this house for the last twenty years.
(a) Has been owning (b) Has owned (c) Is owning (d) Will own
37. The Indian PM _____ to meet his Pakistani counterpart next month.
(a) Plans (b) Has planned (c) Is planning (d) Planned
38. Ahmad _____ his friend for a long time.
(a) Has been remembering (b) Has remembered
(c) Is remembering (d) Remembers
39. He is overjoyed as though he _____ the lottery.
(a) Won (b) Has won (c) Wins (d) Is winning
40. The conductor _____ the passengers without tickets alight from the bus before police came.
(a) Made (b) Had made (c) Will make (d) Got
41. We erect monuments of great men lest we _____ them.
(a) Forgot (b) May forget (c) Should forget (d) Forgotten
42. I would rather you _____ for Lahore immediately.
(a) Would leave (b) Left (c) Should leave (d) Have left
43. I forgive you since you _____ for your misconduct.
(a) Repent (b) Will repent (c) Have repented (d) Are repenting
44. "The last batsman of England has been bowled and Pakistan _____ this match", roared the commentator.
(a) Has won (b) Wins (c) Will win (d) Should win
45. Now is the time the government _____ the unlawful strikes.
(a) Should ban (b) Should have banned
(c) Banned (d) Will ban

ANSWERS

1.	a	2.	a	3.	d	4.	c	5.	d	6.	b	7.	b
8.	a	9.	a	10.	a	11.	c	12.	d	13.	b	14.	a
15.	d	16.	a	17.	b	18.	d	19.	b	20.	c	21.	b
22.	d	23.	a	24.	d	25.	d	26.	a	27.	a	28.	a
29.	a	30.	c	31.	a	32.	b	33.	c	34.	c	35.	c
36.	b	37.	a	38.	b	39.	a	40.	b	41.	c	42.	b
43.	a	44.	b	45.	c								

EXERCISE 3

Directions: In each of the following sentences, select the most appropriate word from amongst four options given below each sentence to fill in the blank so as to complete it meaningfully.

- Although the hand writing is different, the matter is ——— (a) Indifferent (b) Complicated (c) Unquestionable (d) Identical
- His puns attest to his ——— but do not prove his intelligence. (a) Wisdom (b) Brilliance (c) Sharpness (d) Wit
- The principal wished to ——— himself of the developments before giving a decision. (a) Appraise (b) Apprise (c) Inform (d) Familiarise
- Any political leader who allows nepotism to flourish should be subject to ——— (a) Stricture (b) Autopsy (c) Stringency (d) Punishment
- His neighbour was so ——— that he refused to get his clothes washed. (a) Affluent (b) Parsimonious (c) Refulgent (d) Arrogant
- The prisoner was released when it was discovered that there had been a ——— of justice. (a) Mishap (b) Mismanagement (c) Miscarriage (d) Misdemeanour
- The President ——— Nishan-e-Imtiaz on Imran Khan (a) Invested (b) Teemed (c) Gave (d) Conferred
- I decided to sell the piece of land when I was offered a ——— price. (a) Exact (b) Correct (c) True (d) Realistic
- The top ranking manager ——— his success in the profession to his managing director's guidance. (a) Accounts (b) Attributes (c) Agrees (d) Considered
- He ——— multiple grave injuries in a road accident. (a) Sustained (b) Got (c) Fractured (d) Received
- Had you ——— the courage, we would have caught the thief. (a) Collected (b) Gathered (c) Accumulated (d) Mustered
- Some people have ——— a conspiracy to topple the government. (a) Plotted (b) Made (c) Applied (d) Hatched
- Pakistan has ——— a proxy war on Afghanistan. (a) Launched (b) Announced (c) Waged (d) Declared
- A strong protest has been ——— with the government of Pakistan. (a) Lodged (b) Complained (c) Issued (d) Offered
- There is a vast difference between a probability and a ——— (a) Possibility (b) Reality (c) Certainty (d) Surety
- The Movie is ephemeral but a great book on which it is based is ——— (a) Sacred (b) Factual (c) Eternal (d) Precious
- I advised him to walk with a cane lest he ——— stumble. (a) May (b) Might (c) Should (d) Would
- Sleep problem becomes serious if it ——— day time performance. (a) Alters (b) Changes (c) Affects (d) Hampers
- All the persons in this community behave as if they ——— God's chosen people. (a) Are (b) Were (c) May be (d) Have been
- She rightly ——— herself to bed whenever she suffers from cough and cold. (a) Relates (b) Associates (c) Confines (d) Justifies
- Writers also feel themselves ——— by contact with writers greater than themselves. (a) Jealous (b) Excited (c) Elevated (d) Encouraged

- Children are ——— to learn through the eyes rather than the ears. (a) Ready (b) Willing (c) Apt (d) Inspired
- In Pakistan, there is a great ——— in the pay scale of government employees. (a) Inequality (b) Disparity (c) Fluctuation (d) Difference
- Mohsin Hassan Khan, the renowned cricketer has yet again ——— a comeback in Pakistani team. (a) Made (b) Performed (c) Done (d) Staged
- The PM did not address the meeting as the organizers could not ——— a large number of workers. (a) Mobilize (b) Gather (c) Collect (d) Bring
- He was able to ——— his small income by working in a hotel at night. (a) Increase (b) Amplify (c) Supplement (d) Multiply
- His first failure did not ——— him from making another attempt. (a) Forbid (b) Deter (c) Defeat (d) Interfere
- The students ——— their arrest in protest against the malpractices committed by the authorities. (a) Agreed (b) Offered (c) Gave (d) Courted
- The child's mother was unable to look after him, so he was entrusted to the care of ——— parents. (a) Charitable (b) Welfare (c) Unnatural (d) Foster
- Environmental pollution has assumed ——— proportion of late. (a) Alarming (b) Depressing (c) Critical (d) Disappointing
- The first ——— game will take place on Tuesday before the first Test Match. (a) Hot-up (b) Warm-up (c) Heated (d) Preparatory
- Her silence was considered her ——— (a) Assent (b) Ascent (c) Will-power (d) Refusal
- His ——— style wastes much time of his students. (a) Aggressive (b) Divertive (c) Digressive (d) Pithy
- Thinking that the other candidate was more deserving for the post, I ——— in his favour. (a) Stood off (b) Stood down (c) Stood by (d) Stood out
- The police collected splinters of a grenade which was ——— on the crowd. (a) Hurlled (b) Thrown (c) Planted (d) Put
- Owing to the serious economic sanctions by the West, the Soviet Union has decided to ——— the number of its employees. (a) Half (b) Halve (c) Halves (d) Cut
- In the last tournament, Pakistan made a clean ——— by beating all the rival teams. (a) Sweep (b) Win (c) Victory (d) Thundering
- The legislation in this regard ——— null and old today. (a) Cancelled (b) Concealed (c) Destroys (d) Stands
- She ——— her father regularly until he agreed to her trip to Paris. (a) Pestered (b) Angered (c) Teased (d) Provoked
- Winning the Nobel Prize was the ——— of his career. (a) Conclusion (b) Completion (c) Execution (d) Culmination

ANSWERS

1.	d	2.	d	3.	b	4.	a	5.	b	6.	c	7.	d
8.	d	9.	b	10.	a	11.	d	12.	d	13.	c	14.	a

15.	c	16.	c	17.	c	18.	c	19.	b	20.	c	21.	d
22.	c	23.	b	24.	d	25.	a	26.	c	27.	b	28.	d
29.	d	30.	a	31.	b	32.	a	33.	c	34.	b	35.	a
36.	b	37.	a	38.	d	39.	a	40.	d				

EXERCISE 4

Directions: In each of the following sentences, there are two blank spaces. Below each sentence, there are four pairs of words. Find out which pair of words can be filled up in blanks to make the sentence grammatically correct and meaningfully complete.

- In Pakistan, the challenges are to raise _____ incomes to reduce poverty and to _____ inefficient enterprises.
(a) Middle-class, publicise (b) Workers', suppress
(c) Farm, liberalise (d) Rural, restructure
- Most people are too _____ in their own lives to _____ much about the agonies of others.
(a) Absorbed, care (b) Concerned, think (c) Indulged, eradicate (d) Involved, console
- The Deputy Manager _____ to resign because all his proposals were _____ down by his superiors.
(a) Offered, thrown (b) Gave, held (c) Began, kept (d) Threatened, turned
- He was known for _____, we were surprised and pleased when we were greeted so _____.
(a) Insolence, irately (b) Graciousness, amiable
(c) Querulousness, irritatingly (d) Insolence, cordially
- When stress _____ a healthy competition, it can actually be a _____ thing.
(a) Subdues, marvellous (b) Mars, haphazard (c) Diffuses, positive (d) Creates, good
- She is admired for her _____ and always avoids those that are _____.
(a) Candour, hypocrites (b) Plain, hypocrisy (c) Optimism, proud (d) Strength, weak
- In a changing and _____ unstructured business environment, creativity and innovation are being _____ demanded of executives.
(a) Excessively, rapidly (b) Highly, extremely
(c) Increasingly, moderately (d) Progressively, increasingly
- He expressed _____ for his hasty _____.
(a) Displeasure, win (b) Anguish, provocation
(c) Repentance, movement (d) Regret, action
- The _____ reforms that are taking place in the global economic scenario are _____ as they are full of optimism.
(a) Exorbitant, unnecessary (b) Colossal, unfavourable
(c) Drastic, disappoint (d) Positive, heartening
- The Pak railways have yet to _____ an effective mechanism to avert a series of _____ leading to horrifying tragedy.
(a) Improve, omissions (b) Conceive, errors (c) Evolve, lapses (d) Conceive, errors
- We must prevent endangered wild animal species from going _____ in order that our future generation may _____ the great diversity of animal life.
(a) Rare, escape (b) Outdated, know (c) Extinct, enjoy (d) Powerful, protect
- She looked very happy and _____ when she heard that her proposed scheme was _____ by the committee.
(a) Energetic, stalled (b) Satisfied, rejected
(c) Elated, accepted (d) Overwhelming, received

- _____ to the popular belief that every astrologer nurtures blind faith in fate, our astrologer believes in _____.
(a) Contrary, action (b) According, thoughts
(c) Bowing, present (d) Providing, forecasting
- The annual _____ of industrial products has risen _____ in the recent years.
(a) Outcome, hugely (b) Output, enormously
(c) Outlay, paramount (d) Outbreak, tremendously
- A philosopher once said that a youth without _____ is the same as psychological _____.
(a) Money, disability (b) Peers, nutshell
(c) Knowledge, disorder (d) Dreams, suicide
- The _____ basis for the creation of a secular society and polity was conceived, elaborated and _____ during the course of nineteenth century.
(a) Inordinate, incorporated (b) Exact, installed
(c) Intellectual, disseminated (d) Superficial, discussed
- Cholesterol has long been identified as a silent killer because the patient has no _____ of the danger freely _____ his system.
(a) Idea, infecting (b) Thought, attacking
(c) Information, invading (d) Inkling, traversing
- Despite all the _____ of intentions and views, Urdu is now more than a _____ language.
(a) Differences, link (b) Harmony, speaking
(c) Confluence, regional (d) Symphony, sectarian
- We must explore _____ sources of energy as our supply of fossil fuel has been _____.
(a) Sufficient, increased (b) Natural, exhausted (c) Guaranteed, over (d) Alternate, depleted
- An impartial person _____ others without any _____.
(a) Likes, reservation (b) Judges, bias (c) Blames, prudence (d) Praises, point
- Lawyers and doctors _____ that advertising will certainly _____ their profession adversely.
(a) Trust, damage (b) Believe, affect (c) Plead, escalate (d) Argue, effect
- The telephone symbolises that awkward _____ in all communication technologies; while it _____ to bring us together, it keeps us apart.
(a) Irony, intends (b) Paradox, tries (c) Paradox, needs (d) Irony, wishes
- Your father is not _____ about your success because of your _____ approach to study is disappointing.
(a) Despaired, irresolute (b) Hopeful, regular
(c) Optimist, perfunctory (d) Happy, reckless
- The _____ writers still believe in the _____ of grammatical rules.
(a) Conventional, observance (b) Original, observation
(c) Classical, copying (d) Romantic, ignoring
- Anybody who can _____ to the fast growing operations will have _____ career prospects.
(a) Encourage, ample (b) Invest, desirable
(c) Stick, minimal (d) Contribute, excellent
- The residents on this island are so _____ that they don't _____ even their closest relatives.
(a) Callous, consider (b) Hospitable, greet
(c) Uncivilized, recognize (d) Indifferent, hurt

27. The story has to be _____ because it has come from _____ mouth.
(a) Correct, reliable (b) Reliable, genuine (c) True, faithful (d) Believed, honest
28. The PM will _____ the journey to the USA to _____ the apprehensions of the foreign investors.
(a) Undertake, dispel (b) Take, remove (c) Take-up, ease (d) Fly, discourage
29. The _____ you work, the _____ for your career.
(a) More, best (b) High, best (c) Decent, brightest (d) Harder, better
30. It is a _____ held belief that quality and productivity are a function of _____ set of new equipment.
(a) Closely, technology (b) Commonly, technology (c) Blindly, management (d) Recently, experts
31. It was _____ to see the demure pride he took in his wife's literary reputation and the _____ with which he furthered her interest.
(a) Gratifying, apathy (b) Agreeable, self-effacement (c) Ironical, altruism (d) Irritable, self-righteousness
32. A dull student sometimes gets _____ marks than does a _____ student.
(a) Better, mediocre (b) Good, better (c) More, brilliant (d) Less, wiser
33. He was so _____ in his prayer that he did not pay any _____ to our presence.
(a) Engrossed, remuneration (b) Absorbed, heed (c) Perfect, attention (d) Careless, significance
34. The _____ difficulties produced by the marriage evidently prompted some intrusions _____ in Eliot's poetry.
(a) Sentimental, mistakes (b) Adjustments, remarks (c) Familial, smiles (d) Emotional, passages
35. He was not easily _____ but this unexpected piece of information, coming on top of his peculiar manner, undoubtedly _____ him.
(a) Disconcerted, jarred (b) Perturbed, satiated (c) Agitated, affected (d) Tranquillized, wavered
36. Hitler had highly _____ notions of his _____ as a military leader.
(a) Felicitous, life (b) Exaggerated, stature (c) Fictive, personality (d) Elaborate, leadership
37. The greatest asset of the _____ is not their material possessions but their _____.
(a) Poets, genre (b) Writers, enormity (c) Politicians, popularity (d) Pioneers, fortitude
38. His _____ contribution to the Tsunami relief fund was _____ by one and all in his office.
(a) Meagre, admired (b) Spontaneous, nullified (c) Negligible, sanctioned (d) Generous, appreciated
39. Ayesha was forced to change her telephone number because she was _____ telephone calls.
(a) Entreated, bad (b) Consternated, night (c) Badgered, obscene (d) Harled, filthy
40. His bookshelves, lined with _____ literature, gave ample proof of his _____.
(a) Historic, attitude (b) Dirty, rectitude (c) Filthy, sobriety (d) Pornographic, prurience

ANSWERS

1.	d	2.	a	3.	d	4.	d	5.	d	6.	a	7.	d
8.	d	9.	d	10.	c	11.	c	12.	c	13.	a	14.	b
15.	d	16.	c	17.	d	18.	a	19.	d	20.	b	21.	b
22.	a	23.	c	24.	a	25.	d	26.	c	27.	d	28.	a
29.	d	30.	b	31.	b	32.	c	33.	b	34.	d	35.	a
36.	b	37.	e	38.	d	39.	c	40.	d				

EXERCISE 5

Note: Answers are Bold and Underlined.

- The significance of the Magna Carta lies not in its _____ provisions, but in its broader impact: it made the king subject to the law.
(a) Specific (b) Revolutionary (c) Implicit (d) Controversial
- The theory of cosmic evolution states that the universe, having begun in a state of simplicity and _____, has _____ into great variety.
(a) Equilibrium. Modulated (b) Homogeneity. Differentiated (c) Contrast. Metamorphosed (d) Proportion. Accelerated
- Not wishing to appear _____, the junior member of the research group refrained from _____ any criticism of the senior members' plan for dividing up responsibility for the entire project.
(a) Reluctant. Evaluating (b) Inquisitive. Offering (c) Presumptuous. Venturing (d) Censorious. Undercutting
- In the British theatre young people under thirty-five have not had much _____ getting recognition onstage, but offstage—in the ranks of playwrights, directors, designers, administrators—they have mostly been relegated to relative obscurity.
(a) Trouble (b) Satisfaction (c) Curiosity about (d) Success at
- An institution concerned about its reputation is at the mercy of the actions of its members, because the misdeeds of individuals are often used to _____ the institutions of which they are a part.
(a) Reform (b) Coerce (c) Honour (d) Discredit
- Since many casual smokers develop lung cancer and many _____ smokers do not, scientists believe that individuals differ in their _____ the cancer-causing agents known to be present in cigarette smoke.
(a) Heavy. Susceptibility to (b) Chronic. Concern about (c) Habitual. Proximity to (d) Devoted. Reliance upon
- We accepted the theory that as people become more independent of one another, they begin to feel so isolated and lonely that freedom becomes _____ condition that most will seek to _____.
(a) A permanent. Postpone (b) A common. Enter (c) A negative. Escape (d) A political. Impose
- If animal parents were judged by human standards, the cuckoo would be one of nature's more _____ creatures, blithely laying its eggs in the nests of other birds, and leaving the incubating and nurturing to them.
(a) Mettlesome (b) Industrious (c) Domestic (d) Feckless

9. The current penchant for _____ a product by denigrating a rival, named in the advertisement by brand name, seems somewhat _____; suppose the consumer remembers only the rival's name?
 (a) Criticizing. Inefficient (b) Touting. Foolhardy
 (c) Enhancing. Inispid (d) Evaluating. Cumbersome
10. His imperturbability in the face of evidence indicating his deliberate fraud failed to reassure supporters of his essential _____; instead, it suggested a talent for _____ that they had never suspected.
 (a) Culpability. Intrigue (b) Wisdom. Reproof
 (c) Remorse. Loquacity (d) Probity. Guile
11. According to some experts, modern science as it emerged in the seventeenth century was essentially a _____ calling: the culture of science was more a _____ than a departure from ecclesiastical traditions.
 (a) Scholarly. Recapitulation of (b) Sceptical. Return to
 (c) Religious. Continuation of (d) Solemn. Recantation of
12. We first became aware that his support for the new program was less than _____ when he declined to make a speech in its favour.
 (a) Qualified (b) Haphazard (c) Fleeting (d) Wholehearted
13. Because of the excellent preservation of the fossil, anatomical details of early horseshoe crabs were _____ for the first time, enabling experts to _____ the evolution of the horseshoe crab.
 (a) Scrutinized. Ensure (b) Verified. Advance
 (c) Identified. Dirt (d) Clarified. Reassess
14. Nothing _____ his irresponsibility better than his _____ delay in sending us the items he promised weeks ago.
 (a) Justifies. Conspicuous (b) Characterizes. Timely
 (c) Epitomizes. Unnecessary (d) Reveals. Conscientious
15. The few dozen gray seals that have thus far died of canine distemper can, at least for now, be considered _____, since most of the remaining 200,000 gray seals appear uninfected by the disease.
 (a) Unexceptional (b) Immune (c) Anomalous (d) Endangered
16. A century ago the physician's word was _____; to doubt it was considered almost sacrilegious.
 (a) Inevitable (b) Intractable (c) Incontrovertible (d) Objective
17. So much of modern fiction in the United States is autobiographical, and so much of the autobiography fictionalized, that the _____ sometimes seem largely _____.
 (a) Authors. Ignored (b) Needs. Unrecognized
 (c) Genres. Interchangeable (d) Intentions. Misunderstood
18. Prior to the work of Heckle, illustrations of fish were often beautiful but rarely _____; this cat, combined with the _____ nature of most nineteenth-century taxonomic descriptions, often kept scientists from recognizing differences between species.
 (a) Impressive. Inaccurate (b) Realistic. Detailed
 (c) Traditional. Progressive (d) Precise. Inexact
19. Because modern scientists find the ancient Greek view of the cosmos outdated and irrelevant, they now perceive it as only of _____ interest.
 (a) Historical (b) Intrinsic (c) Astronomical (d) Experimental

20. The challenge of interpreting fictional works written under politically repressive regimes lies in distinguishing what is _____ to an author's beliefs, as opposed to what is _____ by political coercion.
 (a) Innate. Understood (b) Organic. Imposed
 (c) Contradictory. Conveyed (d) Oblique. Captured
21. In scientific studies, supporting evidence is much more satisfying to report than are discredited hypotheses, but, in fact, the _____ of errors is more likely to be _____ than is the establishment of probable truth.
 (a) Formulation. Permitted (b) Correction. Ignored
 (c) Detection. Useful (d) Accumulation. Agreeable
22. Although sceptics say financial problems will probably _____ our establishing a base on the Moon, supporters of the project remain _____, saying that human curiosity should overcome such pragmatic constraints.
 (a) Beset. Disillusioned (b) Hasten. Hopeful
 (c) Postpone. Pessimistic (d) Prevent. Enthusiastic
23. The state of a nation's science determines its prosperity and political power, and scientists should not _____ this relationship even if their own interest in science is of a less practical nature.
 (a) Overlook (b) Consider (c) Overestimate (d) Rely on
24. All _____ biological traits fall into one of two categories: those giving their possessors greater _____ the environment and those rendering them more independent of it.
 (a) Widespread. Detachment from (b) Beneficial. Control over
 (c) Successful. Freedom from (d) Neutral. Compatibility with
25. Most histories of science are success stories that conclude on _____ note with the final _____ of a theory that is the basis of subsequent inquiries by later researchers.
 (a) A retrospective. Extrapolation (b) An analytic. Rebuttal
 (c) An objective. Rationalization (d) A triumphal. Ascendancy
26. Whereas the Elizabethans struggled with the transition from a medieval _____ experience to modern individualism, we confront an electronic technology that seems likely to reverse the trend, rendering individualism obsolete and interdependence mandatory.
 (a) Literary (b) Intuitive (c) Corporate (d) Heroic
27. The attempt to breed suitable varieties of jojoba by using hybridization to _____ favourable traits was finally abandoned in favour of a simpler and much faster _____; the domestication of flourishing wild strains.
 (a) Eliminate. Alternative (b) Reinforce. Method
 (c) Allow. Creation (d) Reduce. Idea
28. In spite of the increasing _____ of their opinions, the group knew they had to arrive at a consensus so that the award could be presented.
 (a) Impartiality (b) Consistency (c) Judiciousness (d) Polarity
29. Supporters praised the mayor's action as speedy and judicious, but critics condemned it as _____ and unfairly influenced by recent events.
 (a) Innocuous (b) Fortuitous (c) Beguiling (d) Premature
30. Although frequent air travellers remain unconvinced, researchers have found that, paradoxically, the _____ orientation inherent in jet lag also may yield some mental health _____.
 (a) Temporal. Benefits (b) Acquired. Hazards
 (c) Somatic. Disorders (d) Random. Deficiencies

31. Some artists immodestly idealize or exaggerate the significance of their work, yet others _____ to exalt the role of the artist, reject a transcendent view of art.
(a) Appearing (b) Disdaining (c) Seeking (d) Failing
32. Calculus, though still indispensable to science and technology, is no longer _____ has an equal partner called discrete mathematics.
(a) Preeminent (b) Pertinent (c) Beneficial (d) Essential
33. Usually the first to spot data that was inconsistent with the findings, in this particular experiment she let a number of _____ results slip by in this particular experiment.
(a) Inaccurate (b) Verifiable (c) Redundant (d) Anomalous
34. Despite its _____, the book deals _____ with a number of crucial issues.
(a) Optimism . . . Curiously (b) Importance . . . Needlessly
(c) Virtues . . . Inadequately (d) Novelty . . . Strangely
35. Because the most recent research has concluded that scientists who persist in dismissing her contribution are either _____ latest findings or simply obstinate.
(a) Disparaged . . . Satisfied with (b) Refined . . . Preoccupied with
(c) Rejuvenated . . . Unmoved by (d) Invalidated . . . Ignorant of
36. Babcock's criticism of the business practices of fellow merchants was coloured by _____ the more successful the other entrepreneurs, the more bitterly they were _____.
(a) Sensitivity . . . Courted (b) Jealousy . . . Castigated
(c) Admiration . . . Admonished (d) Ambivalence . . . Dismissed
37. Though his contemporaries tended to fixate on the politician's supposed _____ personal correspondence _____ a surprising largesse.
(a) Charity . . . Confirms (b) Parsimony . . . Contradicts
(c) Avarice . . . Betrays (d) Integrity . . . Reveals
38. In contrast to more _____ publications of ever narrower purview, the journal Antiquity has remained as _____ as it was when it began, continuing to serve the broader interests of the discipline of archaeology.
(a) Atypical . . . Anomalous (b) Specialized . . . Eclectic
(c) Diverse . . . Idiosyncratic (d) Irrelevant . . . Superfluous
39. If the theory is self-evidently true, as its proponents assert, then why does _____ still exist among well-informed people?
(a) Support for (b) Excitement about (c) Regret for (d) Opposition to
40. Being a religious philosopher, Henry More derived his conception of an infinite universe from the Infinite God in whom he believed, a benevolent God of _____ whose nature was to create _____.
(a) Plenitude . . . Abundance (b) Vengeance . . . Justice
(c) Indifference . . . Suffering (d) Indulgence . . . Temperance
41. In the months and years ahead, we intend to build both kinds of strengths; during times of _____ as well as tension, during periods of cooperation as well as conflict, until the world we pass on to our children is truly _____ and fosters diversity and freedom to flourish.
(a) Peace . . . insidious (b) Détente . . . safe
(c) Perdition . . . conducive (d) Tranquillity . . . perfidious

42. The Malays in South-East Asia have _____ the English language with priceless words such as "amok" - a word which has been in the language so long that it is hardly _____ to be of Asian origin.
(a) Impoverished . . . apparent (b) Endowed . . . inconspicuous
(c) Supplied . . . observed (d) Enriched . . . unsuspected
43. For ten years, candidates have been going through the big food bazaars grinning _____ and shaking hands with astounded females in the _____ belief that somehow this would assure the women's vote.
(a) Infectiously . . . scurilous (b) Fatuously . . . dubious
(c) Ceremoniously . . . wanton (d) Seductively . . . calculated
44. If you wish to be a rapid, efficient reader, you must give up your _____ attention to detail, your compulsive reference to minor points and you must be willing to develop a mindset that _____ on the central themes.
(a) Excessive . . . concentrates (b) Undue . . . dwells
(c) Aphoristic . . . centres (d) Elaborate . . . reflect
45. The generally high level of _____ of legal systems is not the only reason social orders are unlikely to _____ through the general failure of social systems.
(a) Effectiveness . . . collapse (b) Vulnerability . . . fail
(c) Effectiveness . . . grow (d) Predictability . . . perpetuate
46. Though some of the information the author reveals about Russian life might surprise Americans, her major themes are _____ enough.
(a) Familiar (b) Thorough (c) Vital (d) Original
47. 'Du Bois' foreign trips were the highlight, not the _____, of his travels; he was habitually on the go across and around the United States.
(a) Idiosyncrasy (b) Result (c) Precursor (d) Totality
48. Biologists _____ isolated oceanic islands like the Galapagos, because in such small, laboratory-like settings, the rich hurly-burly of continental plant and animal communities is reduced to a scientifically _____ complexity.
(a) Explore . . . Diverse (b) Desert . . . Manageable
(c) Exploit . . . Intimidating (d) Prize . . . Tractable
49. Ethnologists are convinced that many animals survive through learning; but learning that is _____ their genetic programming, learning as thoroughly _____ as the most instinctive of behavioural responses.
(a) Superseded by . . . Primitive (b) Compatible with . . . transient
(c) Complementary to . . . familiar (d) Dictated by . . . stereotyped
50. While nurturing parents can compensate for adversity, cold or inconsistent parents may _____ it.
(a) Exacerbate (b) Neutralize (c) Eradicate (d) Ameliorate
51. The natural balance between prey and predator has been increasingly _____, most frequently by human intervention.
(a) Celebrated (b) Predicted (c) Observed (d) Disturbed
52. There is perhaps some truth in that waggish old definition of a scholar: a siren that calls attention to a fog without doing anything to _____ it.
(a) Describe (b) Cause (c) Analyze (d) Dispel
53. He was regarded by his followers as something of _____, not only because of his insistence on strict discipline, but also because of his _____ adherence to formal details.
(a) A martinet . . . rigid (b) An authority . . . sporadic

- (c) A tyrant, reluctant
54. Even after _____ against the _____ of popular sovereignty were included, major figures in the humanistic disciplines remained sceptical about the proposal to extend suffrage to the masses.
(a) Recommendations, continuation
(c) Arguments, introduction
- (b) Safeguards, excesses
(d) Provisions, advantages
55. The sale of Alaska was not so much an American coup as a matter of _____ for an imperial Russia that was short of cash and unable to _____ its own continental coastline.
(a) Negligence, Fortify
(c) Convenience, Stabilize
- (b) Custom, maintain
(d) Expediency, defend
56. A common argument claims that in folk art, the artist's subordination of technical mastery to intense feeling _____ the direct communication of emotion to the viewer.
(a) Facilitates (b) Averts (c) Neutralizes (d) Implies
- (a) Facilitates (b) Averts
57. If duty is the natural _____ of one's _____ the course of future events, then people who are powerful have duty placed on them whether they like it or not.
(a) Correlate... understanding of
(c) Determinant, involvement in
- (b) Outgrowth, control over
(d) Mitigant... pre-occupation with
58. There are no solitary, free-living creatures; every form of life is _____ other forms.
(a) Segregated from (b) Parallel to (c) Dependent on (d) Overshadowed by
- (a) Segregated from (b) Parallel to
59. William James lacked the usual _____ death; writing to his dying father, he spoke without _____ about the old man's impending death.
(a) Longing for, regret
(c) Curiosity about, rancour
- (b) Awe of, inhibition
(d) Apprehension of, eloquence
60. Famous among job seekers for its _____, the company, quite apart from generous salaries, bestowed on its executives annual bonuses and such _____ as low-interest home mortgages and company cars.
(a) Magnanimity, reparations
(c) Largesse, perquisites
- (b) Inventiveness... benefits
(d) Discernment, prerogatives
61. The sheer bulk of data from the mass media seems to overpower us and drive us to _____ accounts for an easily and readily digestible portion of news.
(a) Insular (b) Investigative (c) Synoptic (d) Subjective
- (a) Insular (b) Investigative
62. Created to serve as perfectly as possible their workaday _____, the wooden storage boxes made in America's Shaker communities are now _____ for their beauty.
(a) Environment, accepted
(c) Function, valued
- (b) Owners, employed
(d) Reality... transformed
63. In eighth-century Japan, people who _____ wasteland were rewarded with official ranks as part of an effort to overcome the shortage of _____ fields.
(a) Conserved, Forested
(c) Cultivated, Domestic
- (b) Reclaimed, arable
(d) Irrigated, accessible
64. While not completely nonplussed by the unusually caustic responses from members of the audience, the speaker was nonetheless visibly _____ by their lively criticism.
(a) Humiliated (b) Discomfited (c) Deluded (d) Disgraced
- (a) Humiliated (b) Discomfited (c) Deluded (d) Disgraced
65. Because they had expected the spacecraft Voyager 2 to be able to gather data only about the planets Jupiter and Saturn, scientists were _____ the wealth of information it sent back from Neptune twelve years after leaving Earth.
(a) Disappointed in (b) Concerned about (c) confident in (d) Elated by

- (a) Humility, absurdity
(c) Anger, confrontation
(b) Excellence, mediocrity
(d) Conformism, singularity
66. The Gibson's were little given to _____ in any form; not one of them was afraid of being and seeming unlike their neighbours.
- (a) Error... an inconsequential
(c) Disarray, a disciplined
(b) Retreat, a powerful
(d) Jeopardy... an ineffective
67. Opponents of the expansion of the market economy, although in _____, continued to constitute _____ political force throughout the century.
- (a) An individual... rebellion by
(c) An underground... defiance against
(b) An accepted... antagonism toward
(d) A heretical... support for
68. Just as astrology was for centuries _____ faith, countering the strength of established churches, so today believing in astrology is an act of _____ the professional sciences.
- (a) Declined, Attacked
(c) Matured... unconcerned
(b) Flourished, neglected
(d) Succeeded, developed
69. The belief that science destroys the arts appears to be supported by historical evidence that the arts have _____ only when the sciences have been _____.
(a) Declined, Attacked (b) Flourished, neglected (c) Matured... unconcerned (d) Succeeded, developed
- (a) Independent... amended by
(c) Mechanical... controlled by
(b) Competent... emphasized by
(d) Random... reconciled with
70. In the design of medical experiments, the need for _____ assignment of treatments to patients must be _____ the difficulty of persuading patients to participate in an experiment in which their treatment is decided by chance.
- (a) Simple (b) Controversial (c) Sordid (d) Comfortable
71. Thomas Paine, whose political writing was often flamboyant, was in private life a surprisingly _____ man: he lived in rented rooms, ate little, and wore drab clothes.
- (a) Simple (b) Controversial (c) Sordid (d) Comfortable
72. Though dealers insist that professional art dealers can make money in the art market, even an _____ knowledge is not enough: the art world is so fickle that stock-market prices are _____ by comparison.
(a) Amateur's... sensible (b) Expert's... erratic (c) Investor's... booming (d) Artist's... irrational
- (a) Limited (b) Economical (c) Complete (d) Shifting
73. Linguists have now confirmed what experienced users of ASL (American Sign Language) _____ have always implicitly known: ASL is a grammatically language in that it is capable of expressing every possible syntactic relation.
- (a) Protesting against (b) Participating in (c) Displeased by (d) Allowed in
74. A recent survey shows that, while ninety-four percent of companies conducting management-training programs open them to women, women are _____ only seventy-four percent of those programs.
- (a) Spurned, Boredom (b) Forgotten... condescension (c) Classified, self-righteousness (d) Plausible, guilt
75. The action and characters in a melodrama can be so immediately _____ that all observers can hiss the villain with an air of smug but enjoyable _____.
(a) Spurned, Boredom (b) Forgotten... condescension (c) Classified, self-righteousness (d) Plausible, guilt

SPOTTING THE ERROR

EXERCISE 1

Directions: Every sentence given in this exercise has been divided into four parts marked A, B, C and D. The error lies in one of the parts. Read the sentence carefully and mark the incorrect part. However, if you feel the sentence contains no error, mark part 'E'.

1. The green paint on the walls provide a suitable contrast with the yellow doors.
A B C D
No error. E
2. One of the states in which the scheme was launched was Meerut where he spent his youth.
A B C D
No error. E
3. Since his arrival at his native village, he is engaged in spreading education among the poor masses. No error.
A B C D E
4. We had to cancel our trip to Sahiwal because when we reached the airport the flight took off. No error.
A B C D E
5. If he wrote the examination faster and had answered a few more questions he would have scored better. No error.
A B C D E
6. Some people are born great some achieve greatness and some had greatness thrust upon them. No error.
A B C D E
7. He is running temperature since last Friday and doctors suspect that he is down with typhoid. No error.
A B C D E
8. She expressed her gratitude to all those that supported her. No error.
A B C D E
9. Come and sit down for a while, Saleem you are digging since lunch time. No error.
A B C D E
10. We Pakistanis don't understand that driving vehicles require care and skill. No error.
A B C D E
11. Man's happiness or misery are in a great measure in his own hands. No error.
A B C D E
12. He is not the kind of a person who accept such treatment passively. No error.
A B C D E

13. Pakistani farmers are reeling under the weight of illiteracy since the time immemorial.
A B C D
No error. E
14. Knowledge of at least two languages are required to pass the examination. No error.
A B C D E
15. He is not seem to be aware of his merits. No error.
A B C D E
16. My friend frequently is going abroad on business by air. No error.
A B C D E
17. When she contests the local body elections next year she will know most of the votes personally. No error.
A B C D E
18. Before the alarm had stopped ringing, Nisha had telephoned the police. No error.
A B C D E
19. This is the first time that I see such an interesting movie. No error.
A B C D E
20. Now a days he teaches English because the teacher of English has gone for a month's leave. No error.
A B C D E
21. The students sitting on the dais studied here for three years, but they have never created any problem. No error.
A B C D E
22. I lived here for five years so I know about the problems of this colony. No error.
A B C D E
23. They got everything ready for the visitors long before they reached here. No error.
A B C D E
24. I have been admiring her for the voice with which she is gifted. No error.
A B C D E
25. I could not recall when she told me about her affair with Zohaib. No error.
A B C D E
26. I can not recall what she advised me in this matter. No error.
A B C D E
27. I wanted him to pick up the box gently and kept it on the table. No error.
A B C D E
28. He served in a bank for twenty years; then he retired and established his business.
A B C D
No error. E
29. The students will leave the class before the principal comes. No error.
A B C D E

30. Had he told me earlier, I may have lent him the money to save him from the disgrace.
A B C D
No error.
E
31. Having been inspired into writing poems by his mother,
A B
he is writing consistently good poems over the last five years. No error.
C D E
32. I will discuss the matter with him when I will see him. No error.
A B C D E
33. My brother has and is still doing excellent work for his organisation. No error.
A B C D E
34. The Managing Director with the Board of Members were in favour of taking strict
A B C
action against the workers. No error.
D E
35. I am sure that neither the house nor its contents is for sale. No error.
A B C D E
36. We found the soldier lying seriously wounded and died shortly afterwards. No error.
A B C D E
37. He is a lovely man who is not taken seriously by his own people,
A B C
yet cannot keep aloof from them and their misery. No error.
D E
38. The driver said that a hundred kilometres, was, after all, a short distance
A B C
which he could cover in two hours. No error.
D E
39. He is not an artist nor he is a musician. No error.
A B C D E
40. The number of employees reporting sick have fallen because of the incentives. No error.
A B C D E
41. Javed Miandad is one of the finest batsmen that has won many laurels for Pakistan.
A B C D
No error.
E
42. No sooner did the bell rang than all the children ran towards the classroom. No error.
A B C D E
43. But for your cooperation and blessing this work could not have been completed.
A B C D
No error.
E
44. I courteously asked him where was he going but he did not reply. No error.
A B C D E

45. Remembering the incident, he says that the robbers do not spare any one. No error.
A B C D E

ANSWERS

1.	b	2.	d	3.	b	4.	d	5.	a	6.	c	7.	a
8.	d	9.	c	10.	d	11.	b	12.	c	13.	a	14.	c
15.	a	16.	b	17.	c	18.	b	19.	c	20.	a	21.	b
22.	a	23.	a	24.	a	25.	b	26.	e	27.	d	28.	a
29.	e	30.	b	31.	c	32.	d	33.	a	34.	b	35.	d
36.	c	37.	d	38.	c	39.	c	40.	d	41.	c	42.	b
43.	e	44.	c	45.	d								

EXERCISE 2

Directions: Every sentence given in this exercise has been divided into three parts marked A, B and C. The error lies in one of the parts. Read the sentence carefully and mark the incorrect part. However, if you feel the sentence contains no error, mark part D.

1. The bank robbery case was enquired two months ago but no report has published yet
A B C
No error.
D
2. If the room had been cleaned, the children would have made to sit in it. No error.
A B C D
3. The lonely lady puzzled when she found some strange footprints near the door. No error.
A B C D
4. The principal was angry because the work on the generator should have completed
A B
before the arrival of chief guest. No error.
C D
5. The poor boy was approached the lady principal and requested her
A B
to forgive him for his mistake. No error.
C D
6. Two students were badly injured and a dog killed in the bus car accident
A B
that took place yesterday. No error.
C D
7. It was advised by our family doctor that the patient must be taken care of. No error
A B C
8. A new TV serial is soon to be telecasted by the Star Channel. No error.
A B C D
9. I wish the children had not made to crawl in the hot sun. No error.
A B C D
10. Be careful lest your pocket should pick. No error.
A B C D
11. How much time will it take for the food to cook. No error.
A B C D

12. You will reprimanded If the children are made to jump into the river. No error.
A B C D
13. The prisoners made to stand before the superintendent of police arrived. No error.
A B C D
14. Having found guilty of rape and murder, the accused was sentenced to life imprisonment.
A B C
15. Rana expelled his son from his house because he was married an another caste girl.
A B C
16. If you don't apologise for having committed the mistake you won't be forgave.
A B C
17. The children should not have made to suffer at the hands of untrained teacher.
A B C
18. When he seriously wounded by a lorry he was immediately helped by an unknown person. No error.
A B C D
19. It is high time the perpetrators brought to book. No error.
A B C D
20. I asked to repeat the performance by the spectators. No error.
A B C D
21. It laid in all the scriptures that brotherhood and harmony is essence in social life.
A B C
22. The President of Pakistan can remove only through Impeachment. No error.
A B C D
23. Stones should not be throw at others by those that live in glass houses. No error.
A B C D
24. Such a magnificent building of an hotel has never seen before by me. No error.
A B C D
25. The people were called him an imposter and regarded him as a 'Don'. No error.
A B C D
26. On 26— January all the streets were thronged with spectators. No error.
A B C D
27. Grammar is taught us by a lady teacher named Shahzad. No error.
A B C D
28. By whom were you taught to grammar? No error.
A B C D
29. Do not float the rumours lest the curfew is imposed in the city. No error.
A B C D

30. In those days, the cultivation in Pakistan used to do with obsolete implements. No error.
A B C D
31. The freedom fighter gave a standing ovation when the President mounted a medal on his chest. No error.
A B C D
32. The dog killed by him with an iron road. No error.
A B C D
33. Why was such a nasty letter was written by your brother? No error.
A B C D
34. It took almost two hours for the fault to rectify. No error.
A B C D
35. The house was raided and all the rooms searched. No error.
A B C D
36. We celebrate festivals lest our heritage should forget. No error.
A B C D
37. I wish Bangladesh had not divided. No error.
A B C D
38. The child ran over by a speeding car while he was crossing the road. No error.
A B C D
39. He should not have held guilty if he did not commit the offence, as proved by the investigators. No error.
A B C D
40. The wounded man was being help by some girls. No error.
A B C D
41. The meeting adjourned when nothing was heard in noise and din. No error.
A B C D
42. The opposition would not have held the government negligent if the meeting had convened on time. No error.
A B C D
43. Will you reinstate if the court gives the verdict in your favour? No error.
A B C D
44. Should you reinstate, it will set the trend for other employees to be hopeful. No error.
A B C D
45. Possibilities should explore to establish health care centres across the country. No error.
A B C D

ANSWERS

1	c	2	c	3	a	4	b	5	a	6	b	7	d
8	b	9	c	10	c	11	c	12	a	13	a	14	a
15	b	16	c	17	b	18	a	19	b	20	a	21	a
22	a	23	b	24	c	25	a	26	c	27	a	28	c
29	c	30	b	31	a	32	a	33	b	34	c	35	c
36	c	37	c	38	a	39	a	40	b	41	a	42	c
43	a	44	a	45	a								

EXERCISE 3

Directions: Each sentence given in this test paper has been divided into three parts, marked A, B and C. The error lies in one of the parts. Read the sentences carefully and mark the incorrect part. However, if you feel the sentence contains no error, mark part D.

1. After having passed M.Sc. he joined the Air Force as an officer. No error.
A B C D
2. The learning of grammatical rules is better than committing them to memory mechanically. No error.
A B C D
3. He did no more than to make a beginning. No error.
A B C D
4. The Pakistan's have a great desire for being educated. No error.
A B C D
5. You must try to clearly understand that an infinitive should not be split. No error.
A B C D
6. It is better to do something than sit idle. No error.
A B C D
7. Alexander's hope to conquer the whole of Pakistan was never realized. No error.
A B C D
8. Being deaf I shouted my words in his ears. No error.
A B C D
9. Being a poor nation, the World Bank has helped Pakistan many a time. No error.
A B C D
10. Being a poor nation, Pakistan cannot afford to stage Olympic games. No error.
A B C D
11. He was obviously surprised at me refusing his request. No error.
A B C D
12. I do not know what to do with that man running away every time I come across him. No error.
A B C D
13. Being the last day of the academic year the students decided to meet the principal. No error.
A B C D
14. Even though he was over ninety he still enjoyed to read novels. No error.
A B C D
15. Returning home, several pieces of jewellery were missing. No error.
A B C D
16. What is the idea of you coming at this odd hour. No error.
A B C D
17. I am looking forward to see you at the party next week. No error.
A B C D
18. Trying many times, he decided not to appear in a competitive examination. No error.
A B C D

19. Having seen, the policeman the thief took to heels. No error.
A B C D
20. Being a moonlit night, Salma suggested to go boating. No error.
A B C D
21. As a good friend Noreen agreed to write the addresses on all the envelopes. No error.
A B C D
22. Meeting old friends and the reading of good books keep him busy the whole day. No error.
A B C D
23. You should avoid to meet the people with dubious reputation. No error.
A B C D
24. Although he was very tired he still kept to work continuously for seven hours. No error.
A B C D
25. When I have finished to explain the circumstances I am sure that you will understand. No error.
A B C D
26. Do you remember to meet her at my house last year. No error.
A B C D
27. Mathematics is the subject I am not interested. No error.
A B C D
28. Have you started to write the book that you were talking about? No error.
A B C D
29. He believing himself to be right he stuck to his opinion. No error.
A B C D
30. Having been warned of the danger I stayed there no longer. No error.
A B C D

ANSWERS

1.	a	2.	b	3.	b	4.	c	5.	a	6.	d	7.	a
8.	a	9.	a	10.	d	11.	b	12.	b	13.	a	14.	c
15.	b	16.	b	17.	b	18.	a	19.	a	20.	a	21.	a
22.	b	23.	b	24.	b	25.	a	26.	b	27.	c	28.	b
29.	a	30.	d										

EXERCISE 4

Directions: Each sentence given in this test paper has been divided into four parts marked A, B, C and D. The error lies in one of the parts. Read the sentence carefully and mark the incorrect part. However, if you feel the sentence contains no error, mark part E.

1. We decided the programme because we wanted to do something we knew. No error.
A B C D E
2. I have taken the above facts from a book on ancient history. No error.
A B C D E

3. The chief manager asked me why I had entered his room accompanied by my dog.
A B C D
No error. E
4. Your finger prints will identify you in any situation you may find yourself. No error.
A B C D E
5. We enclose herewith a report received from our representative this morning. No error.
A B C D E
6. It is improbable that either of his parents are willing to help him. No error.
A B C D E
7. The Council does not hold itself responsible for the loss or the damage to any article.
A B C D
No error. E
8. A notable aspect of Nepal's poll verdict was that the electorates were
A B C
not swayed by anti-Pakistan campaign. No error. D E
9. He was reading a book while at the same time he was talking to his guards. No error.
A B C D E
10. Pakistani candidates who take this examination are now fewer in number. No error.
A B C D E
11. There was a funny story you told me of the clerk who was stabbed to death in his office.
A B C D
No error. E
12. In the court he refuted that he was terrorist and demanded an apology
A B C
from his accusers. No error. D E
13. Thousand years ago the world had several ice-ages. No error.
A B C D E
14. Dr. Mumtaz the philosopher he taught at colleges. No error.
A B C D E
15. Many amusement parks similar with Disneyland are being established in different
A B C
ABC parts of the world. No error. D E
16. The plants make their own food through a process called photosynthesis. No error.
A B C D E
17. This is a universal fact which all people know. No error.
A B C D E
18. Such candidates who have not cleared the written test will
A B C
not be called for the interview. No error. D E

19. Girls should have a great faith and will-power to deny to marry
A B C
those that ask for dowry. No error. D E
20. The constable was a so big man that he could not run fast enough to catch the thief.
A B C D
No error. E
21. It being a long holiday every student wanted to leave for his home town. No error.
A B C D E
22. Totally exhausted he lay down on the sofa and fell asleep. No error.
A B C D E
23. Whoever objects to me going to the convention ought to state his position. No error.
A B C D E
24. I was asked not only to contribute to the cause by giving money but also by participating
A B C
in its activities. No error. D E
25. As a child my father took me to Lahore to visit my grandfather. No error.
A B C D E
26. The result of his judgements and orders show his clarity of law and facts. No error.
A B C D E
27. Every Friday the Desert English Institute has decided to take an oral test to find out how
A B C
much its students have grasped. No error. D E
28. In the first inning the West Indies gained a big lead over the Pakistani team. No error.
A B C D E
29. Education is a devise for helping a man to grow to his full stature. No error.
A B C D E
30. I would always fight for my country even if I am put in the most hazardous position.
A B C D
No error. E

ANSWERS

1.	a	2.	b	3.	d	4.	d	5.	a	6.	d	7.	c
8.	c	9.	c	10.	d	11.	a	12.	b	13.	a	14.	c
15.	b	16.	a	17.	d	18.	a	19.	c	20.	a	21.	d
22.	b	23.	b	24.	c	25.	a	26.	c	27.	b	28.	a
29.	a	30.	c										

ANALOGY

Note: Answers are Bold and Underlined.

1. **MERCENARY : SOLDIER**
(a) Amateur : artist
(c) Pedant : teacher
2. **INSTIGATOR : INCITE**
(a) Accomplice : threaten
(c) Employee : strike
3. **ANECDOTE : AMUSEMENT**
(a) Parable : brevity
(c) Harangue : complacency
4. **NEXORABLE : DISSUASION**
(a) Indomitable : conquest
(c) Insatiable : nourishment
5. **SONNET : POET**
(a) Stage : actor
(c) Music : dancer
6. **CRAVEN : ADMIRABLE**
(a) Unruly : energetic
(c) Deft : awkward
7. **INVENTORY : MERCHANDISE**
(a) Entry : ledger
(c) Photograph : negative
8. **PATRONIZE : CONDESCENSION**
(a) Exasperate : anger
(c) Compensate : apology
9. **MAELSTROM : TURBULENT**
(a) stricture : imperative
(c) Antique : rare
10. **ETCH : CORROSIVE**
(a) Shrink : diminutive
(c) Glue : adhesive
11. **ATROCIOUS : BAD**
(a) Excessive : adequate
(c) Unavailing : helpful
12. **SCHOLARLY : PEDANTIC**
(a) Thrifty : extravagant
(c) Modest : prodigal
13. **POTABLE : BEVERAGE**
(a) Attainable : effort
(c) Quantifiable : phenomenon
14. **ANONYMOUS : IDENTIFY**
(a) Nonchalant : excite
(c) Misled : trust
15. **EMBARRASS : SHAME**
(a) Coax : reluctance
(c) Doubt : uncertainty
- (b) Apprentice : student
(d) Hack : writer
- (b) Adjudicator : quarrel
(d) Bully : browbeat
- (b) Lecture : instruction
(d) Caption : illustration
- (b) Invulnerable : protection
(d) Unfathomable : mystery
- (b) Orchestra : conductor
(d) Symphony : composer
- (b) Listless : attractive
(d) Trifling : amusing
- (b) Number : set
(d) Manifest : cargo
- (b) Deride : mockery
(d) Harry : decision
- (b) Mirage : illusory
(d) Myth : authentic
- (b) Destroy : worthless
(d) Sculpt : malleable
- (b) Momentous : important
(d) Contagious : diseased
- (b) Tactful : diplomatic
(d) Generous : philanthropic
- (b) Indigestible : food
(d) Habitable : dwelling
- (b) Repressed : constrain
(d) Annoying : assist
- (b) Sleep : fatigue
(d) Console : comfort

16. **PESTLE : GRIND :**
(a) Whetstone : sharpen
(c) Mill : turn
17. **ENTHUSIASM : MANIA**
(a) Idea : inspiration
(c) Failure : disgust
18. **INURED : TOLERANCE**
(a) Sensitized : generosity
(c) Addicted : dependency
19. **INSTRUMENTALIST : SYMPHONY**
(a) Author : drama
(c) Composer : concerto
20. **SYNOPSIS : CONCISENESS**
(a) Distillate : purity
(c) Replication : precedence
21. **MIRTH : LAUGHTER**
(a) Uncertainty : nod
(c) Danger : alarm
22. **PORE : MEMBRANE**
(a) Mouth : lip (b) Eyelid : eye
23. **IMMUTABLE : ALTERED**
(a) Impassable : attempted
(c) Desiccated : moistened
24. **UNFLAPPABLE : UPSET**
(a) Veracious : deceive
(c) Vigorous : impede
25. **VENIAL : EXCUSE**
(a) Implausible : decry
(c) Pellucid : understand
26. **PRETENSE : DECEIVE**
(a) Compunction : repel
(c) Restitution : forestall
27. **CARTOGRAPHER : MAP**
(a) Astronomer : stars (b) Carpenter : wood
28. **ANALGESIC : PAIN**
(a) Sedative : sleep
(c) Antiseptic : odour
29. **PESTLE : GRIND**
(a) Scissors : sharpen (b) Spice : flavour
30. **TREE : FORESTRY**
(a) Tractor : agriculture
(c) Fuel : combustion
31. **FOOTBALL : GRIDIRON**
(a) Wrestling : mat
(c) Bowling : floor
32. **EXPURGATE : PASSAGE**
(a) Abridge : text (b) Filter : water
33. **IMPECUNIOUS : HOVEL**
(a) Progress : prosper
(c) Prosperity : poverty
- (b) Balloon : float
(d) Hinge : fasten
- (b) Nightmare : hallucination
(d) Suspicion : paranoia
- (b) Disinterested : dishonesty
(d) Satisfied : apathy
- (b) Photographer : cinema
(d) Dancer : ballet
- (b) Mutation : viability
(d) Illusion : quickness
- (b) Approval : applause
(d) Labour : sweat
- (c) Door : wall (d) Tunnel : passage
- (b) Untenable : debated
(d) implacable : propitiated
- (b) Affable : befriend
(d) Obstinate : persuade
- (b) Experimental : explore
(d) Preponderant : balance
- (b) Admonition : reprove
(d) Hoax : entertain
- (c) Lumberjack : saw (d) Tailor : clothing
- (b) Stimulant : mood
(d) Anaesthetic : sensation
- (c) Spoon : stir (d) Hammer : swing
- (b) Experiment : laboratory
(d) Flower : horticulture
- (b) Court : tennis
(d) Baseball : diamond
- (c) Irritate : wound (d) Burn : book
- (b) Mendicant : evasion
(d) Affluent : mansion

34. **APIARY : BEE**
(a) Museum : painting (b) Dam : water
35. **SAND PAPER : ABRASIVE**
(a) Gasoline : refined (b) Gravity : irritant
36. **DIAPHANOUS : CACOPHONOUS**
(a) Translucent : transparent
(c) Sheer : opaque
37. **INFANCY : SENILITY**
(a) January : October (b) Incipient : critical
38. **RIG : CONTEST**
(a) Solve : conundrum
(c) Repudiate : thesis
39. **ARBORETUM : TREES**
(a) Aviary : birds
(c) Museum : painters
40. **BULLET : BARREL**
(a) Fame : films (b) Train : track
41. **PARENTHESIS : EXPLANATION**
(a) Ellipsis : omission
(c) Synopsis : affectation
42. **CENSUS : POPULATION**
(a) Manifest : debts
(c) Itinerary : journeys
43. **STANZA : POEM**
(a) Mimicry : pantomime
(c) Act : opera
44. **EXHORT : SUGGEST**
(a) Conspire : plan (b) Tamper : adjust
45. **ALACRITY : APATHETIC**
(a) Compliance : deft
(c) Despotism : arrogant
46. **FIRE : STORM**
(a) Whale : minnow
(c) Plant : flower
47. **COLLUSION : CONSPIRATORS**
(a) Identification : arbitrators
(c) Conclusion : messengers
48. **CYNOSURE : BRILLIANT**
(a) Word : common
(c) Rock : large
49. **PLEBISCITE : UKASE**
(a) Lack : abundance
(c) Cancel : construct
50. **MENDICANT : IMPECUNIOUS**
(a) Hat : askew
(c) Complainer : petulant
51. **RELAPSE : CONVALESCENCE**
(a) Dissonance : harmony
(c) Repetition : monotony
- (c) Arboretum : tree (d) Forum : speech
- (c) Polish : floors (d) Oil : lubricant
- (b) Transparent : noisy
(d) Harmonious : discordant
- (c) Day : night (d) Dawn : dusk
- (b) Predict : race
(d) Gerrymander : district
- (b) Greenhouse : garden
(d) Grove : forest
- (c) Idea : brain (d) Plane : clouds
- (b) Asterisk : exaggeration
(d) Apostrophe : annotation
- (b) Roster : audience
(d) Inventory : merchandise
- (b) Duet : chorus
(d) Rhyme : verse
- (c) Crave : accept (d) Goad : direct
- (b) Temerity : timid
(d) Candour : bungling
- (b) Speech : shout
(d) Tornado : hurricane
- (b) Co-operation : partners
(d) Revision : correspondents
- (b) Student : attentive
(d) Magnet : attractive
- (b) Vote : musical instrument
(d) Public : ruler
- (b) Liar : poor
(d) Critic : quizzical
- (b) Feudalism : industrialization
(d) Recidivism : rehabilitation

52. **AMBULATORY : BEDRIDDEN**
(a) Strong : weak (b) Wheelchair : bed
53. **SUBPOENA : WITNESS**
(a) Hire : labourer
(c) Elect : officer
54. **INVINCIBLE : SUBDUED**
(a) Expensive : bought
(c) Bolted : separated
55. **BURLESQUE : PLAY**
(a) Operetta : symphony (b) Limerick : sonnet (c) Doggerel : verse (d) Table : narration
56. **GROW : BURGEON**
(a) Flourish : thrive
(c) Beat : palpitate
57. **EXTROVERT : RETICENT**
(a) Reprobate : humility
(c) Zealot : loyalty
58. **HYGROMETER : BAROMETER**
(a) Snow : rain
(c) Water : mercury
59. **EXEMPTION : EXCLUSIONS**
(a) Discharge : elimination
(c) Immunity : isolation
60. **FEBRILE : ILLNESS**
(a) Classic : cultivation
(c) Eccentric : discrimination
61. **CONDUIT : WATER**
(a) Behaviour : liquid
(c) Artery : blood
62. **BIZARRE : EXOTIC**
(a) Wild : tame
(c) Stage : dancer
63. **ENTREPRENEUR : LABORER**
(a) Mediator : conflict
(c) Profits : wages
64. **ANTIMACASSAR : SOFA**
(a) Picture : frame (b) Rug : floor
65. **NOTABLE : NOTORIOUS**
(a) Heinous : atrocious
(c) Philanthropic : miserly
66. **ANGLE : DEGREE**
(a) Area : square inch
(c) Society : classes
67. **CONFIRMED : INVETERATE**
(a) Knowledge : supposed
(c) Immature : callow
68. **LULLABY : BARCAROLE**
(a) Birth : marriage (b) Night : morning
69. **ZOOLOGY : ANIMALS**
(a) Ecology : pollution
(c) Chemistry : atoms
- (c) Free : confined (d) Healthy : sick
- (b) Tax : worker
(d) Conscript : soldier
- (b) Inconsistent : expressed
(d) Impervious : damaged
- (b) Transport : enrapture
(d) Evolve : multiply
- (b) Strategist : decisiveness
(d) Maverick : conformity
- (b) Humidity : pressure
(d) Temperature : weather
- (b) Debarment : prevention
(d) Forgive : condone
- (b) Delusional : insanity
(d) Tenacious : astonishment
- (b) Electricity : television
(d) Wire : sound
- (b) Lively : livid
(d) Commonplace : routine
- (b) Capitalism : communism
(d) Arbitrator : capitalist
- (c) Pillow : bed (d) Door : window
- (b) Philandering : pleasant
(d) Philanthropic : benevolent
- (b) Milk : quart
(d) Letter : alphabet
- (b) Financial : bankrupt
(d) Credible : incredible
- (c) Cradle : gondola (d) Song : poem
- (b) Botany : plants
(d) History : people

70. DORY : VAN
(a) Dairy : cow
(c) Freightier : caisson
71. BABBLE : TALK
(a) Though : blank (b) Look : espy
72. ALCOVE : RECESS
(a) Column : entrance
(c) Dome : roof
73. EQUIVOCATE : COMMITMENT
(a) Collaborate : falsification
(c) Procrastinate : action
74. MORPHINE : SEDATES
(a) Oil : smears (b) Bandage : protects (c) Drug : addicts (d) Liquor : sedates
75. SAW : CARPENTER
(a) Scissors : tailor (b) Wagon : farmer (c) Brush : painter (d) Typewriter : author
76. LURK : WAIT
(a) Boost : elevate (b) Deplete : drain (c) Abscond : depart (d) Bilk : cheat
77. ALCHEMY : SCIENCE
(a) Nostrum : remedy
(c) Ploy : tactic
78. NEEDLE : KNIT
(a) Bait : fish (b) Match : fire (c) Loom : weave (d) Soap : wash
79. PARQUET : WOOD
(a) Colour : painting
(c) Potpourri : medley
80. STICKLER : APPROXIMATION
(a) Laggard : indolence
(c) Scientist : theorizing
81. LOOM : WEAVE
(a) Couch : sleep (b) Needle : knit (c) Soap : wash (d) Machine : stitch
82. BODY GUARD : PERSON
(a) Teacher : pupil
(c) Police officer : traffic
83. BOUQUET : FLOWERS
(a) Corn : husk (b) Woodpile : logs (c) Forest : thicket (d) Mist : fog
84. TRIANGLE : QUADRILATERAL
(a) Rectangle : octagon
(c) Pentagon : hexagon
85. SARTORIAL : TAILOR
(a) Thespian : designer
(c) Pictorial : musician
- (b) Fish : vehicle
(d) Runners : wheels
- (c) Wink : eye (d) Simper : smile
- (b) Foundation : building
(d) Turret : chimney
- (b) Fabricate : explanation
(d) Expostulate : confusion
- (b) Sideshow : carnival
(d) Forgery : imitation
- (b) Mosaic : glass
(d) Collage : tapestry
- (b) Connoisseur : anachronism
(d) Purist : adulteration
- (b) Mayor : city
(d) Soldier : country
- (b) Cone : cube
(d) Plane : solid
- (b) Rhetorical : questioner
(d) Terpsichorean : dancer

PART-II

FEDERAL BOARD OF REVENUE

INLAND REVENUE (FBR)

BRIEF HISTORY OF FBR

On July 15 2006, the government has decided to convert the Central Board of Revenue (CBR) into an independent entity as 'Federal Board of Revenue' (FBR), enhancing its financial and operational autonomy for smooth functioning, with additional powers to take decisions on taxation/reforms related matters, and to authorize it to demand taxpayer's related information from any department/bank/financial institution/housing society to maintain a 'national database'. The CBR has drafted 'Federal Board of Revenue (FBR) Act, 2006' which would repeal the 'Central Board of Revenue (CBR) Act, 1924'. The FBR would have provisions to override any other government law. The 'FBR Act' would set up an 'Advisory Board' comprising Minister of Finance or Advisor to Prime Minister on Finance and Revenue; Chairman CBR and three other members from the public/private sector. The 'Advisory Board' would be supervisory body to monitor the functioning of 'FBR' and independently make annual budget allocations.

The draft stated that the 'Federal Board of Revenue' shall continue to operate without interruption. The head office of the 'Board' shall be in Islamabad. The 'Board' may establish and close down offices, re-locate the offices according to the stream of the taxes, at other places in Pakistan. The federal government would appoint any suitable person as its chairman for tenure of 3 years, which may be extended on eligibility for another 3 years. The chairman shall be the chief executive officer of the 'Board' and shall, together with other members, be responsible for administration of the affairs of the Board.

POWERS AND FUNCTIONS OF 'FBR'

The Board shall have all necessary powers as may be necessary to perform its duties and functions under 'FBR Act 2006'. It will prepare, with the advice of the Advisory Board, the revenue expenditure budget for each financial year. The 'FBR Board' shall be responsible for the regulation, administration, assessment and collection of taxes, whether federal or provincial, if so provided by law. It will be empowered to conduct research and frame a code of conduct for employees to enforce accountability. The 'Board' may in consultation with the Advisory Board, calculate taxes and duties, adopt streams of taxes and duties and/or make it identifiable as inland revenue and customs duties, or internal taxes and duties. It will identify matters to make policy decisions and may also make recommendations regarding policy to the federal government for its consideration. The Board may adopt best international practices followed in other countries for improving collecting of duties/taxes.

POWER TO COLLECT REVENUE

The 'Board' may, from time to time, and with the approval of the federal government, collect revenue from sources within Pakistan or from abroad as the case may be, as envisaged in the various legislation to the extent applicable.

RULES AND REGULATIONS

The Federal Government may, by notification in the official Gazette, make rules for all or any of the matters in respect of which it is required to make rules to carry out the purposes of the 'FBR Act 2006'. It will be empowered to make rules in the matters relating to the imposition and levy of taxes, duties, and procedures. This shall be subject to the condition of previous publication and before making any rules the draft shall be published in the official Gazette for eliciting public opinion within a period of 30 days from the date of publication.

ASSISTANCE TO THE BOARD

The federal divisions, attached departments, wings, offices, corporations and all the provincial government departments, attached departments, wings and FATA, NA administrations shall assist the 'Federal Board of Revenue' to carry out its functions smoothly.

FEDERAL BOARD OF REVENUE (FBR)

Most of the countries in the world strongly depend on their highest revenue generated organization known as their taxation departments and in the same manner Pakistan have FBR. This department is working from the independence of the country first known as CBR. Since the early days this department is facing various problems like corruption & irresponsibility issues.

Now a day's IMF is forcing FBR to work as an independent organization and for this matter the department changes a lot since last 2 years implementing and introducing new ways to find and take actions on taxation theft. Department is trying to centralize all data on a one platform so then they can reach and catch the biggest fishes of revenue theft.

1. An organization exercises internal control in order to accomplish specific goals and objectives. The Directorate General of Internal Audit (Inland Revenue) being Internal Control of Federal Board of Revenue safeguards revenue leakages, checks the accuracy and reliability of departmental working, promotes efficiency, and encourages adherence to prescribed law and procedures. Since its inception the Directorate General has proved to be custodian of state revenues.
2. The Directorate General has a significant history of detection of events of tax evasion, under-reporting, under-assessments and issuance of bogus/illegal refunds caused due to inefficiency, corrupt practices, lack of adequate skills, omissions and commissions. This inter-alia includes incorrect application of law, non-maintenance of proper records, wrong appreciation of facts, mal-practices and connivance, improper training and lack of knowledge of respective trades and procedural lapses. The core functions performed by the Directorate General are remedial, curative and preventive in nature. The Inspection and Audit authorities make recommendations for an efficient system with the objective to create a taxpayers' friendly transparent culture envisioned in Tax Administration Reform Programmes.

3. The "Directorate of Inspection & Audit" was initially created through CBR's Notification, which remained valid up to 1991. It was upgraded as "Directorate General of Inspection, Audit & Enquiries (Direct Taxes)" in 1991, and was attached to the Ministry of Finance. It was re-organized/re-designated as a statutory body through Finance Act 1995, and was re-named as Directorate General of Inspection (Direct Taxes) in 1995.
4. The administrative control was reverted to the CBR/Revenue Division in 1996. Through Finance Act (2007), this organization was renamed as "Directorate General of Internal Audit (Direct Taxes)" and it works under the administrative control of the Chairman, FBR. With the inception of the Inland Revenue Service and consequential restructuring, the mandate of the organization of Internal Audit has been redefined as is discussed in detail, in subsequent paragraphs. Organizational set up of the Directorate General of Internal Audit (IR) is as under:

MANDATE

The Directorate General derives its mandate from Section 228 of the Income Tax Ordinance, 2001. Its functions, jurisdiction and powers have been specified vide SRO No.660 (1)/2005 dated 30-06-2005. Section 228 and the said SRO is reproduced for the sake of convenience as under:

Section 228. The Directorate-General of Internal Audit. (1) The Directorate General of Internal Audit shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

SRO No.660 (1)/2005. The Federal Board of Revenue has specified functions, jurisdiction and powers of the Directorate-General of Internal Audit (Direct Taxes) as under:-

"In exercise of the powers conferred by sub-section (2) of section 228 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Central Board of Revenue is pleased to specify functions, jurisdiction and powers of Directorate-General of Inspection (Direct Taxes) as under, namely,

Inspection authorities:- (1) The Directorate General of Inspection shall consist of the following namely:-

- (a) Director General of Inspection
 - (b) Directors of Inspection
 - (c) Additional Directors
 - (d) Deputy Directors
 - (e) Assistant Directors
 - (f) Extra Assistant Directors
- (2) The Directors, Additional Directors, Deputy Directors, Assistant Directors and Extra Assistant Directors of Inspection shall be subordinate to the Director General of Inspection.
 - (3) Additional Directors, Deputy Directors, Assistant Directors and Extra Assistant Directors of Inspection shall be subordinate to the Director of Inspection within whose jurisdiction they perform their functions.
 - (4) Deputy Directors, Assistant Directors and Extra Assistant Directors shall be subordinate to the Additional Director of Inspection within whose jurisdiction they perform their functions.
 - (5) Assistant Directors of Inspection shall be subordinate to the Deputy Director of Inspection within whose jurisdiction they perform their functions.

- (6) Extra Assistant Directors of Inspection shall be subordinate to the Assistant Director of Inspection within whose jurisdiction they perform their functions.

Functions and powers: - (1) The functions of Directorate-General of Inspection shall be, as under, namely:

- to carry out inspections of income tax cases and offices;
- to investigate or cause investigation to be carried out in respect of cases involving leakage of revenue or evasion of taxes;
- to carry out internal audit of cases or offices involving income tax revenues and expenditure;
- to furnish an annual report about the working of income tax offices to the Central Board of Revenue (now Federal Board of Revenue) by the thirty-first day of December, following the end of the financial year to which it relates; and
- to carry out any other work or function that may be assigned to it by the Federal Government.

- (2) In discharge of its functions under (1) above, the Directorate General of Inspection shall have the powers specified in section 176 of the Income Tax Ordinance, 2001.

Jurisdiction:- (1) The Directors of Inspection shall perform their functions in respect of such persons or classes of persons or such areas as may be assigned to them by the Director General of Inspection.

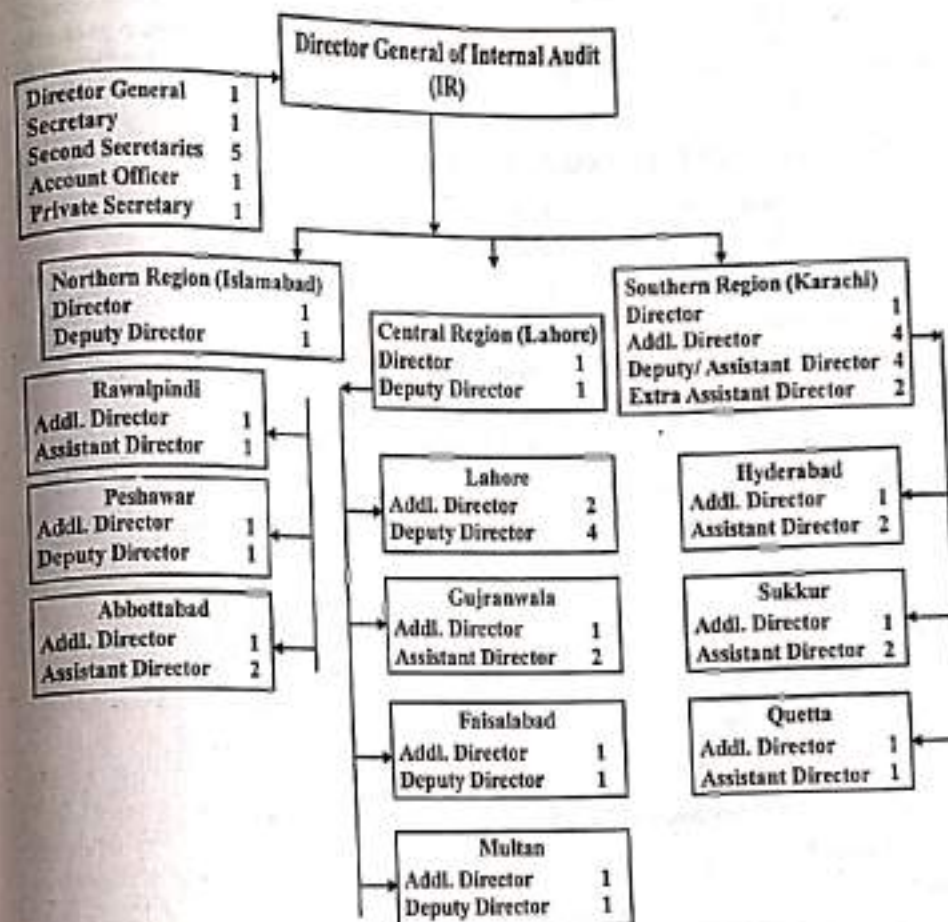
- (2) The Director General or a Director of Inspection may assign any function in respect of any area, or office or offices located within an area, case, class of cases, persons or classes of persons to any inspection officer working under his control.

Explanation:- "Inspection Officer" means an Additional Director, a Deputy Director, an Assistant Director and an Extra Assistant Director.

The notification shall take effect from 1st July, 2005."

2. Consequent upon the amendments made in the Income Tax Ordinance, 2001 through Finance (Amendment) Ordinance, 2009 and renaming of tax functionaries as the officers of Inland Revenue accordingly, the Board, vide order C.No.1(6) IR-Judicial/2009 dated 11th November, 2009 conferred powers under the Ordinance of 2001 to the re-designated officers. Similarly, vide notifications of even number and date, powers conferred to the authorities under the Sales Tax Act, 1990 and the Federal Excise Act, 2005 have also been conferred to the officers of Inland Revenue. Subsequently, vide notification No. 1046-02/SSM/2010 dated 28/04/2010, the Directorate General of Internal Audit (Direct Taxes) has been renamed as the Directorate General of Internal Audit (Inland Revenue). The Regional Directorates of Internal Audit (Direct Taxes) and the offices of Additional Directors of Internal Audit (Direct Taxes) have also been renamed accordingly.

ORGANOGRAM



INTRODUCTION TO LEGAL WING

FBR is in the process of achieving growth in revenues by reposing confidence in the taxpayer community and simultaneously implementing the tax laws fairly and squarely. Legal Wing of the FBR helps in implementation of the tax laws. The objective of growth in revenue is achieved in coordination with other Wings of FBR. Legal Wing of FBR is in incessant efforts to ensure proper representation of Revenue before various legal forums.

ABOUT PAKISTAN CUSTOMS - AN INTRODUCTION

Pakistan Customs is the guardian of Pakistan borders against movement of contra band goods and is facilitator of bona fide trade. It provides a major source of revenue to the Government of Pakistan in the form of taxes levied on the goods traded across the borders. It also helps to protect the domestic industry, discourage consumptions of luxury goods and stimulate development in the under developed areas.

JOB DESCRIPTION OF TAXPAYERS AUDIT WING

1. Planning and designing audit procedures.
2. Evaluating tax audits for all domestic taxes.
3. Devise and implement a National Audit Plan.
4. Design selection criteria for coverage of all higher risk areas.
5. Develop audit methodology to ensure audit quality.
6. Audit and Monitoring of Unlawful Sales Tax input adjustment.
7. Monitoring Post Refund Audit of Income Tax, Sales Tax and FED.
8. Desk Audit and resultant legal actions.
9. Any other duties assigned by Chairman FBR.

LAWS AND RULES

Acts

- Customs Act, 1969
- Sales Tax Act, 1990
- Federal Excise Act, 2005
- Federal Board of Revenue Act, 2007
- Finance Act

Rules

- Customs Rules, 2001
- Sales Tax Rules, 2006
- Sales Tax Special Procedures Rules, 2007
- Sales Tax Special Procedure (Withholding) Rules, 2007
- Federal Excise Rules 2005
- Income Tax Rules, 2002

INCOME TAX ORDINANCE

The history of taxation in Pakistan

Governments to meet their military and civil expenditure and not only to ensure safety to the subjects but also to meet the common needs of the citizens like maintenance of roads, administration of justice and such other functions of the State. That is the very reason that stress is laid down on implementing such a tax policy which could fulfill its task of revenue collection by targeting the right areas. The history of taxation in Pakistan has undergone many such initiatives and tests to consolidate its revenue collection system to come at par with the international standards while measuring up to the domestic requirements.

Income Tax

A very basic introduction to the concept of income tax can generally said to be a tax on the income of a person. The constitution of Pakistan provides the justification of its levy. Income Tax Ordinance is the competent authority to provide a format for the levy of this tax.

Sales Tax

Generally speaking Sales tax is a tax levied on the sale of goods and services. It has been explicitly defined in the Sales Tax Ordinance under section 2 subsection (29A) as (a) the tax, additional tax, or default surcharge levied under this Act; (b) a fine, penalty or fee imposed or charged under this Act; and (c) any other sum payable under the provisions of this Act or the rules made there under.

Federal Excise Duty

Federal excise duty is a tax that is levied on production or consumption of goods in a country. An excise is considered as an indirect tax.

Concept of Integration

The basic aim of taxation is to generate revenue effectively. In this regard the concept of integration provides a solid framework to bring about efficacy in the system. Integration tries to make sure that the total tax the government receives is the same whether your business is a corporation, a partnership, or sole Proprietorship.

Structure of the Tax Administration

Tax Administration is structured on type of tax basis. The longer term vision for the FBR is to establish a functionally integrated tax administration; however, recognizing the challenges of the change process, during the transitional period, separation of functions by tax type would have been required, but gradually reduced over time.

INLAND REVENUE SERVICES

The federal board of revenue (FBR) announced the formation of Inland Revenue Service (IRS) as proposed by the World Bank for functional integration of income tax, sales tax and federal excise duty as part of the reforms of the tax administration.

The new FBR management structure was put in place as of June 30, 2009 and the functional reorganization of the FBR, including the revision of the structures of RTOs and LTUs, will be completed by end-September 2009.

ABOUT INLAND REVENUE WING

Domestic Taxes, comprising Income Tax, Sales Tax and Federal Excise Duty, constitute about 90% of the Revenue collected by FBR. These taxes are not only similar in essence, but also are interdependent in practice. The time tested international tenor vindicates the same. The assimilation of these taxes into a single administrative structure was imminent since long, but never in the history of the Pakistan's Economy, was the need so great for the materialization of this change. Spurred by these exigencies and with a view to apply the modern taxation techniques to improve the tax to G.D.P ratio, the Inland Revenue Wing of the FBR was created, combining the three domestic taxes. It is expected that the inception of this wing would facilitate the taxpayers, as it would provide them to carry through their tax matters in one organizational structure. The creation of this wing would also be conducive for the tax administration, as the access to the taxpayer's data in respect of different domestic taxes would be easily available.

Multiple Choice Questions (MCQs)

Note: Answers are Bold and Underlined.

- The Central Board of Revenue became Federal Board of Revenue by the enactment of
 - FBR Act 2006
 - FBR Act 2007**
 - FBR Act 2008
 - FBR Act 2009
- The current chairman of FBR is
 - Qamar Zaman Chaudhry
 - Mohammad Jehanzeb Khan**
 - Nisar Muhammed Khan
 - Usman Yousaf Mobeen
- The Chairman FBR is
 - Executive head of the Board
 - Secretary of the Revenue Division
 - Chief Commissioner Inland Revenue
 - I only
 - II only
 - I and II**
 - I, II and III
- To provide convenience to the Large Taxpayers, the posts of Chief Commissioner Inland Revenue Large Taxpayers Unit (LTUs) were established in
 - Islamabad, Lahore and Karachi**
 - Islamabad, Karachi and Peshawar
 - Islamabad, Lahore, Karachi, Peshawar and Quetta
 - Islamabad, Lahore, Karachi, Peshawar, Quetta and Muzaffarabad
- The Chief Collectors Southern region include Chief Collectors:
 - Karachi, Lahore and Hyderabad
 - Karachi, Hyderabad and Quetta
 - Lahore, Rawalpindi and Peshawar
 - Karachi, Hyderabad, Quetta and Gwadar**

- The Chief Collectors Northern region include Chief Collectors:
 - Lahore, Rawalpindi and Peshawar
 - Lahore, Rawalpindi, Peshawar and Multan
 - Lahore, Rawalpindi, Peshawar, Multan and Faisalabad
 - Lahore, Rawalpindi, Peshawar, Multan, Faisalabad and Sambrial**
- Which from the following are the responsibilities of FBR chairman?
 - Formulation and administration of fiscal policies
 - Levy and collection of federal taxes
 - All matter relating to administrative control
 - I and II**
 - I and III
 - II and III
 - I, II and III
- Which from the following are called domestic taxes?
 - Income Tax
 - Sales Tax
 - Federal Excise Duty
 - All of the above**
- The Inland Revenue Wing of the FBR is responsible to collect
 - Income Tax
 - Sales Tax
 - Federal Excise Duty
 - All of the above taxes**
- Domestic Taxes constitute about _____ of the Revenue collected by FBR.
 - 80%
 - 85%
 - 90%**
 - 95%
- Which from the following is the direct responsibility of chairman FBR?
 - All matter relating to administrative control
 - All legal issues pertaining to the jurisdiction
 - Quasi-judicial function of hearing of appeals**
 - Generation of revenue within jurisdiction
- Which from the following is NOT the responsibility of Chief Commissioners LTUs?
 - Enforcement/collection of revenue
 - Facilitation of Taxpayer
 - Generation of revenue within jurisdiction
 - Interaction with the concerned ministries**
- Which from the following is the responsibility of Chief Commissioners LTUs?
 - All matter relating to administrative control
 - Generation of revenue within jurisdiction
 - All legal issues pertaining to the jurisdiction
 - All of the above**
- The total number of Inland Revenue Wings chiefs at the FBR Headquarter is
 - 3
 - 4
 - 5
 - 6**
- Which from the following sections work under Chief Inland Revenue (IR) Headquarter?
 - IR General and IR Judicial section
 - IR General, IR Judicial section and IR coordination section
 - IR General, IR Judicial section, IR coordination section and IR Revenue Budget**
 - IR General, IR Judicial section, IR coordination section, IR Revenue Budget and IR ST/FED section

16. Valuation of goods and tariff values is the responsibility of
 (a) Chief IR (HQs) (b) Chief (ST/FED - Policy)
 (c) Chief (Income Tax - Policy) (d) Chief IR (Operations)
17. Post budget clarifications and issuance of SROs is the responsibility of
 (a) Chief IR (HQs) (b) Chief (ST/FED - Policy)
 (c) Chief (Income Tax - Policy) (d) Chief IR (Operations)
18. Taxpayers Registration for Income Tax and Sales Tax is the responsibility of Inland Revenue
 (a) General Section (b) Judicial Section
 (c) Coordination Section (d) Revenue Budget Section
19. Assignment and monitoring of collection targets of Income Tax, Sales Tax and Federal Excise duty is the responsibility of IR
 (a) General Section (b) Judicial Section
 (c) Coordination Section (d) Revenue Budget Section
20. Matters pertaining to Income Tax, Sales Tax and Federal Excise duty Jurisdiction is the responsibility of IR
 (a) General Section (b) Judicial Section
 (c) Coordination Section (d) Revenue Budget Section
21. All budget and policy matters relating to dutiable / taxable goods and services is the responsibility of
 (a) Chief IR (HQs) (b) Chief (ST/FED - Policy)
 (c) Chief (Income Tax - Policy) (d) Chief IR (Operations)
22. The each chief of the three Chiefs Inland Revenue (IR) is assisted by Secretary and _____ RTOs/LTUs offices.
 (a) 5 (b) 6 (c) 7 (d) 8
23. Which from the following sections work under the Chief (Income Tax - Policy)?
 (a) Secretary (ITP) and Secretary (WHT)
 (b) Secretary (ITP), Secretary (WHT) and Secretary (Exemptions)/(I.T Rules)
 (c) Secretary (ITP), Secretary (WHT) and Secretary (International Taxes)
 (d) Secretary (ITP), Secretary (WHT), Secretary (Exemptions)/(I.T Rules) and Secretary (International Taxes)
24. Matters pertaining to reforms/ restructuring/ reorganization is the responsibility of IR
 (a) General Section (b) Judicial Section
 (c) Coordination Section (d) Revenue Budget Section
25. Matters related to parliament business, cabinet matters and ADR, FTO matters (Income Tax/ Sales Tax) is the responsibility of IR
 (a) General Section (b) Judicial Section
 (c) Coordination Section (d) Revenue Budget Section

26. A tax that takes a larger percentage from high-income earners than it does from low-income earners is called
 (a) proportional tax (b) progressive tax
 (c) regressive tax (d) suppressive tax
27. Which from the following is NOT an indirect type of tax?
 (a) Income Tax (b) Sales Tax
 (c) Custom Tax (d) Federal Excise Duty
28. The sales tax paid at any stage does not exceed _____ of the total sales price of the supplies.
 (a) 15% (b) 16% (c) 17% (d) 18%
29. Income tax is levied generally on the
 (a) net income (b) gross income
 (c) gross income - net income (d) any from the above
30. Capital Value Tax is levied on transaction of
 (a) movable property (b) immoveable property
 (c) perishable property (d) damaged goods
31. Which from the following is NOT among the heads of "Total Income"?
 (a) Salary (b) Income from property/business
 (c) Income from sales (d) Capital gains
32. Custom duty is levied on goods
 I. Imported into Pakistan
 II. exported from Pakistan
 III. transported through Pakistan
 (a) I only (b) II only (c) I and II (d) I and III
33. Excise duties are levied on a limited number of goods manufactured, and services provided _____ Pakistan.
 (a) in (b) outside (c) both A and B (d) None of these
34. All exports are liable to _____ Federal Excise Duty.
 (a) 0% (b) 5% (c) 10% (d) 17%
35. Which from the following is/are considered as "Good(s)"?
 (a) Actionable claims (b) Money
 (c) Stocks, Shares and Securities (d) None of these
36. Which Section of the Sales Tax Act 1990 stipulates the goods that are exempt from levy of sales tax?
 (a) Section 4 (b) Section 10
 (c) Section 13 (d) Section 15
37. Which Schedule of Section 13 of the Sales Tax Act 1990 includes a list of items on which no sales tax is levied?
 (a) Third Schedule (b) Fourth Schedule
 (c) Fifth Schedule (d) Sixth Schedule

38. Sales Tax is levied at the rate of _____ on all goods imported into Pakistan.
(a) 0% (b) 5% (c) 10% (d) 17%
39. The sales tax on goods imported into Pakistan is paid by the
(a) importers (b) exporters (c) both A and B (d) None of these
40. All supplies made in Pakistan by a registered person in the course of any business carried on by him, is liable to pay _____ sales tax.
(a) 0% (b) 5% (c) 10% (d) 17%
41. Taxable supply means a supply of taxable goods. The supply of taxable goods does not include taxable supply made by a/an
(a) importer (b) transporter
(c) retailer (d) manufacturer
42. Which from the following transactions do not constitute taxable supply?
(a) Supply of exempt goods
(b) Supply of goods chargeable to tax at the rate of zero per cent
(c) Supply made by an importer (d) Supply made by a banker
43. Zero-rated supply means a taxable supply which is charged to tax at the rate of 0%. Which Section of the Sales Tax Act 1990 elucidates the goods that are chargeable to tax at the rate of 0 percent?
(a) Section 4 (b) Section 10 (c) Section 13 (d) Section 17
44. Which Schedule of Section 4 of the Sales Tax Act 1990 includes a list of items on which 0% sales tax is levied?
(a) Third Schedule (b) Fourth Schedule (c) Fifth Schedule (d) Sixth Schedule
45. Under which section of the Sales Tax Act 1990, the Federal Government is empowered to prescribe any specified taxable goods which can be imported without payment of whole or part of sales tax?
(a) Section 30 (b) Section 40 (c) Section 50 (d) Section 60
46. Retailer means a person supplying goods to _____ for the purpose of consumption.
(a) Departmental stores (b) General public (c) Wholesaler (d) Shops
47. Which from the following taxes is not included in the Retail Price?
(a) Sales tax (b) Excise duty (c) Utilities (d) Capital value tax
48. Registered Person means a person who is:
I. Registered
II. Liable to be registered
III. Tax avoider or Tax escaper
(a) I only (b) II only (c) I and II (d) I, II and III
49. Which from the following activity is not considered as a taxable activity?
(a) An economic activity carried on for profit
(b) An economic activity carried on not for profit
(c) Rendering services (d) Employee work and services

50. Value of supply is equal to
(a) Taxable Supply (b) Taxable supply + All Taxes
(c) Taxable Supply + All taxes + Duty Paid (d) Taxable Supply + All taxes - Duty Paid
51. In general, according to Sales Tax Act 1990, tax period is a period of
(a) one month (b) six months (c) nine months (d) one year
52. The due date to furnish a return at the end of the tax period is the _____ day of the following month.
(a) 7th (b) 10th (c) 15th (d) 18th
53. A computerized program for analysing and cross-matching of sales tax returns is called
(a) Matlab (b) SPSS (c) SAS (d) CREST
54. Cottage industry means a manufacturer whose annual turnover from taxable supplies made in any tax period during the last twelve months ending any tax period does not exceed
(a) Rs. 1.00 million (b) Rs. 5.00 million (c) Rs. 10.0 million (d) Rs. 100 million
55. Local supplies of goods made by a cottage industry are exempt from
(a) Income Tax (b) Sales Tax (c) Capital Value Tax (d) Federal Excise Duty
56. General Sales Tax (GST) is charged on
(a) Selling Price (b) Retail Price
(c) Manufacturing Cost (d) None of these
57. Selling Price is equal to
(a) Retail Price + GST (b) Retail Price - GST
(c) Manufacturing Cost + GST (d) Manufacturing Cost - GST
58. According to Income Tax Ordinance 2001, the Normal tax year is a period of twelve months from _____ to _____.
(a) 1 January, 31 December (b) 1 April, 30 March
(c) 1 July, 30 June (d) 1 September, 31 August
59. The income of a resident person is computed by taking into account amounts that are:
I. Pakistan-source income
II. Foreign-source income
(a) I only (b) II only (c) I + II (d) I - II
60. The income of a non-resident person is computed by taking into account amounts that are:
I. Pakistan-source income
II. Foreign-source income
(a) I only (b) II only (c) I + II (d) I - II

FISCAL POLICY OF PAKISTAN

KEY POINTS

FOCUS OF GOVERNMENT OF PAKISTAN - TO IMPROVE FISCAL DISCIPLINE

The Government took following steps to improve the Fiscal Discipline:

- (a) Implementation of Public Finance Management Reforms and Cash Management System leading towards Treasury Single Account
- (b) Austerity and restructuring of the Federal Government to lessen financial burden
- (c) No borrowing from SBP for budget financing
- (d) No supplementary grants approved
- (e) Maintain a Primary Surplus
- (f) To facilitate PSDP spending bottlenecks in efficient release of funds were removed
- (g) Existing stock of public guarantees was capped by the government
- (h) Refunds of Rs 254 billion issued to the business community which are 125% more than Rs 113 billion issued last year. Additionally, Rs 35 billion have been provided for payment of DLT claims
- (i) Launching of flagship "Ehsaas" program to improve cash transfers to the poorest segment of society through better targeting
- (j) Historic package of Rs 152 billion to the merged districts of Khyber Pakhtunkhwa to ensure their development

FIRST 9 MONTHS OF FY 2019-20 - ON THE PATH TO STABILIZATION

The policy decisions of the Government helped in stabilizing the economy and bringing in improvement in major economic indicators during the first 9 months of the FY 2019-20.

- (a) Current Account deficit reduced by 73% from \$ 10 billion to \$ 3 billion
- (b) Trade deficit decreased by 31% from \$ 21 billion to \$ 15 billion
- (c) Fiscal deficit reduced from 5% to 3.8% of the GDP
- (d) Primary surplus of 0.4% of the GDP achieved first time in last 10 years
- (e) FBR revenue increased by 17% and the government was on track to achieve the revised target of Rs 4,800 billion
- (f) Non tax revenue increased by 134 % against the annual target of Rs 1,161 billion

- (g) Remittances increased to \$ 17 billion.
- (h) Foreign direct investment almost doubled from \$ 0.9 billion to \$ 2.15 billion
- (i) Debt management improved by shifting 74% of domestic debt portfolio to long term resulting in reduction of domestic borrowing rates from 14% to 10%. It saved Rs. 240 billion
- (j) Due to the reforms introduced by the government, Extended Fund Facility of
- (k) \$ 6 billion was approved by IMF
- (l) In December 2019, Bloomberg has ranked Pakistan Stock Exchange as one of the top performing markets of the world
- (m) Moody's ratings upgraded from B3-Negative to B3-Positive
- (n) Improvement in Pakistan's "Ease of Doing Business" ranking
- (o) Significant progress on 27 actionable items included in the FATF action plan

COVID 19 HAS CHANGED ALL: ADVERSE IMPACTS

Covid 19 has turned out to be a severe global economic threat, having the potential of destabilizing the international economic system. Pakistan was no exception as Corona virus adversely impacted the economy of the country. The immediate economic repercussions of Covid 19 for Pakistan during FY 2019-20 are highlighted as under:

- (a) The Industry and the retail businesses all over Pakistan have been badly affected
- (b) Economic growth has been reduced by Rs 03 trillion which brought down GDP growth projection from 3.3% to -0.4%
- (c) Projection of over-all budget deficit has been revised upward from 7.1% to 9.1% of GDP
- (d) FBR revenue loss has been projected at Rs 900 billion
- (e) Non tax revenue of the federal government has been reduced by Rs 102 billion
- (f) Exports and remittances have been badly affected
- (g) Unemployment and poverty have increased
- (h) Large scale manufacturing and FDI have declined
- (i) Domestic tourism in Pakistan has stalled

GOVERNMENT RESPONSE: ECONOMIC RELIEF PACKAGES

Government has stood up to the socio-economic challenge by reaching out to the vulnerable segments of the society and business community to neutralize the negative impact of lock down and unemployment. Government has approved a Stimulus Package of more than Rs 1,200 billion. In addition Government has given relief to farmers and daily wage earners. Incentives have been given to construction sector for stimulating the economy. State Bank of Pakistan has also introduced a number of initiatives for businesses to neutralize the negative impact of closures.

BUDGET PHILOSOPHY AND APPROACH

The next year budget is undoubtedly a crisis budget and its preparation requires well thought out philosophy and approach. Following are the main features of the budget 2020-21 philosophy:

- Striking a balance between corona expenditure and fiscal deficit
- Keeping primary balance at sustainable level
- Protection of social spending under the Ehsaas Program to support the vulnerable segments of the society
- Resource mobilization without unnecessary changes in tax structure
- Successful continuation of IMF program
- Carrying forward of Stimulus Package
- Keeping development budget at adequate level to stimulate economic growth.
- Defence and internal security of the country has been given due importance.
- Housing initiatives including Naya Pakistan Housing project have been funded
- Funding for special areas i.e erstwhile FATA, Azad Jammu and Kashmir,
- Gilgit Baltistan has also been ensured for their development
- The special initiatives led by the Prime Minister like Kamyab Jawan, Sehat Card, Billion tree Tsunami etc have also been protected.
- Austerity and rationalization of expenditures will be ensured.
- Subsidy regime will be rationalized to provide targeted subsidy to the deserving segments of the society.
- NFC award will be revisited. Moreover, the provinces will be asked to fulfill its funding commitment made at the time of merger of erstwhile FAT

BUDGET AT A GLANCE FOR THE FISCAL YEAR 2020-21

(Rs. in Billion)

RECEIPTS		EXPENDITURE	
Tax revenue	5,464	A. Current	6,346
FBR Taxes	4,963	Interest Payments	2,946
Other Taxes	501	Pension	470
Non-tax revenue	1,109	Defence Affairs & Services	1,289

a) Gross Revenue Receipts	6,573	Grants and Transfers to Provinces & Others	905
b) Less Provincial Share	2,874	Subsidies	209
I. Net Revenue Receipts (a-b)	3,700	Running of Civil Govt.	477
II. Non Bank Borrowing	1,395	Provision for Contingencies & Fund	50
III. Net External Receipts	810	B. Development	792
IV. Estimated Provincial Surplus	242	Federal PSDP	650
V. Bank Borrowing (T-Bills, PIBs, Sukuk)	889	Net Lending (Investments & Loans to PSEs minus recoveries)	72
VI. Privatization Proceeds	100	Other Dev. Expenditure Outside PSDP	70
Total resources (i to vi)	7,137	Total	
		Expenditure(a+b)	7,137

WORKING OF FEDERAL FISCAL DEFICIT AND FINANCING BUDGET 2020-21

(Rs. in Billion)

Fiscal Deficit		Financing	
(A) Federal Revenue (net)	3,700	(A) Net External Financing	810
(B) Total Federal Expenditure (i+ii)	7,137	Multilateral & Bilateral Sources	563
(I) Current Expenditure	6,346	Commercial Sources	248
(II) Development (and Net Lending (a+b+c))	792	Net Domestic Financing	2,527
Federal PSDP	650	National Saving Schemes	227
Other Development Expenditure	70	Government Securities	2,300
Net Lending	72	Privatization Proceeds	100
Federal Deficit (A-B)	-3,437	Total Financing (A+B+C)	3,437

BUDGET ESTIMATES 2020-21

	Budget 2019-20	Revised 2019-20	Budget 2020-21 (Rs. in Billion)
FBR Revenue	5,555	3,908	4,963
Other Revenues	1,162	1,596	1,610
Gross Revenue	6,717	5,504	6,573
Less: Transfer to Provinces	-3,255	-2,402	-2,874
Net Revenue for Federal Government	3,462	3,102	3,700
Expenditure	7,022	6,830	7,137
Federal Budget Deficit	-3,560	-3,728	-3,437
Provincial Surplus	423	-81	242
Overall Budget Deficit	-3,137	-3,809	-3,195
% GDP	-7.1%	-9.1%	-7.0%
Primary Budget Deficit	-669	-1,099	-249
Memo: GDP	44,003	41,727	45,567

CRITICAL ANALYSIS

Distribution of Resources Among Federation and Provinces

1. Pakistan is a Federal democracy. In order to maintain inter-governmental fiscal relationship, Article 160 of the Constitution provides for setting up of a National Finance Commission (NFC) with intervals not exceeding five years. The mandate of NFC is to make recommendations to the President for the distribution of resources between the Federal and Provincial Governments. The recommendations of the NFC are given legal cover through a President's Order. The relevant provisions of President's Order No. 5 of 2010 as amended vide No. 6 of 2015 are as under:

Distribution of Revenues.—(1) The divisible pool taxes in each year shall consist of the following taxes levied and collected by the Federal Government in that year, namely:—

- taxes on income;
- wealth tax;
- capital value tax;
- taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;

- export duties on cotton;
- customs duties;
- federal excise duties excluding the excise duty on gas charged at well-head; and
- any other tax which may be levied by the Federal Government.

One percent of the net proceeds of divisible pool taxes shall be assigned to Government of Khyber Pakhtunkhwa to meet the expenses on war on terror.

After deducting the amounts as prescribed in clause (2), of the balance amount of the net proceeds of divisible pool taxes, fifty-six percent shall be assigned to provinces during the financial year 2010-11 and fifty-seven and half percent from the financial year 2011-12 onwards. The share of the Federal Government in the net proceeds of divisible pool shall be forty-four percent during the financial year 2010-11 and forty-two and half percent from the financial year 2011-12 onwards.

Allocation of shares to the Provincial Governments.—(1) The Province - wise ratios given in clause (2) are based on multiple indicators. The indicators and their respective weights as agreed upon are:—

- Population
- Poverty or backwardness
- 82.0%
- 10.3%
- Revenue collection or generation
- Inverse population density
- 5.0%
- 2.7%

The sum assigned to the Provincial Governments under Article 3 shall be distributed amongst the Provinces on the basis of the percentage specified against each:—

- Balochistan
- Khyber Pakhtunkhwa
- Punjab
- Sindh

Total:

- 9.09%
- 14.62%
- 51.74%
- 24.55%
- 100.00%

The Federal Government shall guarantee that Balochistan province shall receive the projected sum of eighty-three billion rupees from the provincial share in the net proceeds of divisible pool taxes in the first year of the Award. Any shortfall in this amount shall be made up by the Federal Government from its own resources. This arrangement for Balochistan shall remain protected throughout the remaining four years of the Award based on annual budgetary projections.

Payment of net proceeds of royalty on crude oil.—Each of the provinces shall be paid in each financial year as a share in the net proceeds of the total royalties on crude oil an amount which bears to the total net proceeds the same proportion as the production of crude oil in the Province in that year bears to the total production of crude oil.

Payment of net proceeds of development surcharge on natural gas to the Provinces.—(1) Each of the Provinces shall be paid in each financial year as a share in the net proceeds to be worked out based on average rate per MMBTU of the respective province. The average rate per MMBTU shall be derived by notionally clubbing both the royalty on natural gas and development surcharge on Gas. Royalty on natural gas shall be distributed in accordance with clause (1) of Article 161 of the Constitution whereas the development surcharge on natural gas would be distributed by making adjustments based on this average rate.

(2) The development surcharge on natural gas for Balochistan with effect from 1st July 2002, shall be re-worked out hypothetically on the basis of the formula given in clause (1) and the amount, subject to maximum of ten billion rupees, shall be paid in five years in five equal installments by the Federal Government as grants to be charged on the Federal Consolidated Fund.

- (i) **Grants-in-Aid to the Provinces.**—There shall be charged upon the Federal Consolidated Fund each year, as grants-in-aid of the revenues of the province of Sindh an amount equivalent to 0.66% of the provincial share in the net proceeds of divisible pool as a compensation for the losses on account of abolition of octroi and zilla tax.
- (ii) **Sales tax on services.**—NFC recognizes that sales tax on services is a Provincial subject under the Constitution of the Islamic Republic of Pakistan, and may be collected by respective Provinces, if they so desired.
- (iii) Recently, the President has constituted 10th NFC Award for consideration on distribution of resources afresh.
- (iv) Detail of Provincial share of Federal Taxes for budget estimates and revised estimated of 2019-20 and budget estimates of 2020-21 are given in table 3 below:-

DETAILS OF PROVINCIAL SHARE IN FEDERAL TAXES

(Rs in Millions)

Classification	Budget 2019-20	Revised 2019-20	Budget 2020-21
A. DIVISIBLE POOL TAXES			
- Income Tax	1,176,770	941,574	1,156,193
- Capital Value Tax	2,234	1,461	1,744
- Sales Tax (Excl. GST on Services)	1,206,911	851,912	1,098,916
- Federal Excise (excl. Excise Duty on Natural Gas)	199,770	174,001	198,403
- Customs Duties (excl. Export Development Surcharge)	568,086	331,534	361,957

B. STRAIGHT TRANSFERS

- Gas Development Surcharge	100,756	101,598	106,506
- Royalty on Natural Gas	9,800	9,799	15,867
- Royalty on Crude Oil	50,627	53,949	52,736
- Excise Duty on Natural Gas	24,179	25,126	23,199
C. Less	16,149	12,724	14,705
Tax Refund	0	0	50,000
TOTAL (A + B - C):	3,254,526	2,402,080	2,873,719
PROVINCE- WISE SHARE			
Punjab	1,611,364	1,135,447	1,439,116
Sindh	814,916	592,321	742,030
Khyber Pakhtunkhwa	533,261	379,097	477,519
Balochistan	294,983	295,214	265,054
Tax Refund	0	0	-50,000
TOTAL PROVINCIAL SHARE:	3,254,526	2,402,080	2,873,719

Multiple Choice Questions (MCQs)

SET-I

- Modern microeconomics theory generally regards utility as:
(a) Cardinal (b) Ordinal (c) Independent (d) Republican
- A basic assumption of the theory of consumption choice is that:
(a) The consumer tries to get on the highest indifference curve
(b) The consumer tries to get the most of good Y
(c) The budget line is concave (d) None of these
- The substitution effect must always be:
(a) Positive (b) Negative
(c) Zero (d) Bigger than the income effect
- The income effect:
(a) Must always be negative (b) Must always be positive
(c) Can be negative or positive (d) Must be smaller than substitution effect
- Normal goods experience an increase in consumption when:
(a) Real income increase (b) Real income falls
(c) Price rises (d) Tastes change

6. The demand for a good is price inelastic if:
 (a) The price elasticity is one (b) The price elasticity is less than one
 (c) The price elasticity is greater than one (d) None of these
 Note: The demand for a good is price inelastic if the price elasticity of good is zero.
7. A demand curve with unitary elasticity at all points is:
 (a) A straight line (b) A parabola (c) A hyperbola (d) All of these
8. The marginal product equals the average product when the latter is:
 (a) $\frac{1}{2}$ of its maximum value (b) $\frac{1}{4}$ of its maximum value
 (c) Equals to its maximum value (d) Equals to its minimum value
9. A firm's aspiration level is:
 (a) Its profits last year
 (b) The boundary between "satisfactory" and "unsatisfactory" outcomes
 (c) Its highest previous profit level
 (d) None of these (ANS: Average profit level)
10. The firm's cost functions are determined by:
 (a) The price of its product (b) Its assets
 (c) Its production function (d) The age of the firm
11. The following industry often is a natural monopoly:
 (a) Cigarette industry (b) Publishing industry
 (c) Drug industry (d) Electric power industry
12. Recognizing that the assumptions of perfect competition never hold at all precisely, the perfectly competitive model is:
 (a) Interesting mainly for academic studies
 (b) Outmoded and seldom used even by academic economists
 (c) Of considerable use to industrial economists, as well as academic economists
 (d) All of these
13. Under perfect competition, rivalry is:
 (a) Impersonal
 (b) Very personal and direct, advertising being important
 (c) Nonexistent since the firms cooperate (d) All of these
14. If average total cost is less than marginal cost at its profit-maximizing output, a perfectly competitive firm:
 (a) Will make positive profit
 (b) Will operate at a point to the right of the minimum point on the average total cost curve
 (c) Will not discontinue production (d) All of these
15. Monopolies arise as a consequence of:
 (a) Patents (b) Control over the supply of a basic input
 (c) Franchise (d) All of these
16. A monopolistic firm will expand its output when:
 (a) Marginal revenue exceeds marginal cost (b) Marginal cost exceeds marginal revenue
 (c) Marginal cost equals marginal revenue (d) Marginal revenue is negative
17. A monopolist will never produce at a point where:
 (a) Demand is price-inelastic (b) Demand is price-elastic
 (c) Marginal cost is positive (d) Marginal cost is increasing

18. When demand is elastic:
 (a) A fall in price is more than offset by an increase in quantity demanded, so that total revenue rises.
 (b) The good is probably a necessity, so price has little effect on quantity demanded
 (c) A rise in price will increase total revenue, even though less is sold
 (d) Buyers are not much influenced by prices of competing products
19. If the price elasticity of demand for product is 0.5, this means that:
 (a) A 1 percent change in price will change quantity demanded by 50%
 (b) A 1 percent increase in quantity demanded is associated with a 0.5 percent fall in price
 (c) A 1 percent increase in price is associated with 0.5% fall in quantity demanded
 (d) A 1 percent increase in price will cause a 0.5% increase in quantity demanded.
20. Price elasticity of demand for a commodity tends to be greater:
 (a) The more of a necessity it is (b) The more substitutes there are for it
 (c) Over shorter time periods (d) The lower the price
21. Ceteris paribus is a Latin term meaning:
 (a) "one by one" (b) "equal under the law."
 (c) "other things being equal." (d) "in accordance with the law."
22. The slope of a curve is:
 (a) constant in the case of a straight line
 (b) positive in the case of a direct relationship
 (c) negative in the case of an inverse relationship
 (d) equal to the change in vertical movement divided by the change in horizontal movement.
23. If the quantity of X increases whenever the price of X decreases, one can conclude that:
 (a) The relationship between the price and the quantity of X is direct
 (b) The relationship between the price and the quantity of X is inverse
 (c) The relationship between the price and the quantity of X is linear
 (d) The relationship between the price and the quantity of X is nonlinear
24. A simultaneous decrease in demand and supply will always result in:
 (a) A decrease in the equilibrium price (b) An increase in the equilibrium price
 (c) A decrease in the equilibrium quantity (d) An increase in the equilibrium quantity
25. The marginal utility of a good refers to the:
 (a) total utility of the good prior to consumption of the last unit
 (b) extra utility associated with consuming another unit of the good
 (c) utility associated with consuming an alternative good
 (d) consumer surplus associated with the consumption of an alternative good
26. When a firm is experiencing economies of scale:
 (a) the MP curve slopes upward (b) the LRAC curve slopes downward
 (c) diminishing returns to labor have been suspended
 (d) the MC curve slopes downward
27. Actual GDP may exceed potential GDP for a short period of time when:
 (a) the unemployment rate is high
 (b) plants run extra shifts that ordinarily are not scheduled.
 (c) plants are shut down to remove old equipment and install new equipment
 (d) any or all of the above occur.

28. An example of frictional unemployment is:
 (a) workers at General Motors plants laid off because of slow car sales.
 (b) steel workers laid off by plant closings.
 (c) a teenager who has quit work at McDonald's waiting to take a job next week at the car wash.
 (d) inner-city welfare mothers taking classes to earn high-school equivalency degrees.
29. If inflation is expected to be 5 percent in the coming year and the nominal interest rate is 8 percent, then the real interest rate is:
 (a) -3 percent (b) 3 percent (c) 8 percent (d) 13 percent
30. Which of the following is included in GDP as currently measured?
 (a) food stamps (b) used car sales
 (c) additions to inventories (d) purchases of Ford stock
31. Disposable income is:
 (a) the same as personal income
 (b) income that is used only for consumption
 (c) personal income remaining after income taxes
 (d) exclusive of social security payments or welfare.
32. The difference between GNP and GDP is:
 (a) Net factor payments to foreigners
 (b) Indirect business taxes paid to all levels of government
 (c) Net exports of goods and services. (d) Capital consumption allowances.
33. A country that makes large net income payments to investors in another country is likely to:
 (a) Have a large GDP than GNP (b) Have smaller GDP than GNP
 (c) Grow slower economically than the other country
 (d) Grow faster economically than the other country.
34. Which of the following would be the best measure of changes in the standard of living in an economy, expressed in a time series?
 (a) Real GDP (b) Output per labor hour of output
 (c) Real GDP per capita (d) Nominal GDP per capita
35. An MPC of less than 1 means that an increase in current disposable income would cause desired consumption expenditures to:
 (a) rise by less than full increase in disposable income.
 (b) fall slightly because the increase in income will increase saving.
 (c) rise by the full increase in disposable income.
 (d) stay the same because the MPS is also less than 1.
36. For money to serve as an efficient medium of exchange, it must have all but which of the following characteristics?
 (a) general acceptability (b) convertibility into precious metals
 (c) high value relative to its weight (d) divisibility
37. A bond that pays interest forever and never repays the principals is called a:
 (a) perpetuity (b) preferred share (c) fixed-term bond (d) treasury bill
38. If given the same amount of inputs, U.S. farmers produce 2 tons of rice per acre while Japanese farmers produce 1 ton of rice per acre, we can be certain that:
 (a) the United States should export rice to Japan.
 (b) the United States has a comparative in rice production.

- (c) the United States has an absolute advantage in rice production.
 (d) Japanese farmers must be paid twice as much as American farmers.
39. The doctrine of comparative advantage says that there are gains from international trade:
 (a) only if both comparative and absolute advantage are present in both countries.
 (b) if opportunity costs are the same in the countries involved.
 (c) only there are economies of scale available.
 (d) if countries specialize in the production of goods in which they are relatively more efficient.
40. The terms of trade are measured by:
 (a) the quantity of imported goods that can be obtained for each unit of an exported good.
 (b) the ratio of the price of imports to the price of exports.
 (c) the value of imported goods that can be obtained for each dollar of exported goods.
 (d) all of the above.
41. Demand curve in case of Giffen good is:
 (a) Negatively sloped (b) Vertical (c) Positively sloped (d) None of these
42. Price consumption curve in case of complementary goods is:
 (a) Downward sloping (b) Vertical
 (c) Upward sloping (d) None of these
43. In case of two goods, following utility approach, a consumer is in equilibrium when:
 (a) $MU_x/P_x = MU_y/P_y$ (b) $MU_x/P_x < MU_y/P_y$
 (c) $MU_x/M_x > MU_y/P_y$ (d) Both (b) and (c)
44. In short run:
 (a) Labour is variable (b) Both labour and capital are variable
 (c) Both labour and capital fixed (d) None of these
45. When MC is equal to AC, the AC:
 (a) Increases (b) Decreases (c) Remains constant (d) None of these
46. Normal profit, excess profit and loss of the firm depends on level of:
 (a) Average costs in short run (b) Total costs in short run
 (c) Marginal costs in short run (d) All of these
47. In case of perfect competition, the sellers are:
 (a) Two (b) A few (c) Very large (d) None of these
48. The firm is in equilibrium when:
 (a) Slope of TC = Slope of TR (b) Slope of TC is less than slope of TR
 (c) Slope of TC is more than slope of TR (d) None of these
49. The Marginal Revenue Product of labour MRPL is:
 (a) $MR \times MP$ (b) MR / MP (c) $MR - MP$ (d) Both (b) and (c)
50. In case of imperfect competition the MRPL is the:
 (a) Supply of labour curve (b) Demand for labour curve
 (c) Both of these (d) None of these
51. Per Capita Income is calculated as:
 (a) $N.I + Population$ (b) $N \cdot Population$ (c) $N.I / Population$ (d) Both (a) and (c)
52. Gross Domestic Product equals:
 (a) $GNP - NFI$ (b) $GNP + NFI$
 (c) $GNP - indirect taxes$ (d) Both (a) and (c)

53. The deposit multiplier is always:
(a) Greater than one (b) Less than one (c) Equal to one (d) None of these
54. Money can be a standard of deferred payments only if the value of money itself:
(a) Remains stable (b) increases (c) Decreases (d) None of these
55. The fiscal policy with a deliberate policy action is:
(a) Expansionary fiscal policy (b) Concretionary fiscal policy
(c) Discretionary fiscal policy (d) All of these
56. Trade based on absolute advantage was presented by:
(a) Alfred Marshall (b) Adam Smith (c) Lionel Robbins (d) None of these
57. According to Keynes, the relationship between money supply and rate of interest is:
(a) Negative (b) Positive (c) Indirect (d) None of these
58. An object that is generally accepted in exchange for goods and services is called:
(a) Standardized money (b) Medium of exchange
(c) Unit of account (d) All of these
59. The account in balance of payment that consists of all transactions in financial assets known as:
(a) Capital account (b) Current account
(c) Official Reserve account (d) None of these
60. The difference between exports and imports of visible items of a country is called:
(a) Budget surplus (b) Balanced budget (c) Balance of trade (d) Both (a) and (c)
61. The best and comprehensive definition of economic development was presented by:
(a) Higgins (b) Maddison (c) Friedman (d) None of these
62. Fishery is the sub sector of:
(a) Agriculture (b) Manufacturing (c) Mining (d) Both (b) and (c)
63. Pakistan was the leading exporter before the separation of East Pakistan:
(a) Cotton (b) Tea (c) Rice (d) None of these
64. Pakistan devalued its currency in 1972 by:
(a) 131% (b) 121%
(c) 100% (d) None of these (Ans.: 56.7%)
65. Eighth Five Year Plan duration was:
(a) 1983 - 1988 (b) 1993 - 1998 (c) 1978 - 1983 (d) 1988 - 1993
66. Export Bonus Scheme (EBS) was introduced in:
(a) 1969 (b) 1979 (c) 1959 (d) 1949
67. Primary deficit (primary balance) is the difference between total revenue and:
(a) Non-interest total expenditure (b) Interest expenditure
(c) development expenditure (d) All of these
68. Cooperative movement was started in sub-continent in:
(a) 1904 (b) 1914 (c) 1934 (d) None of these
69. The Ryotwari system was introduced by the British rules in the provinces of:
(a) Sindh, Madras and Mumbai (b) Sindh, Punjab and Mumbai
(c) Sindh, Madras and NWFP (d) Both (a) and (b)
70. Pakistan Agricultural Storage and Service Corporation (PASSCO) was established in:
(a) 1973 (b) 1963 (c) 1953 (d) 1983

71. Who developed Physical Quality Life Index (PQLI) in his famous book named by "Measuring the Condition of the World's Poor: PQLI in 1987?"
(a) Morris D. Morris (b) Higgins (c) Keynes (d) None of these
72. The Human Development Index (HDI) ranks all countries on the scale of:
(a) 0 to 1 (b) 1 to 100 (c) -1 to +1 (d) None of these
73. The United Nations designated The Fourth World as:
(a) Less developed countries (b) Poor countries
(c) Least developed countries (d) All of these
74. According to 'North-South Divide', the rich countries are called:
(a) South countries (b) North countries
(c) Industrialized countries (d) Advance countries
75. The loan which is given at a nominal rate of interest ranging from 1% to 3% is called:
(a) Hard loan (b) Conditional loan (c) Soft loan (d) All of these
76. The accumulation of a stock of debt so large as to threaten the country's ability to repay its past loan:
(a) Debt equity swap (b) Debt trap (c) Debt overhang (d) None of these
77. "Rabi" season which begins in:
(a) April-June (b) October-December
(c) January-February (d) None of these
78. Government of Pakistan announced privatization policy in:
(a) 1981 (b) 1995 (c) 1991 (d) None of these
79. The floating debt (short-term) consists of:
(a) Treasury Bills (b) Market Treasury Bills
(c) MTBs for Replenishment (d) All of these
80. The currency of IMF is called:
(a) SDRs (b) ODRs (c) Lira (d) None of these
81. Price effect is a combination of:
(a) Income effect and policy effect
(b) Income substitution, income and welfare effect
(c) Substitution effect plus market effect (d) All of these
82. Which of the following is true in long run equilibrium for a firm in monopolistic competition?
(a) $MC = ATC$ (b) $MC > ATC$ (c) $MC \leq ATC$ (d) None of these
83. To represent the whole economy there are:
(a) Four markets (b) Three markets (c) Two markets (d) None of these
84. The long run average cost curve is:
(a) U-shaped (b) J-shaped (c) Hyperbola shape (d) Both (a) and (b)
(e) None of these
85. Demand curve in monopolistic competition is:
(a) Relatively flatter than monopoly (b) Relatively steeper than monopoly
(c) Negatively sloped and same as monopoly
(d) None of these

86. The relation between labor units employed and wage rate is shown by:
 (a) Value of marginal product of labour [VMP]
 (b) Value of average product of labour [VAP]
 (c) Negatively sloped marginal productivity curve
 (d) Both (b) and (c)
87. A market with few entry barriers and with many firms that sell differentiated products is:
 (a) Purely competitive (b) Monopoly
 (c) Monopolistically competitive (d) Oligopolistic Competition
88. The firm's profit will be maximum when its:
 (a) Marginal cost is greater than marginal revenue
 (b) Marginal revenue is greater than marginal cost
 (c) Marginal cost is equal to marginal revenue
 (d) Both (a) and (b)
89. General equilibrium represents:
 (a) Equilibrium of the goods and money market
 (b) Equilibrium of the goods market
 (c) Equilibrium of the goods, money and labour market
 (d) None of these
90. Net exports are always:
 (a) Positive (b) Negative (c) Balance (d) None of these
91. When Slope of the Aggregate Expenditure Curve increases; (Keynesian Cross model)
 (a) National Income will increase (b) National Income will decrease
 (c) There will be recessionary gap (d) There will be inflationary gap
 (e) None of these
92. GNP of a country is:
 (a) GDP divided by prices (b) GNP - GDP
 (c) GNP - Depreciation (d) None of these
93. Money is:
 (a) Currency and Coins (b) Credit cards and drafts
 (c) Bonds (d) Promissory notes
94. Keep in mind Production Possibility Frontier (PPF):
 (a) All the points on the PPF could be efficient points
 (b) Production may be chosen inside PPF which will be efficient
 (c) Production outside the PPF is efficient (d) None of these
95. The investment demand curve is always:
 (a) Negatively sloped (b) Positively sloped (c) Vertical (d) Horizontal
96. Real interest rate is:
 (a) Interest rate divided by prices (b) Interest rate divided by inflation
 (c) Interest rate minus inflation (d) Interest rate plus inflation
97. The consumer will be in equilibrium where:
 (a) Budget line intersect indifference curve (b) Budget line intersect price line
 (c) Both (a) and (b) (d) None of these
98. When there is Liquidity Trap:
 (a) Money demand increases interest rate (b) Money demand decreases interest rate
 (c) Money demand curve is vertical (d) None of these

99. Due to change in price aggregate demand curve will:
 (a) Shift to the left (b) Shift to the right
 (c) None of (a) and (b)
 (Ans.: Shifts in aggregate demand are not caused by changes in the price level.)
 (d) Become flatter
100. Derived demand is:
 (a) Like demand for shoe maker (b) Like teacher / tutor
 (c) Like craftsman (d) All of these

ANSWERS

1.	b	2.	a	3.	b	4.	c	5.	a	6.	d	7.	a
8.	c	9.	d	10.	c	11.	d	12.	c	13.	c	14.	a
15.	d	16.	a	17.	a	18.	a	19.	c	20.	b	21.	c
22.	d	23.	b	24.	c	25.	b	26.	b	27.	b	28.	c
29.	b	30.	c	31.	c	32.	a	33.	b	34.	c	35.	a
36.	c	37.	a	38.	c	39.	d	40.	b	41.	c	42.	c
43.	a	44.	c	45.	b	46.	d	47.	c	48.	a	49.	a
50.	b	51.	c	52.	a	53.	a	54.	a	55.	c	56.	b
57.	a	58.	b	59.	a	60.	c	61.	d	62.	a	63.	d
64.	d	65.	b	66.	c	67.	a	68.	d	69.	a	70.	a
71.	a	72.	a	73.	c	74.	b	75.	c	76.	c	77.	b
78.	c	79.	d	80.	a	81.	d	82.	c	83.	c	84.	a
85.	a	86.	a	87.	c	88.	c	89.	a	90.	d	91.	a
92.	d	93.	a	94.	a	95.	a	96.	c	97.	d	98.	d
99.	c	100.	d										

SET-II

Note: Answers are Bold and Underlined.

1. A government might use tax to?
 (a) Discourage consumption of positive externalities
 (b) Discourage consumption of public goods
 (c) Discourage consumption of merit goods
 (d) Discourage consumption of negative externalities
2. In a regressive tax system?
 (a) The amount of tax paid increase with income
 (b) The marginal rate of tax decrease with more income
 (c) The average rate of tax falls as income increase
 (d) The average rate of tax is constant as income increases

3. If the economy grows the government's budget position will automatically?
 - (a) Worsen
 - (b) Improve
 - (c) Stay the same
 - (d) Increase with inflation
4. If the marginal rate of tax is 40% and consumers income increase from Rs10,000 to Rs12,000?
 - (a) The amount of tax paid will increase by Rs4,800
 - (b) The amount of tax paid will increase by Rs4,000
 - (c) The amount of tax paid will increase by Rs 800
 - (d) The total tax paid will be Rs4,800
5. A reflationary (expansionist) fiscal policy could include?
 - (a) Lower interest rates
 - (b) Increased lending by the banks
 - (c) An increase in corporation tax
 - (d) An increase in discretionary government spending
6. Over-funding is when the State Bank of Pakistan?
 - (a) Sells less government bonds than are required to finance the PSBR
 - (b) Sells more government bonds than are required to finance the PSBR
 - (c) Sells government securities on the open market
 - (d) Buys government securities on the open market
7. If the State Bank of Pakistan wished to pursue a tight monetary policy it would?
 - (a) Reduce the minimum reserve asset ratio.
 - (b) Buy government securities on the open market
 - (c) Lower interest rates
 - (d) Sell government securities on the open market
8. Goodhart's Law suggests that?
 - (a) Bad money drives out good
 - (b) Monetary policy can only be effective if it is a long-term policy
 - (c) Controlling one part of the money supply will merely result in that item becoming less important
 - (d) The money supply must only expand at the rate of growth of real national income
9. As the required reserve ratio is decreased the money multiplier?
 - (a) Could either increase or decrease
 - (b) Decrease
 - (c) Increase
 - (d) Remain the same, as long as bank hold no excess reserves
10. The parable of Riding a Switchback suggests that stabilizing policy?
 - (a) Is not sufficiently stimulating or contracting the economy at any time
 - (b) Is effective
 - (c) Is stimulating or contracting the economy at the wrong times
 - (d) Is desirable
11. The implementation lag for monetary policy is generally?
 - (a) The same as it is for fiscal policy
 - (b) Much shorter than it is for fiscal policy
 - (c) Much longer than it is for fiscal policy
 - (d) Unrelated to central bank action

12. The budget deficit tends to decrease then?
 - (a) GDP decrease rapidly
 - (b) GDP remains unchanged
 - (c) GDP decrease slightly
 - (d) GDP increase
13. Automatic stabilizers act to _____ government expenditures and _____ government revenue during an expansionary period?
 - (a) Increase; increase
 - (b) Decrease; increase
 - (c) Increase; decrease
 - (d) Decrease; decrease
14. Net taxes are?
 - (a) Taxes paid by firms and households to the government minus the cost of collecting the taxes
 - (b) Taxes paid firms and households to the government minus the transfer payments made to firms and household
 - (c) Taxes paid by firms and households to the government plus transfer payments made to firm and households
 - (d) Government expenditures minus government revenues
15. As an economy grows?
 - (a) The government's budget position should automatically improve
 - (b) The government's budget position should automatically worsen
 - (c) This will have no effect on the government's budget position
 - (d) This will reduce the government's tax revenue
16. The public Sector Net Cash Requirement (PSNCR) is?
 - (a) A measure of the country's trade position
 - (b) A measure of the country's budget position
 - (c) A measure of the country's total debt
 - (d) A measure of the government's monetary stance
17. The marginal rate of tax paid is?
 - (a) The total tax paid / total income
 - (b) Total income / total tax paid
 - (c) Change in the tax paid / change in income
 - (d) Change in income / change in tax paid
18. Imagine there is no tax on income up to Rs 1000 after that there is a tax of 50% what is the average tax rate on an income of Rs 20,000?
 - (a) Rs 50000
 - (b) 20%
 - (c) 25%
 - (d) Rs 10000
19. Fiscal drag occurs when ?
 - (a) Tax bands do not increase with inflation
 - (b) Tax rates move inversely with inflation
 - (c) Government spending falls to reduce aggregate demand
 - (d) Tax bands increase with inflation
20. By controlling the monetary base economists mean ?
 - (a) Making banks keep a certain % of their assets as M0
 - (b) Controlling the money multiplier
 - (c) Restricting the amount of cash in circulation
 - (d) Not allowing commercial banks to issue notes and coins

21. If the state Bank of Pakistan wished to pursue an expansionary monetary policy it would
 (a) Increase the minimum reserve asset ratio.
 (b) Buy government securities on the open market
 (c) Raise interest rates
 (d) Sell government securities on the open market
22. By financial crowding out economist mean?
 (a) Credit rationing
 (b) Government borrowing drives up interest rates
 (c) Bank of England controls on commercial bank lending
 (d) What the government borrows cannot be used for private investment
23. The idea that the money supply should change to accommodate changes in aggregate demand is associated with the idea of?
 (a) Margaret Thatcher
 (b) Ronald Reagan
 (c) Milton Friedman
 (d) John Maynard Keynes
24. The multiple by which total deposits can increase for every pound increase in reserves is the?
 (a) Money multiplier
 (b) liquidity ratio
 (c) Bank's line of credit
 (d) required reserve ratio
25. The response lag of stabilization policy represents?
 (a) The time that it takes for policy makers to recognize the existence of boom or bust
 (b) The time needed for parliament to agree to a tax cut.
 (c) The time that is necessary to put the desired policy into effect
 (d) The time that it takes for the economy to adjust to the new conditions after a policy has been implemented
26. Time lags which often erode effectiveness of monetary and fiscal policy measures represent
 (a) Delays in the response of the economy to stabilization policy
 (b) The foreign response to price changes
 (c) The change in exports and imports prices (d) the change in exchange rates
27. The negative effect on the economy that occurs when average tax rates increase because taxpayers have moved into higher income brackets during an expansion is?
 (a) Debt burden (b) the Laffer curves (c) bracket creep (d) fiscal drag
28. Automatic stabilisers act to _____ government expenditures and _____ government revenues during recessions?
 (a) Increase; increase (b) Decrease; decrease
 (c) Increase; decrease (d) Decrease; increase
29. Fiscal Policy refers to?
 (a) The government regulation of financial intermediaries
 (b) The spending and taxing policies used by the government to influence the economy
 (c) The actions of the central bank in controlling the money supply
 (d) The government's attitude to taxation

TAX ADMINISTRATION / REFORMS IN PAKISTAN

INTRODUCTION TO TAX REFORMS

Pakistan has one of the lowest tax-to-GDP ratios in Asia and the country faces serious budget deficits despite levying high indirect taxes which are regressive in nature and impose higher burden on the low income groups disproportionately. This report explores various problems and their reasons pertaining to tax at federal level in Pakistan and it offers recommendations for their solution.

In the existing situation, several problems are identified in the report that result in low tax collection including SROs, inefficient direct taxes, administrative issues of FBR, low tax incentives for taxpayers, trust deficit in tax collectors, and others.

This report recommends increasing incentives for taxpayers and imposing strict penalties for tax evasion. Top management of FBR should include honest and competent professionals with regular training programs. Devolution of tax collection and its monitoring by multiple bodies to ensure honesty and professionalism is also recommended to make the system more efficient. The relations between tax officials and taxpayers also need to be improved significantly. Tax payment should be convenient and simple, for this online payment of tax is recommended alongside promoting use of eTax. Tax payment certificates to be issued to taxpayers to avail benefits of tax payment as well as evidence of tax payment. Tax should be made fairer, value added tax should be promoted and GST should be lowered instead sales tax should be increased on luxury items, proportion of indirect taxes should be lowered, service sector's contribution in tax is disproportionately low and should be increased, corporate taxes should be lowered, tax base should be increased and tax slab limits should increase and be tied to CPI. Gross annual rental values should be revised. SROs should be reduced and their issuance should involve rigorous scrutiny process. Special tax evasion courts should be established to facilitate legal problems between tax department and tax payers. Cheque guarantee system by banks should be promoted for proper documentation of the economy as well as fixed tax liability to be imposed on non-taxpayers which should be proportionately high rate of tax, for small scale firms a low but fixed tax should be imposed where tax accounting difficulties persist. Information sharing between government departments should be encouraged for efficient identification and collection of taxes. Awareness of tax payment, calculation and payment process as well as transparency measures is imperative, details of receipts and expenditures of taxes should be made public to reduce the trust deficit.

Tax in Pakistan

Federal taxes are imposed in Pakistan through the 4th Schedule of the Federal Legislative List of the Constitution of Pakistan. Major federal taxes include Income tax, Sales tax, Custom duties and Excise duties.

Direct Taxes

- (a) **Income Tax:** It is levied under the "Income tax Ordinance 2001".

Indirect Taxes

- (a) **Sales Tax:** It is levied under the "Sales Tax Act 1990"
 (b) **Custom Duties:** It is levied under the Customs Act 1969"
 (c) **Excise Duties:** It is levied under the "Federal Excise Act 2005"

The Government of Pakistan in the final report of National Taxation Reform Commission suggests tax aversion as one of the major source of leakage in system due to vague policy and weak implementation. In Pakistan we are heavily reliant on in-direct taxes like General Sales Tax (GST) which is easy to manipulate and should be reformed to a Value Added Tax (VAT) which has been successful in similar developing countries.

Tax is the major source of income for any country to fund its development. While direct taxes are progressive; in-direct taxes are regressive as applied uniformly. It is clearly visible from the data above that we have a heavy reliance on in-direct taxes whereas the case should be vice versa.

The single largest contributor of direct taxation in Pakistan is Income tax. Unfortunately, it has been difficult to tap the full potential of this tax due to leakages in our tax system and lack of FBR's ability to match a person's income with his tax receipts.

Of the three major in-direct taxes applied by the Federation, the largest contributor is Sales Tax. We would have to move towards a value added tax (VAT) or Reformed General Sales Tax (RGST). VAT will ensure that the tax is applied at input and output rather than just taxing the output in the case of General Sales Tax. This way it will be easier to gradually tax the value addition rather than applying a uniform tax at the output and final stage. It should be applied to both local and imported products.

Proposed Tax Reforms

- Focus on progressive taxation instead of regressive taxation.
- Focus on direct taxation rather than in-direct taxes.
- It is suggested to develop bench marks for different sizes of small sized business and introduce a fixed tax. It is difficult to assess small business where many times informal book keeping is being done. So having a fixed tax liability will not only raise tax collection but will also encourage small businesses to promote as credible tax payers.
- Majority of direct tax is collected from the industry where as service and agriculture sector do not contribute as per their share in the GDP. As agriculture income tax is a provincial subject after the 18th amendment in the constitution of Pakistan. The federation should consider a stronger focus on matching the tax collection from the service sector as per its contribution in the GDP. The Telecom companies are the only major contributor of tax in service sector.
- Tax payers need to be encouraged by schemes where the tax payer is benefited and appreciated for his due contribution. Unfortunately the tax payer already in the tax net is neither appreciated but rather feels harassed due to the behavior of tax collection agency.
- Stronger penalties need to set for tax evaders to discourage them from this practice.
- The most comprehensive database in the country is operated by NADRA. Hence, it is proposed to make CNIC number into tax number for individuals and centralizes different available

databases for example data of Capital Development Authority (CDA) and Motor Registration Department so FBR could track non-filing high income individuals.

The law of the land dictates that it is mandatory for every person owning a vehicle above 1000cc to file a tax return. Enforcement of this needs to be more rigorous.

A research economist at PIDE wrote in his article "Monetizing Perks" published in that we do not need more taxes but need to increase our tax base/net.

During research recommended the following points

- Income Tax Ordinance is ambiguous. The ordinance needs to be revised to ensure effective compliance implementation.
- Filing an income tax return is very complex for a layman. The filing needs to be simplified and welcoming.
- It is generally difficult to collect tax on voluntary basis. Hence it is suggested to ensure tax filing for every professional.
- Bridge trust gap between the Tax collector and Tax payer.

Recently, eTax has been introduced by FBR on its website where records of income are filed and the website calculates the tax due objectively given the income declarations with the end of making tax payment convenient for taxpayers. However, online collection of taxes is not available and tax payments have to be made in National Bank of Pakistan by means of conventional methods of payments which are time consuming and inconvenient.

Reasons for Tax Evasion

Before trying to recommend how to curb tax evasion it is necessary to find out why tax evasion takes place. All ten of hypothesized reasons for tax evasion were significant. These include absence of tax morality, high tax rates, poverty, proliferation of taxes, illiteracy of tax calculation, lack of adequate enforcement for default, lack of adequate tax incentives, non-existence of equitable & efficient tax system, no public enlightenment campaign, and poor relationship between taxpayer and tax authority.

The most common reason is poor relationship between taxpayers and authority, followed by lack of adequate tax incentives, then proliferation of taxes, then illiteracy of tax collection and then comes no public enlightenment campaign. However, if factor loadings are taken into account which is a better measure as it is adjusted with the weighted effect of the reason, the ranking is from no public enlightenment campaign, lack of adequate tax incentives, poor relationship between tax payers and authority, proliferation of taxes and lastly illiteracy of tax calculation.

Recommendations

- Lower corporate tax rates so that they match rates of other developing countries, increase tax revenue from increasing tax base instead of increasing tax rates.
- In the case of income tax, tax base should be widened and tax slab should be increased and made adjustable to CPI annually according to an agreed upon formula.
- Fixed taxes such as turnover tax should be levied in the situation when proper documentation of income is not made available by any company, this rate should be higher than the tax rate to be charged otherwise.
- There should be incentives for paying taxes such as priority in public services, in government contracts, etc.

- Details of tax receipts and expenditure should be made available and debated upon for transparency purposes.
- High income services such as credit cards, travel agents, consultancies, etc. should be levied higher taxes to reduce general sales tax to make tax more progressive.
- Tax base could be increased by information sharing between different government departments such as electricity connections for commercial or industrial units should be matched with filing of tax returns.
- Tax should be based on value addition, on input as well as output so that the tax rate at output position is reduced and it becomes more progressive.
- Revise gross annual rental values of properties, very often these values are extremely outdated.
- Tax should be imposed on assets at 1% of total asset value exceed a certain level of asset range.
- To avoid tax collector corruptions tax payment certificates be issued to taxpayers by an independent audit body.
- Special courts for tax evasion should be established that deliver verdict within a year's time after filing of the case.
- Awareness of tax payment importance, its payment procedure and its transparency mechanisms should be made widespread.
- It should be ensured that the top management team of FBR should comprise of both honest as well as competent members.
- Online transfer of taxes from all banks should be permitted to ease the payment of taxes.
- Bank cheque guarantee system should be introduced as in many developed countries, banks issue customers cheque books in accordance with their transactions and any cheque issued from that account should be guaranteed by banks so the documenting of the economy becomes easy and switching from cash transactions to bank based transactions becomes easier, with the effect of promoting documentation in the economy, cash transactions should be penalized.
- Devolution of tax collection and expenditure powers to municipal governments, with fixed proportions for provincial and federal levels would promote transparency as well as ease in spotting of tax evaders.
- Monitoring of these municipal tax authorities by multiple authorities would make bribery an expensive option for taxpayers and promote tax payments.

These recommendations cover all the five areas reasons for tax evasion and are likely to significantly reduce the tax evasion problem with effective implementation.

Low Tax to GDP Ratio

Exempted or zero-rated tax sectors: The eminent reason behind the low tax to GDP ratio in Pakistan is the tax exemption given to powerful political figures, capitalists and various industrial sectors. According to Economic Survey (2020-21), the tax-to-GDP ratio (federal taxes) fell to 9.6 percent in 2019-20 against 10.1 percent in 2018-19. During the last five years, overall tax-to-GDP ratio (federal and provincial) remained within a range of 11.4 percent and 12.9 percent. This ratio fell to 11.4 percent in 2019-20, down from 11.7 percent in 2018-19. The economic downturn caused by the COVID-19 pandemic resulted in a further drop in the tax-to-GDP ratio during FY2020.

Structural Flaws in FBR

- Incompetent Tax Officers:** Work efficiency of the tax officers is a matter of significant importance in reference to the narrow tax base. In FBR, over the course of time, it has been witnessed that many officers were inducted without the relevant background or expertise. "The system through which the non-officers are inducted is highly politicized" and "current training and development practices do not expose the staff to best practices in tax administration". There exists a structural flaw in the working of FBR, where the competent employee has a lesser chance to get promoted and "the inadequate compensation system fails to attract and retain highly qualified professionals".
- Lack of Proper Database:** Despite the fact that FBR has introduced a mechanized system, there still exists the need to improve the database, so that tax evasions and frauds could be tracked down easily.

Exemption of Agricultural Sector

Agricultural sector contributes nearly 20 percent to Pakistan's GDP, whereas, its contribution to taxes is hardly 2.5 percent. This overdue exemption from tax has adversely affected the economy of Pakistan since long. There is no proper implementation of agricultural income tax, the main reason of which is the on-going political power enjoyed by the feudal lords. "The agro lobby has allegedly prevented the Federal Government from bringing about any change in the Constitution, while also restraining provincial governments from utilizing their authority effectively to impose AIT".

Trade Liberalization

This involves the removal or reduction of the restrictions or barriers on the free exchange of goods between the nations- which includes both; the tariff and non-tariff obstacles. By reduction of these tariffs, not only the local market is affected but it also negatively affects the trade revenues that could be earned. The idea of trade liberalization is viable for countries which have other sources to recover these revenues from. "For low income countries, in contrast, a steady reduction in trade tax revenues over the last twenty years has been accompanied by a reduction in total revenues", and recovery of these revenues from other sources is uncertain, so despite the fact that trade contributes towards the economic growth of a country, trade liberalization beyond a certain limit, decreases the trade taxes which remains a huge barrier in the economic growth of a country.

Trust Deficit- Low tax Filings

The existence of trust deficit among the public is one of the major reasons behind the low tax to GDP ratio. People have a general conception that the state is unable to manage their taxes well, so they are not motivated to give taxes. In nations like Sweden, "public trust is supported by tax procedures and transparency on tax collection, tax invoices can be received even on cell phones". These measures, if taken in Pakistan, can contribute towards increasing the tax base and enhancing the tax to GDP ratio.

Lack of Tax Facilitation Policies

In this context, we could take the example of Sri Lanka, where, "for the facilitation of the tax payers, tax is collected in five installments, while in Pakistan, under the law, tax payers have to pay the tax in lump sum". Moreover, there are no incentives associated with taxes in Pakistan, unlike Sri Lanka, "where there is noticeable provision of incentives in the form of discounts and privilege cards". This could be an eminent initiative to increase the tax to GDP ratio.

Flawed Taxation Policy and Lack of Enforcement Mechanism

In Pakistan, rich are exempted from the tax net due to which "government is constrained to pounce upon the poor with regressive taxes- sales tax and presumptive taxes under the income tax code. Whereas, the "countries with high tax to GDP ratio, follow a policy with focus on progressive taxes" To increase the tax to GDP ratio, the government should focus on progressive taxes, which would also deal with the problem of income inequality.

In Pakistan, the mechanism of tax enforcement is flawed, which gives exemption to ruling class, creating economic and social disparity among the citizens. Considering the example of India, the foremost thing which they did while reforming taxation system was to ensure the strong enforcement of taxes and make sure that nobody is exempted from the tax net. In Pakistan, irrespective of the fact that there are policies related to the tax system, the major issue remains the enforcement of these policies.

Recommendations

- Improvement in tax administrative structure – qualified and competent tax officers
- Transparency in recruitment process
- Simplification of tax filing processes.
- Education of tax payers.
- GST to VAT transition
- Expansion of e-taxation system to replace manual tax systems– Increases efficiency
- Removal of Trust Deficit-Confidence building measures to encourage taxation (targeting the health and education sector to build confidence among people that their taxes are not being wasted, rather spent on development projects)
- Improving governance.
- Autonomy of Tax administration
- Advance training program for tax officials

Tax Exemptions and the SRO regime Introduction

Studying Pakistan's economic activity from the dynamic of the rising revenues of major businesses in Pakistan we can conclude that Pakistan's economic outlook is at the very least good. The revenues of almost all the major companies have been rising and many of the companies have been posting revenues exceeding 1 billion USD.

The Industrial Production in Pakistan has also cast an overall upward glance, augmenting the fact that the economy is experiencing an overall upward trend.

The household consumption has also been looking up in the last four years with consumer's confidence in the economy strengthening.

Background of the Problem

Despite all these positive outlooks the position of Pakistan's fiscal development has more or less been stagnant or worsened. The government agencies seem to have lost any interest in the documentation of this increasingly large economy. The Pakistan Economic Survey of each year starts with an optimistic vision of the future and reviews the situation after the situation to be gloomy. The collected tax as a percentage of GDP has been decreasing which indicates that our agencies have not been able to keep track of the increased activities.

The decreased potency of the enforcement agencies is not the only factor that explains the dip in the fiscal development performance. Another aspect has been the increasing tax exemptions in the face of difficult fiscal situation.

Recommendations – Discussion and Implementation

Based on the identification of the issue and discussion of the problem, following are the recommendations, which are proposed by this report. It should be noted that where appropriate, implementation strategies are also discussed along with suggestions for improvements.

Structural Changes in the Tax System

The non-active taxpayers need to be scrutinized stringently. The government should not only limit their bank accounts but should also focus on the overall portfolio i.e. assets, business activities, registered and non-registered accounts et cetera. The principle of tax at source should be applied to all the industries, which will generate appropriate sales tax revenue. Utilities should have a strict team, which should ensure that despite of proper collection full amount of total tax collected should reach the authorities.

Incentives for the Tax Payers

Majority of the non-tax payers are of the opinion that what they will get in return. Of course the government cannot give monetary benefits for every single tax amount received however, there can be certain schemes introduced which can act as fruitful for the tax payers e.g. free membership of respective chambers of commerce and industry, free access to airport business lounges across the country, full refund of one international business expo trip per single person per financial year, interest free loan for first five years on new projects and et cetera.

Improvising the Tax Exemption Parameters

Major loss of the tax revenue is incurred due to the inadequately structured tax exemption parameters. The officials need to form much tighter parameters for those individuals with heavy bank accounts but do not hold an NTN. While those who hold a registered NTN but are not paying tax, should be made to make tax payments for the missing years and asked to follow a regular tax payment schedule. The senior citizens should be exempted from tax on their savings in fact the rate charged to the regular citizens and especially those involved in business activity should be increased.

Improvements in the SRO Regime

Based on the pressure through the external aid providers e.g. IMF and World Bank, the government needs to make major structural changes in the SRO regime in the form of diminishing the rate of tax rebates. Checks should be placed on the export activity of individual companies based on the total revenue collected through them over the years; they should be given leverage only if they fulfill the criteria of successively paying a high tax amount.

Institutional Changes in FBR

The strength of an institution is the backbone of successful operations. FBR needs to create high profile requirements for the officers designated at crucial positions. The policy makers need to have an international perspective of LDCs and should be trained locally or internationally in order to properly equip them with appropriate measures which are in fact the need of the hour with respect to Pakistan's economy.

OBJECTIVES OF REFORM

- (a) Overall increase in the revenue collection and contribute to the achievement of fiscal targets;
- (b) Increase in tax to GDP ratio;
- (c) Collection of optimum tax revenues;
- (d) Broadening of the tax base;
- (e) Strengthening audit and enforcement procedures;
- (f) Guarantee fairer and more equitable application of tax laws;
- (g) Increase in transparency and integrity;
- (h) Improve effectiveness, responsiveness and efficiency;
- (i) Facilitate & promote voluntary compliance with tax laws;
- (j) Provide transparent and high quality tax services

OUTCOMES OF REFORMS

- (a) Gaining Stakeholders' Respect
- (b) Substantial reduction of corruption - Transparency International Report
- (c) On Tax Facilitation's Ranking improved to 32 in 133 countries (recent report)
- (d) Improved performance - Revenue targets not only achieved but surpassed
- (e) Increase in Tax to GDP ratio by 0.3 % each year from 2004-05 as against agreed KPI's of 0.2 %
- (f) Creating business friendly environment
- (g) Introducing professionalism, integrity, teamwork, courtesy, responsiveness, transparency and fairness
- (h) Facilitating and providing service to the taxpayers
- (i) Reducing the cost of doing business
- (j) Adversarial relations turned to mutual trust and confidence.

ARTICLE ON REFORMS

Pakistan continues to face deep fiscal crisis which cannot be resolved easily. Taxes are insufficient to meet Pakistan's debt servicing and defense needs. The tax-to-GDP ratio does not enable Pakistan to counter inflation or improve governance, deliver quality public services or improve human resource to reach a take-off stage for economic development. To address these issues, GoP initiated a Tax Administration Reforms Program (TARP) in FBR in the year 2005 to achieve objectives to include overall increase in the revenue collection for achieving fiscal targets; increase in tax to GDP ratio through broadening of the tax base; strengthening audit and enforcement procedures through professional capacity building of FBR officials; ensuring more equitable & transparent application of tax laws through provision of high quality tax services. By completing TARP in 2011 FBR has substantially achieved the desired objectives despite various obstacles in the existing operational

environment. The successful completion of TARP rests upon Government's firm resolve to reform FBR's Tax Administration

In June, 2000 when GoP appointed a Task Force on Reforming the Tax Administration. This Task Force presented its report in May, 2001 which was shared with stakeholders to include trade bodies, accounting institutes, tax bar associations and donor agencies for framing an implementation strategy in the light of viable recommendations from the concerned stakeholders.

Subsequently, on the request from the GoP for input on FBR's reform effort, an IMF Mission visited Pakistan in August, 2001 which carried out in-depth discussions with various stakeholders including Ministry of Finance, Establishment Division, Federal Public Service Commission and trade bodies. The Mission presented its draft report in August, 2001 which was condensed with other similar studies to extend recommendations for a tax system having simpler laws and efficient procedures for promoting self-assessment, reducing physical controls and creating reliance on audit & risk assessment.

Consequent to these reports and discussions with various opinion makers FBR prepared a tax reform strategy, which was approved by GoP in November, 2001. The reform strategy had three main planks (a) policy reforms, (b) administrative reforms and (c) organizational reforms. Policy reforms included simple laws, universal self-assessment, elimination of exemptions, less dependence on withholding taxes, effective dispute resolution mechanism. Administrative reforms aimed at (i) transforming income tax organization on functional lines (ii) re-engineering of manual processes of all taxes with the aim to reduce face to face contact between taxpayers and tax collectors, increasing effectiveness of FBR and improve skills and integrity of the workforce and facilitation of taxpayers. Organizational reforms also included re-organization of FBR on functional lines, reduction in number of tiers and reduction in workforce.

With a view to supplement the level of skills in FBR for meeting the above said objectives, the Government in March-April, 2002 appointed professional Members from private sector for (i) Human Resource Management (HRM), (ii) Information Management System (IMS), (iii) Audit, (iv) Facilitation and Taxpayers Education (FATE) and (v) Fiscal Research & Statistics (FR&S). FBR prepared new recruitment policy (with greater emphasis on skills that match FBR needs), incentive & merit based remuneration, promotion mechanism and extensive training.

In 2002, FBR received a Project Preparation Facility (PPF) of US \$ 2.9 million from World Bank which was used for hiring of international consultants, namely M/s Maxwell Stamp PLC, UK, and establishing Large Taxpayer Unit & Model Sales Tax House at Karachi and a Medium Taxpayer Unit at Lahore. M/s. Maxwell Stamp prepared a Comprehensive Medium and Long term Tax Reform Strategy including an implementation time-table defining the precise reform steps and their time frame.

To bridge the financial gap between the PPF and the funding for main phase of Tax Administration Reform an amount of US \$ 6 million was also allocated out of World Bank funded "Public Sector Capacity Building Project" which was later utilized for completion of Pilot Projects i.e. Large Taxpayers Unit at Lahore, 5-Medium Taxpayers Units at Karachi, Peshawar, Rawalpindi, Quetta and Faisalabad and a Dispute Resolution Complex (DRC) & Model Customs Collectorate at Karachi, capacity-building & training of FBR's employees, Taxpayers Education Programs, introduction of Universal Self Assessment Scheme (USAS) and holding of Change Management Workshops. Part of this funding was also utilized for appointment of M/s. NESPAK Pakistan as Consultants for preparation of design layouts, procurement support and supervision of works at sites for LTU Lahore, 5 MTUs at Karachi, Quetta, Peshawar, Rawalpindi & Faisalabad, DRC and Care Pilot Project Karachi.

To achieve Reforms objectives, FBR established Large Taxpayer units (LTUs) and Regional Tax Offices (RTOs) to test the re-organized structure of income tax & Sales Tax and various Taxpayers Education and Facilitation Centres to improve voluntary compliance. Customs processes were also re-engineered by initiating Customs Administration Reform (CARE) which aimed at minimizing the clearance time of goods and reducing the cost of doing business. Re-engineered business processes were automated for e-filing of Income Tax returns and Goods Declarations followed by establishment of an FBR website for information dissemination and a helpline for taxpayers.

Executive Committee of the National Economic Council (ECNEC) in its meeting held on 25.02.2005 approved the main phase of TARP with a capital cost of Rs. 9,501 million. Completion period of this main phase of TARP was five years starting from 01.01.2005. During the World Bank Mid-Term Review Mission in August-September 2007, the Bank reviewed the implementation progress of this project in detail and on the basis of slow utilization of funds mainly due to problems in development of Information Technology Systems during first two and half years, recommended restructuring of TARP budget for remaining life of the project on the basis of anticipated expenditures. Accordingly, a detailed exercise was undertaken on the basis of which a revised PC-I with reduced capital cost of Rs. 6,473 millions was prepared and submitted to the competent forum i.e. CDWP/ECNEC. Revised PC-I was approved by the CDWP on 30.04.2009 and ECNEC on 20.08.2009.

TARP has so far gained Stakeholders respect through improved performance and creating business friendly environment. Imbuing professionalism, integrity & responsiveness, and introduction of transparent simplified procedures have reduced the cost of doing business. Moving towards optimum use of automation and IT, professional training and better working conditions have further infused confidence among tax collectors who intend to strive hard for increased taxpayers facilitation in the areas of Income Tax and Customs.

TARP has been closed by 31.12.2011 at a cost of Rs. 5,528 million against revised project cost of Rs. 6,472.817 million. All the physical progress has been achieved, i.e. (a) establishment of 37 RTOs, MCCs, TFCs & Transit accommodations, (b) four soft wares i.e., Integrated Tax Management System (ITMS), Human resource Information System (HRIS), SAP Materials Management (MM) & Financial (FI) Modules, & Data Warehouse software have been completed and are functional (c) 11,445 machinery & equipment as per PC-I target were procured and distributed. Tax revenue of Rs. 1,558 billion has been collected during 2010-11 against PC-I set target of Rs. 1,350 billion. TARP PMU, during this process, through professional training and hands-on exposure, has gained sufficient professional capability to utilize the same for achieving any future project development objectives in terms of project planning, procurement of works, Goods and services and subsequent monitoring & evaluation.

COMPONENT OF REFORMS

Management and Institutional Development

- Organizational Design
- Human Resource Management
- Training
- Improving Professional Ethics
- Internal Audit Function

- Internal Affairs and Vigilance Function
- Managing Organizational Change
- Improving Revenue Operations

- Direct Taxes
- Sales Tax
- Customs

Strengthening Revenue Services

- Establishing Audit Function
- Establishing Collection & Enforcement Function
- Establishing National Intelligence and Risk management Function
- Establishing Custom and Tax Fraud Function

Tax Compliance Culture

- Establishing Taxpayers Identification, Registration, Return Processing and Accounts Function
- Establishing Facilitation and Tax Education Function
- Impact Evaluation, Quality Assurance and Monitoring

Adopting Responsive IT Systems

- HQ Information Systems
- Direct Tax Information System
- Sales Tax Information System
- Customs Information system

FBR registers historic growth again in Federal Board of Revenue (FBR) has released the provisional revenue collection figures for the first ten months of current fiscal year. According to the provisional information, FBR has collected net revenue of Rs.3780 billion during Jul-April period, which has exceeded the target of Rs.3637 billion by more than Rs.143 billion. This represents a growth of about 14% over the collection of Rs.3320 billion during the same period last year.

The net collection for the month of April was Rs.384 billion, against a required increase of Rs.242 billion, representing an increase of 57% over Rs.240 billion collected in April 2020 and 159% of the target. The year-on-year growth of 57% is unprecedented particularly as it is realized on the heel of 46% in March. These figures would further improve before the close of the day and after book adjustments have been taken into account.

On the other hand, the gross collections increased from Rs. 3438 billion during this period last year to Rs.3976 billion, showing an increase of 16 %. The amount of refunds disbursed was Rs.195 billion compared to Rs.118 billion paid last year, showing an increase of 65%. This is reflective of FBR's resolve to fast-track refunds to prevent liquidity shortages in the industry.

The improved revenue performance is a reflection of growing economic activities in the country despite facing the challenge of third wave of COVID-19. However, in the closing days of the April, revenue collection slowed down considerably as measures to fight COVID were put in place.

Collections in May and June would be affected in case fighting pandemic reduces the space for economic activities.

Meanwhile, FBR's efforts to broaden the tax base are expending space. Early signs suggest such efforts are bearing fruits. As on 1-5-2021, income tax returns for tax year 2020 have reached 2.9 million compared to 2.6 million in tax year 2019, showing an increase of 12%. The tax deposited with returns was Rs.50.6 billion compared to only Rs.33.1 billion, showing an increase of 53%.

FBR has also released the information about Tier-I retailers who have been integrated with Point of POS system. According to the information, 10,583 sales points have been integrated with Point of Sales Linked Invoicing System.

Pakistan Customs has collected Rs. 606 billion under the head of customs duty in first ten months of FY 2020-21 against the assigned target of Rs. 507 billion and exceeded its target by Rs. 99 billion which is 20% more than the assigned target. Whereas during the month of April, 2021 an amount of Rs. 65 billion has been collected under the head of customs duty against the monthly target of Rs. 59 billion which is again 10% more than the assigned monthly target. It is quite important to mention that an amount of Rs. 88 billion was collected more under the head of customs duty in first 10 months of current financial year as compared to FY 2019-20, despite the re-arrival of COVID-19 pandemic and has shown a growth of 17% as compared to previous financial year, which is quite remarkable.

During April 2021 smuggled goods worth Rs. 4.54 billion have been seized so far, while in April 2020 smuggled goods worth Rs. 3.43 billion were seized, thus showing a monthly increase of 32%. Similarly, during last 10 months (July 2020- April 2021) of current financial year smuggled goods worth Rs. 48.55 billion have been seized as compared to Rs. 31 billion in Jul 2019-April 2020 of the last financial year thus showing an increase of 56%.

MULTIPLE CHOICE QUESTIONS (MCQS)

Note: Answers are Bold and Underlined.

- Which of the following taxes can be supported by the benefits principle of taxation?
 - All these answers can be supported by the benefits principle of taxation
 - Progressive income taxes used to pay for national defense
 - Petrol taxes used to pay for roads
 - property taxes used to pay for policies and the court system
- A tax system is regarded as horizontally equitable if?
 - All taxpayers pay the same amount of tax
 - Taxes on all goods are levied at the same rate
 - Taxes are as low as possible
 - The system comprises only lump sum taxes
 - Taxpayers with similar abilities to pay taxes pay the same amount

- The appropriate tax rate to consider gauging how much the tax system distorts incentives and decision making is the?
 - Proportional tax rate
 - Marginal tax rate
 - Horizontal tax rate
 - Average tax rate
 - Vertical tax rate
- The ability-to-pay principle of taxation suggests that if a tax system is to be vertically equitable it should be?
 - Efficient
 - Regressive
 - Progressive
 - Proportional
- The average tax rate is?
 - Total Taxes paid divided by total income
 - The extra taxes paid on an additional dollar of income.
 - The taxes paid by the marginal worker
 - Total income divided by total taxes paid
- The marginal tax rate is?
 - The taxes paid by the marginal worker
 - Total income divided by total taxes paid
 - The extra taxes paid on an additional unit of income
 - Total taxes paid divided by total income
- A tax for which high income taxpayers pay a smaller fraction of their income than do low income taxpayers is known as?
 - A proportional tax
 - A regressive tax
 - An equitable tax
 - A progressive tax
- If the Pakistani government runs a budget surplus there is?
 - An excess of government receipts over government spending.
 - An equality of government spending and receipts.
 - A surplus of government workers.
 - An excess of government spending over government receipts.
- The reduction of tax?
 - Will have no impact on tax revenue.
 - Will always reduce tax revenue regardless of the prior size of the tax
 - Could increase tax revenue if the tax had been extremely high
 - Causes a market to become less efficient
- The graph that shows the relationship between the size of a tax and the tax revenue collected by the government is known as a?
 - None of these answers
 - Reagan curve
 - Keynesian curve
 - Laffer curve
 - Henry George curve.

11. Which of the following is true with regard to a tax on labor income? Taxes on labor income tend to encourage ?
- The unscrupulous to enter the underground economy
 - The elderly to retire early.
 - All the things described in these answers.
 - Second earners to stay home.
 - Workers to work fewer hours
12. Deadweight loss is greatest when ?
- Supply is elastic, and demand is perfectly inelastic
 - Demand is elastic, and demand is perfectly inelastic
 - Both supply and demand are relatively inelastic
 - Both supply and demand are relatively elastic
13. Which of the following would likely cause the greatest deadweight loss?
- A tax on salt
 - A tax on cigarettes
 - A tax on petrol
 - A tax on cruise line tickets
14. A progressive tax system is one where ?
- Marginal tax rates are high.
 - Higher income taxpayers pay more taxes than do lower income taxpayers.
 - Marginal tax rates are low.
 - Higher income taxpayers pay a greater percentage of their income in taxes than lower income taxpayers.
15. The appropriate tax rate to consider judging the vertical equity of a tax system is the?
- Marginal tax rate
 - Average tax rate
 - Horizontal tax rate
 - Proportional tax rate
16. An efficient tax ?
- Minimizes the administrative burden from the tax
 - Does all the things describe in these answers.
 - Raises revenue at the smallest possible cost to taxpayers.
 - Minimize the deadweight loss from the tax.
17. Sana values a pair of blue jeans at Rs400. If the price is Rs350 Sana buys the jeans and generates consumer surplus of Rs50 Suppose a tax is placed on blue jeans that causes the price of blue jeans to rise to Rs450 Now sana chooses not to buy a pair of?
- The deadweight has demonstrated
 - the ability-to-pay principle
 - The benefits principle
 - horizontal equity
18. When a tax distorts incentives to buyers and sellers so that fewer goods are produced and sold than otherwise the tax has ?
- Caused a deadweight loss
 - Decreased equity
 - Generated no tax revenue
 - Increased efficiency

19. If a tax on a good is doubled the deadweight loss from the tax ?
- Doubles
 - Stays the same
 - Increase by a factor of four
 - Could rise or fall
20. When a tax on a good start small and is gradually increased tax revenue ?
- Will fall
 - Will rise
 - Will first rise and then fall
 - Will first fall and then rise
21. Since the supply of undeveloped land is relatively inelastic a tax on undeveloped land would generate ?
- A small deadweight loss and the burden of the tax would fall on the renter
 - A large deadweight loss and the burden of the tax would fall on the landlord
 - A large deadweight loss and the burden of the tax would fall on the renter.
 - A small deadweight loss and the burden of the tax would fall on the landlord
22. A tax on petrol is likely to ?
- Generate a deadweight loss that is unaffected by the time period over which it is measured
 - Cause a greater deadweight loss in the long run when compared to the short run
 - None of these answers
 - Cause a greater deadweight loss in the short run when compared to the long run.

SALES TAX ACT 1990 AS AMENDED UP TO 2021

SALES TAX ACT 1990

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IMPORTANT DEFINITIONS

"**arrears**", in relation to a person, means, on any day, the sales tax due and payable by the person under this Act before that day but which has not yet been paid.

"**Associates**" means where two persons associate and the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;

"**banking company**" means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and includes any body corporate which transacts the business of banking in Pakistan.

"**Board**" means the Federal Board of Revenue established under section 3 of the Federal Board of Revenue Act, 2007.

"**Chief Commissioner**" means a person appointed as the chief Commissioner Inland Revenue under section 30.

"**Commissioner**" means the Commissioner of Inland Revenue appointed under section 30.

"**computerized system**", means any comprehensive information technology system to be used by the Board or any other office as may be notified by the Board, for carrying out the purposes of this Act.

"**cottage industry**", means a manufacturer whose annual turnover from taxable supplies made in any tax period during the last twelve months ending any tax period does not exceed five million rupees or whose annual utility (electricity, gas and telephone) bills during the last twelve months ending any tax period do not exceed hundred thousand rupees.

"**CREST**" means the computerized program for analyzing and cross matching of sales tax returns, also referred to as Computerised Risk-Based Evaluation of Sales Tax.

"**Manufacture**" or 'produce' includes -

- (a) any process in which an article singly or in combination with other articles, materials, components, is either converted into another distinct article or product or is so changed, transformed or reshaped that it becomes capable of being put to use differently or distinctly and includes any process incidental or ancillary to the completion of a manufactured product;
- (b) process of printing, publishing, lithography and engraving; and
- (c) process and operations of assembling, mixing, cutting, diluting, bottling, packaging, repacking or preparation of goods in any other manner.

Change in the rate of tax

Change in the rate of tax.- If there is a change in the rate of tax-

- (a) taxable supply made by a registered person shall be charged to tax at such rate as is in force at the time of supply;
- (b) imported goods shall be charged to "tax at such rate as" is in force,-
 - (i) in case the goods are entered for home consumption, on the date on a [goods declaration] is presented under section 79 of the Customs Act, 1969 (IV of 1969);
 - (ii) in case the goods are cleared from warehouse, on the date on which a [goods declaration] for clearance of such goods is presented under section 104 of the Customs Act, 1969 (IV of 1969);

Provided that where a [goods declaration] is presented in advance of the arrival of the conveyance by which the goods are imported, the tax shall be charged as is in force on the date on which the manifest of the conveyance is delivered:

Provided further that if the tax is not paid within seven days of the of the [goods declaration] [under section 104 of the Customs Act,] the tax shall be charged at the rate as is in force on the date on which tax is actually paid.

Offences and Penalties

Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)
Notification issued under any of the provisions of this Act		
18. Where any officer of [Inland Revenue] authorized to act under this Act, acts or omits or attempts to act or omit in a manner causing loss to the sales tax revenue or otherwise abets or connives in any such act	Such officer of [Inland Revenue] shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	General
19. Any person who contravenes any of the provision of this Act [or the rules made thereunder] for which no penalty has, specifically, been provided in this section 5	Such person shall pay a penalty of five thousand rupees or three per cent of the amount of tax involved, whichever is higher.]	General.]
[21. Where any person repeats an offence for which a penalty is provided under this Act	Such person shall pay twice the amount of penalty provided under the Act for the said offence	General.
22. Any person who,- (a) knowingly and without lawful authority gains access to or attempts to gain access to the computerized system; or (b) unauthorizedly uses or discloses or publishes or otherwise disseminates information obtained from the computerized system; or (c) falsifies any record or information stored in the computerized system; or (d) knowingly or dishonestly	Such person shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to one year, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	50A.]

damages or impairs the computerized system; or (e) knowingly or dishonestly damages or impairs any duplicate tape or disc or other medium on which any information obtained from the computerized system is kept or stored; or (f) unauthorizedly uses unique user identifier of any other registered user to authenticate a transmission of information to the computerized system; or (g) fails to comply with or contravenes any of the conditions prescribed for security of unique user identifier.		
[23. Any person who manufactures, possesses, transports, distributes, stores or sells cigarette packs with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes	(i) Such cigarette stock shall be liable to outright confiscation and destruction. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to three years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both. (ii) In case of transport of cigarettes with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit cigarette packs;	40C(2)]

	and (iii) In case of repeat sale of cigarettes without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale be sealed for a period not exceeding fifteen days.	
[24. Any person, who is integrated for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or barcode or bears duplicate invoice number or counterfeit barcode, or any person who abets commissioning of such offence.	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to two years, or with additional fine which may extend to two million rupees, or with both. Any person who abets commissioning of such offence, shall be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to one year, or with additional fine which may extend to two hundred thousand rupees, or with both.	sub-section (9A) of section 3 and section 40C.
25. Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of [two] months after imposition of penalty as aforesaid, his business premises shall be sealed [till such time he integrates his business in the manner as stipulated under subsection (9A) of section 3 or section 40C, as the case may be.]	40C

26. Any person, being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as stipulated under the Act.	Such person shall pay a penalty of ten thousand rupees or five percent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of the total retail price of such goods.	sub-section (27) of section 2 and clause (a) of sub-section (2) of section 3.
27. Any person, being owner of the goods, which are brought to Pakistan in violation of section 40D.	Such person shall pay a penalty of ten thousand rupees or five percent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of value, or retail price in case of items falling in Third Schedule, of such goods.	section 40D:]
[28. Any person who is required to share information under section 56AB, fails to do so in the manner as required under the law	Such person shall pay a penalty of twenty five thousand rupees for first default and fifty thousand rupees for each subsequent default	56AB]

SALES TAX GLOSSARY

What is Sales Tax

Sales Tax is a tax levied by the Federal Government under the Sales Tax Act, 1990, on sale and supply of goods and services and on the goods imported into Pakistan.

Definitions

Definitions and meanings of commonly used terms.

Adjudication

It is the process leading to a judicial decision by an officer of sales tax vested with power and jurisdiction under section 45 of the Sales Tax Act, 1990, in case of dispute between Sales Tax authorities and the taxpayer regarding matters such as, assessment of tax, charging of additional tax, imposition of penalty, recovery of amount erroneously refunded or any other contravention under the sales tax law or the rules made thereunder.

Authorised Representative

A person authorized by a taxpayer to represent him or appear on his behalf before the Appellate Tribunal or any other adjudicating authority.

Commercial Importer

An importer who imports taxable goods for further supply in same state.

Composite Invoice

An invoice which shows the sale of taxable as well as exempt goods.

Due Tax

It is the amount of net tax payable by a registered person along with the return.

Exempt Supply

Exempt supply means a supply which is exempt from tax under section 13 of The Sales Tax Act 1990.

Goods

Goods include every kind of movable property other than actionable claims, money, stocks, shares and securities.

Invoice

Under section 23 of the Act a registered person making a taxable supply has to issue a serially numbered tax invoice at the time of supply of goods.

Input tax

Input tax is the tax paid by registered person on the taxable goods and services purchased or acquired by him. This includes the sales tax paid on imports.

Input Tax Adjustment

Input tax adjustment is the deduction of input tax from output tax to arrive at the net amount of sales tax payable by the taxpayer. Since sales tax is a value added tax, it is to be charged at each incremental stage of value addition, otherwise there may occur double taxation. Input tax is adjusted against output tax so as to avoid such double taxation and to calculate the correct amount of tax due to the government.

Output tax

It is the sales tax charged and levied on the sale or supply of goods or services on which sales tax is leviable.

Services

Sales tax is also leviable on rendering of certain services such as hotels, marriage halls, clubs, caterers, advertisements, custom agents, ship chandlers, stevedores, courier services, beauty parlors, beauty clinics and slimming clinics.

Supply

Supply includes sale or other disposition of goods in furtherance of business carried out for consideration including putting to private, business or non business use of goods acquired, produced or manufactured in the course of business.

Tax Period

Tax period means a period of one month or such other period as the Federal Government in the Official Gazette may specify.

Taxable Goods

Taxable Goods means all goods other than those which have been exempted from sales tax under section 13 of the Sales Tax Act 1990.

Value of Supply

It is the value of goods or services determined to arrive at the amount of tax due.

Value of Imported Goods

Value for the purpose of sales tax on imported goods means the value determined under section 25 or section 25-B of the Customs Act 1969, including the amount of customs duties and central excise duty levied thereon.

Zero-Rated Supply

Zero rated supply means a taxable supply which is charged to tax at the rate of zero percent. It is different from exempt supply in the sense that in case of exemption no sales tax is leviable whereas zero rated goods are chargeable to sales tax but at the rate of zero percent. Added benefit of zero-rated supplies is that input adjustment/refund of sales tax paid on inputs is admissible.

SCOPE OF THE TAX

Sales tax applies to the following:

Goods

All goods are taxable except those that have been exempted under section 13 of the Sales Tax Act, 1990. For sales tax purposes goods include every kind of movable property other than actionable claims, money, stocks, shares and securities.

Services

The following services have been brought under the sales tax regime through respective Provincial Ordinances and Islamabad Capital Territory Ordinance. Any person providing or rendering the following services should register with the sales tax department and pay sales tax.

- Services provided or rendered by hotels, marriage halls, lawns, clubs and caterers.
- Advertisements on Television and Radio excluding advertisements;
 - sponsored by a Government Agency for health education;
 - public service messages if telecast on television by World Wildlife Funds for Nature or UNICEF.
- Services provided or rendered by persons authorized to transact business on behalf of others;
 - custom agents;
 - ship chandlers;
 - stevedores.
- Courier Services

Beside these services there are three excisable services on which Federal Excise duty is collected in the sales tax mode. These are:

- Telecommunication services;
- Travel by air or rail (A/C, 1st class only); and
- Carriage of goods by air

Imports into Pakistan

All goods imported into Pakistan are liable to sales tax at the time of import, except goods specifically exempted under section 13 as mentioned in Sixth Schedule to the Act.

Exempt Goods

Under section 13 of The Sales Tax Act 1990, the Sixth Schedule of the Sales Tax Act, 1990 specifically and explicitly mentions those goods on which exemption of sales tax is available. Other exemptions are available in various notifications (SROs) issued by the Government under section 13. A complete list of such goods can be obtained from local Sales Tax Office or sales tax official web site, www.cbr.gov.pk.

Registration

Who is to be registered?

- a. All importers

- b. All wholesalers (including dealers) and distributors
- c. Manufacturers not falling in cottage industry. (Cottage industry is defined as having annual turnover below Rs.5 million and whose annual utility bill (including electricity, gas and telephone) does not exceed rupees six hundred thousand).
- d. A retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees [twelve] hundred thousand
- e. A person required under any Provincial or Federal Law to be registered for purpose of any duty or tax collected or paid as if it were a levy of sales tax, e.g. service providers like hotels, clubs, caterers, customs agents, ship chandlers, stevedores, courier services etc.
- f. Persons making zero-rated supplies, including commercial exporter who intends to obtain sales tax refund against his zero rated supplies.
- g. A person who is required to be registered by virtue of aforesaid criteria but still avoids registration, can be compulsorily registered by the department, after proper enquiry, under sub-rule 1 of Rule 6 of Sales Tax Rules, 2006.

Procedure of Registration

1. The application may be submitted electronically on Form STR-1 as well as either through post or courier services to Central Registration Office (CRO). Application can also be sent to Local Registration Office (LRO) in the form of hard copy. The LRO after proper scrutiny of documents and necessary editing of the application and particulars, electronically forwards the application to CRO.
2. All the columns of the Forms have to be duly filled in as per instructions given with the Form.
3. After verification, the Central Registration Office will issue a Registration Certificate bearing registration number and mail the same to the Registered Person, on a prescribed Form (STR-5). Office (CRO) normally verifies the contents from the data available with it, but has an authority to get an enquiry conducted through Local Registration Office, to verify contents of declaration by a person. The CRO may reject the application within fifteen days from the date, the complete application is received in CRO, under intimation to the applicant, specifying the reasons for such rejection.

Where a person is to be registered?

1. A corporate person (listed/ unlisted public company, private limited company) has to be registered under the Collectorate where the registered office of the business is located.
2. A non-corporate person is to be registered under the collectorate, where the business is actually carried on.
3. In case of non-corporate person having single manufacturing unit and the same is located in a different place than the business premises, in the Collectorate having jurisdiction over the manufacturing unit. A corporate person has the option of transferring his registration to the place of business.

Information to be furnished for registration

- I. Complete business name
- II. Business nature, main / activity or service;
- III. Complete address of Head Office and all business units, godowns, outlets mentioning, phone, fax, e-mail, electricity, gas consumer no. etc.

- iv. All Bank account numbers, with name and address.
- v. NTN (National Tax Number)
- vi. NIC (National Identity Card Number) of the owner, partners or directors of the business (passport number in case of foreigner).
- vii. In case of a company, registration number and date of incorporation.
- viii. Every director / member of AOP has to fill in STR-1 (A) Form.
- ix. Date of commencement of business and initial capital employed.
- x. The mode of maintenances of business records should also be mentioned.

Change in particulars of Registration

In case there is a change in the name address, or other particulars as stated in the registration certificate, the registered person shall notify the change in the prescribed form STR-2 to the CRO within fourteen days of such change. The change in the business category shall be allowed after LRO has verified the manufacturing facility and confirmed the status as industrial consumer of the electricity and gas distribution companies.

Transfer of Registration

In case a registered person intends to shift his business activity from the jurisdiction of one collectorate, to another collectorate, or as the case may be to an RTO or LTU, or he has any other valid reason for such transfer, he shall apply to the CRO for transfer of his registration, along with form STR-2. The CRO may subject to such conditions, limitations or restrictions as it may deem fit to impose, by an order, transfer the registration of a registered person from the jurisdiction of one collectorate, to another collectorate, or as the case may be to the LTU or RTO. The return for the tax period in which the registration is transferred shall be filed in the collectorate from where the registration is transferred.

Revised Registration Certificate.

In case of multiple registrations, the registered person shall apply on Form STR-1 for single registration to the CRO which after ascertaining tax liabilities from concerned Collectorate shall issue revised registration certificate in which previous registration number shall be merged.

Deregistration

A registered person can be deregistered

- who ceases to carry on the business, or
- whose supplies become exempt from sales tax, or
- whose turnover becomes less than the threshold level can apply for cancellation of the registration.

Filing of Sales Tax Returns

A Sales Tax return is the taxpayer's document of declaration through which taxpayer not only furnishes the details of transactions during a tax period but also deposits his Sales Tax liability. On the return form, the taxpayer declares for a particular tax period and respective input tax and output tax, at prescribed rate of Sale Tax. In case input tax exceeds output tax, the amount of refund claimed or excess input tax is also declared in the return. For different categories of taxpayers, monthly, quarterly or annual returns may be filed on prescribed format as follows:

Monthly Return

Under the standard procedure a registered person is required to file monthly return by the 15th day of the month following the period in which the supplies were made, in the designated branches of National Bank of Pakistan. In case of certain categories as mentioned below procedure has been devised to file return on monthly and quarterly basis.

Quarterly Return

The taxpayers falling exclusively in the category of commercial importer, i.e. the importer who imports taxable goods for business activity other than industrial use of such goods or manufacturing by himself, is required to file the return on quarterly basis.

Annual Return

A private or public, Ltd Company is to file annual Sales Tax return, for a financial year by the 30th September of the following financial year.

Electronic Filing

Facility of Electronic filing of Sales Tax return has also been made available to the following categories of registered persons.

- (a) the registered persons falling in the jurisdiction of the Large Taxpayers Units, Karachi and Lahore.
- (b) the private and public Ltd companies registered in any Collectorate of Sales Tax.
- (c) other taxpayers who may like to opt for electronic filing of sales tax returns.

The procedure for e-filing has been laid down in the Sales Tax General Order No.4/2007. A registered person shall obtain a unique identifier and password by visiting FBR's web portal at e.fbr.gov.pk. He can then file the return by selecting declaration "sales tax" from the web portal. The return data shall be filled in a web form and directly transferred to FBR's server.

Zero Rating

Zero rated goods are those goods on which the impact of tax paid is offset by subsequently allowing refund or input adjustment equivalent to the tax already paid. Zero rating is different from exemption in the sense that no tax is to be paid on the exempt goods whereas in case of zero rated goods not only that no sales tax is payable on supply but refund or input tax adjustment of tax already paid is allowed.

Following categories of goods fall in the category of zero rated goods:

- (a) All exports (except those made by land route to Afghanistan) are zero-rated.
- (b) Other zero-rated supplies are mentioned in section 4 and the Fifth Schedule of the Sales Tax Act, 1990, which include supplies to diplomats, privileged persons and privileged organizations, supplies of raw materials to Export Processing Zones, and
- (c) Supplies made against international tenders.

A person making both zero-rated supplies and taxable supplies or providing taxable services will charge sales tax only on the taxable supplies /services

Value of Supply

For sales tax purposes, 'value' means the value on which amount of sales tax is calculated. In case of local supply, the value is the amount paid for the goods or services including all the federal

and provincial taxes but excluding the amount of sales tax. Normal trade discounts are allowed under sales tax law.

For imported goods the value means the value determined under the Customs Act, 1990 including the amount of customs duty and federal excise duty.

The value of supply of goods as listed in the Third Schedule of the Sales tax Act 1990 is based on the retail price printed on the product. The goods include fruit and vegetable juices, ice cream, aerated water and beverages and cigarettes.

Time of Supply

Sales tax is chargeable at the time of supply of goods or services. The time of supply means the time of delivery of goods by the supplier.

Explanation

- Where any goods are supplied by the registered person to an associated person and the goods are not to be removed, the time of supply shall be the time at which the goods are made available to the recipient.
- Where the goods are supplied under hire – purchase agreement, the time of supply shall be the time at which the agreement is entered into.

Imported Goods

The time when sales tax is applicable for the imported goods is the time of importation i.e. filing of bill of entry or customs declaration. Sales tax on imported goods is collected in the same manner and at the same time as if it were customs duties on imported goods.

Services

The time of supply for services rendered is the date when the service to be performed is completed.

Sales Tax Invoice

In terms of section 23 of the Sales Tax Act, 1990 a registered person must provide a sales tax invoice for all taxable supplies.

The tax invoice should contain the following information;

- a serial number
- name, address & registration number of the supplier;
- name, address & registration number of the buyer;
- date of issue of invoice;
- description / quantity of goods;
- value, exclusive of tax;
- amount of sales tax; and
- the rate of discount, if offered;
- value inclusive of tax.

Composite Invoice

If more than one type of goods or services such as zero rated, exempt and taxable is included in the invoice, it must show the quantity, the amount payable, the rate of sales tax and the amount of tax for each type.

Electronic Invoicing Between Buyers And Sellers A procedure has been devised for the registered persons who opt for electronic transmission of sales tax invoices. Every registered person who wishes to use electronic invoicing system shall seek prior authorization in writing, from the concerned collector, before issuing electronic invoices. The registered person shall issue an electronic sale tax invoice for every taxable supply made by him, containing such information as required under section 23 of the Act. The registered person shall retain the record and documents for a period of five years on electronic media.

A sales tax invoice may be generated and transmitted electronically where the authenticity of the origin and integrity of the invoice data are guaranteed by means of either an advanced electronic signature or electronic data interchange or by any other means approved by the collector. The registered person shall simultaneously transmit a copy of all such electronically issued invoices to the Collector of Sales Tax. Same shall apply to the buyer who receives electronic invoices from the registered supplier.

Debit/Credit Notes

Debit or credit note may be issued to reduce or increase the amount of sales tax payable on a supply if the amount originally charged has changed because of return of goods or for some other valid reason.

Cancellation or return of supply

Where a registered person has made a supply, and such supply or part thereof is cancelled or returned, the buyer or the recipient shall issue a debit note (in duplicate) in respect of such supply or part thereof, indicating the quantity returned or the supply of which has been cancelled, its value determined on the basis of the value of supply, as shown in the tax invoice issued by the supplier and the amount of related sales tax paid thereon. In such a situation, the supplier shall issue a credit note with the following particulars.

- Name and registration number of supplier
- Name and registration number of recipient.
- Number and date of original Sales Tax invoice.
- The original value and Sales Tax as in original invoice.
- The revised value and Sales Tax.
- The difference of value and Sales Tax adjustable.
- The reason for revision of value; and signature and seal of authorized person issuing the note.

Increase in value of supply or amount of sales tax

If for any reason the value of supply or the amount of Sales Tax mentioned in the invoice issued has increased the supplier shall issue a debit note (in duplicate, with the particulars same as above) and vice versa the buyer shall issue a credit note. A debit note must be headed

"Debit Note" otherwise the contents of the debit note are similar to credit note.

Input tax adjustment in respect of supply which has been cancelled

The buyer shall not be entitled to claim input tax in respect of the supply which has been cancelled or returned to the supplier or in respect of which the amount of tax was reduced.

In situations, where input tax has already been claimed by the buyer, the amount of input tax shall be increased or reduced by the corresponding amount as mentioned in the Debit note or Credit note, in the return for the period in which respective note was issued.

Sales Tax Records

A registered person must keep a record in English or Urdu of all the goods and services supplied, purchased or imported in the course of business.

Record of Sales

The record of sales should indicate the following details of goods supplied or services rendered:

- description;
- quantity;
- value;
- name and address of the customer, and
- amount of tax charged.

At the end of each month, a registered person must add up the sales tax shown in these records, and transfer the total to sales tax account as output tax.

Record of Purchases and imports

The record of purchases and imports should indicate the following details of goods purchased or received or services hired:

- description;
- quantity;
- value;
- name, address and registration number of the supplier,
- amount of tax paid on purchases.

Record of Payments/Receipts

All payments or receipts of amount of sales tax on purchases or supplies above Rs. 50,000 (except utility bills) should be made through bank instruments indicating specified bank accounts of both the persons i.e., sellers and purchasers. It is recommended that records/ photocopies of all bank instruments through which payments of sales tax are made or received must be kept along with bank statements for the purpose of compliance of section 73 of the Act and to avoid audit complications.

Other Records

A registered person should also keep record of

- Zero-rated and exempt supplies,
- Record of invoices, credit notes, debit notes, bank statements, inventory records,

- Utility bills, salary and labor bills, rental agreements, sale purchase agreements and lease agreements.

Retention of Record and Documents

A registered person is required to maintain a record and documents for a period of five years after the end of the tax period to which such record and documents relate.

Input Tax and Output Tax

An important feature of the sales tax is the adjustment of input tax paid on purchases and imports, meaning thereby that a registered person has to pay sales tax only on his value addition.

Output tax

It is the total amount of sales tax charged at current rate of sales tax on taxable sales made during the month i.e. total sales excluding exempt and zero-rated supplies.

Input tax

It is the amount paid by the registered person on business purchases and imports. He/she can claim a deduction for the sales tax paid as input tax if used in the manufacture of taxable supplies.

Tax Due

For a particular tax period it will be the output tax minus input tax during that tax period.

Adjustable Input Tax

In a particular tax period, a registered person can adjust input tax paid on goods and services purchased from local market, imported from abroad and goods purchased in auction during that tax period. He/she can also claim input tax paid in the immediate twelve preceding tax periods by mentioning the reasons for not claiming it earlier on the sales tax return.

Extent of Adjustment of Input Tax

In relation to tax period, a registered person shall not be allowed to adjust input tax in excess of ninety percent of the output tax for that tax period. The adjustment or refund of remaining input tax shall be made on yearly basis in the second month following the end of the financial year of the registered person.

Input Tax Adjustment on Fixed Assets

The tax charged on acquisition of fixed assets shall be adjustable against the output tax in twelve equal monthly installments after the start of production of a new unit.

Non-Adjustable Input Tax

Input tax cannot be adjusted on purchases of goods and services that are not used in making of taxable supplies.

Input tax is also not adjustable on the following goods, if acquired other than as stock-in-trade:

- Vehicles falling in chapter 87 of the First Schedule to the Customs Act, 1969.
- Food, beverage, garments, fabrics etc and consumption on entertainment.
- Gifts and give away.

A tax credit cannot be claimed unless the registered person holds a valid tax invoice or bill of entry or treasury challan Form in case of goods purchased in auction.

Input tax credit cannot be claimed also if payment of the amount of sales tax is not made or received through banking channel as prescribed in section 73 of the Act.

Partial Exemption / Apportionment

Under the Sales Tax law, adjustment of input tax paid on raw materials, is admissible only in case of taxable supplies. The law does not allow adjustment of input tax paid on raw materials relating to exempt supplies.

There may be situations, where registered persons make taxable and exempt supplies simultaneously. In such situation following formula has been devised in Chapter iv of Sales Tax Rules 2006:

$$\text{RITC (on taxable supplies)} = \frac{\text{VTS} \times \text{RIT}}{\text{VTS} + \text{VES}}$$

Where

RITC=Residual input tax credit

VTS= Value of Taxable Supplies

VES= Value of Exempt Supplies

RIT= Residual Input Tax

In the above formula, "residual input tax" means the amount of tax paid on raw materials, components and capital goods having used for making taxable supplies as well as exempt supplies, but does not include the input tax paid on raw materials used wholly for making taxable or exempt supplies.

SALES TAX REFUNDS

- If the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty five days of filing of refund claim in such manner and subject to such conditions as the board may, by a notification in the official Gazette specify.

Who can claim refund?

Refund of sales tax paid as input tax can be claimed by the following registered persons in the respective situations:

- Registered manufacturer-cum-exporters and commercial exporters who zero rate all or part of their supplies under section 4 of the Act;
- registered persons who acquire tax paid inputs for use thereof in the manufacture of goods chargeable to sales tax at the rate of zero percent under the Act or a notification issued there-under
- Registered persons claiming refund of the excess amount of input tax which could not be consumed within three months;
- Registered persons who acquire tax paid inputs used in the export of goods, local supply of which is exempt under the Act or any notification issued there-under.
- Refund can also be claimed if an amount of sales tax is paid inadvertently or by mistake, may also be

- Refund may also be claimed if an amount is paid on demand of the department, but subsequently the demand is set aside by any competent authority, Tribunal or Court.

Filing of Refund Claim

Monthly sales tax return filed by a claimant shall be treated as a refund claim once all the supportive documents including the requisite data in the format or software has been received. No refund claim shall be entertained if the claimant fails to furnish the claim on the prescribed software alongwith the supportive documents within sixty days of the filing of return.

Required Supportive Documents For Refund Claim.

The refund claimant shall submit to the Refund Division of the concerned Collectorate, RTO or Large Taxpayer unit, as the case may be, the refund claim in computer diskette in the prescribed format or software along-with the following documents, namely:

- Input tax invoices or as the case may be, goods declaration for import in respect of which refund is being claimed;
- output tax invoices and summary of invoices for local zero rated goods.
- goods declaration for export (quaduplicate copy) indicating Mate Receipt number with date or airway bill or railway receipt or postal receipt besides the examination report endorsed on the reverse side thereof by the customs officers; in case of claims by persons other than manufacturer-cum-exporter of goods zero-rated in a notification issued under section 4 of the Act.

Provided that in case of imports or exports processed through PACCS, submission of goods declaration shall not be required and cases shall be processed by cross-matching of the declarations with the data available in the system.

- copy of House and Master bill of lading and airway bill or as the case may be, railway receipt in token or verification of the goods taken out of Pakistan; and
- statement of the tax paid inputs, in respect of which refund is claimed by the claimants other than the manufacturers of the goods zero-rated for supplies.
- In addition to the documents specified above, a commercial exporter shall submit bank credit advice issued by the concerned bank and copy of the duty drawback order, if issued by the customs authorities.
- Where the refund claim is filed under section 66 of the Act, the claimant shall submit an application for refund indicating his name, address, registration number, the amount of sales tax refund claimed and reasons for seeking such refund along-with following documents, namely:—
 - input tax invoices in respect of which refund is claimed;
 - proof of payment of input tax claimed as refund; and
 - copy of the relevant order on the basis of which refund is claimed.
- The refund claimed under section 66 of the Act shall be sanctioned after verifying that no adjustment or refund of input tax has been claimed earlier and that the goods have been duly accounted for in the inventory records and the invoices claimed are validated by the CREST (Computerised Risk - Based Evaluation of Sales Tax) System.

Refund of Amount Overpaid

If a registered person has over paid sales tax because of error, he/she may request a refund of the over paid amount from the tax authorities within one year after the payment is made or after the

decision or order causing the refund is announced from the end of the period for which a claim is made.

Adjudication

In situations which involve contravention on the part of the registered person with respect to assessment of tax, recovery of amount erroneously refunded, charging of default surcharge, imposition of penalty and any other contravention under the Sales Tax Act, the sales tax officers are vested with the powers and jurisdiction to adjudicate such cases after issuing the proper show cause notice and providing opportunity of hearing to the taxpayer.

Requirement of show cause notices for adjudication

When the tax is not levied, short levied or erroneously refunded by reason of some collusion or some deliberate act, the person liable to pay the tax or refund shall be served with a notice within five years of the relevant date, requiring him to show cause for payment of amount specified in the notice.

When the recovery of tax or refund is necessitated due to any inadvertence, error or misconstruction, the person liable to make the payment shall be served with show cause notice within three years of the relevant date. The expression relevant date means the time when the tax was due to be paid, and in case where tax has been erroneously refunded, the date of its refund.

Appeal to the Collector Appeals

An appeal can be filed with the Collector (Appeals) against the order-in-original passed by the Additional Collector, Deputy Collector, Assistant Collector and Superintendent.

Limitation of time

An appeal before the collector (Appeals), has to be filed within thirty days of the receipt of decision or order passed by the Additional Collector, Deputy Collector, Assistant Collector or Superintendent.

Condonation of delay

An appeal preferred after the expiry of thirty days may be admitted by the Collector (Appeals) if he is satisfied that the appellant has sufficient cause for not preferring the appeal within the specified period.

Format of Appeal

No specific format for appeal has been prescribed under the law. It is however advisable that Memo of appeal should be accompanied by supporting documents such as show cause notice issued to the appellant by the adjudicating officer at the original stage, order-in-original passed by the adjudicating authority and the documentary evidential material in support of the appellant.

Waiver of prior deposit of tax

In any case, where Collector (Appeals) is satisfied that the deposit of tax as aforesaid, is likely to cause undue hardship to the appellant, he may dispense with such deposit, subject to such conditions or restrictions, he may deem fit to impose.

How the appeal is settled

The Collector of Sales Tax (Appeals) may, after giving both parties to the appeal an opportunity of being heard, pass such order as he thinks fit, confirming, varying, altering, setting aside or annulling the decision or order appealed against.

Appeal to the Appellate Tribunal

An appeal can be filed against the order of the Collector (Appeals) before the Appellate Tribunal.

Condonation of delay

The Appellate Tribunal has been empowered to condone the delay in filing the appeal, if it is satisfied that the appellant had sufficient cause for not filing the appeal within time.

Reference to the High Court

Persons legible to file reference to the High Court

The person aggrieved by the order of Appellate Tribunal may prefer an application to the High Court.

Limitation of Time

The reference has to be filed within ninety days of the communication of the order of the Appellate Tribunal.

Issues on which reference can be filed: Reference to the High Court can be filed if a question of law arises out of the Appellate Tribunal's order, against which application is being preferred.

Grant of stay by the High Court

Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal. However, where a recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it is made unless the reference is decided, or such order is withdrawn, by the High Court, earlier.

Number of Copies of application

The application must be made in triplicate.

Application Fee

The application must be accompanied with a payment challan showing deposit of Rs. 100 in the treasury, or National Bank of Pakistan or State Bank of Pakistan.

Leave To Appeal To The Supreme Court

Against the order of the High Court a leave to appeal can be sought from the Supreme Court of Pakistan.

Alternative Dispute Resolution

With a purpose to reduce the volume of long pending disputes between the department and the taxpayers the government has devised an alternative arrangement whereby disputes may be settled between the parties out of court. This arrangement has been provided for in section 47-A of the Sales

Tax Act, 1990, whereby taxpayers can apply to the Board for constitution of Alternative Dispute Resolution Committee. Only those cases can be requested for alternative dispute resolution which are pending at some appellate forum. The committee comprises one chairman and two members. The chairman and one member of the committee are from the private sector whereas the second member is to be a Collector or an Additional Collector. The applicant taxpayer is to submit the application to the Board in four copies, i.e. one copy for each of the official on the panel of the committee and the remaining for the record. The application should contain facts and arguments on the case and supporting references such as copies of show cause notice, order-in-original, order-in-appeal and citations and authorities to be quoted, if any. The Board, after scrutinizing the application, constitutes the committee. The committee after affording the hearing opportunity to both the parties concludes its report of recommendations and forwards the same to the Board. The Board may on the recommendation of the committee, pass such order as it deems appropriate. In case the matter is already sub-judice before any authority, or tribunal or court, an agreement made between the registered person and the Board in the light of recommendations of the committee shall be submitted before that authority, tribunal or the court for consideration and orders as deemed appropriate.

TAXPAYER'S AUTHORIZED REPRESENTATIVES

Who can be authorized?

A taxpayer can authorize the following persons to represent the taxpayer before the adjudicating authority and the Appellate Tribunal.

- i) A full time employer of the taxpayer, holding at least a bachelor degree.
- ii) A practising lawyer
- iii) A person holding a bachelor or Masters degree in Commerce.
- iv) A retired officer of Sales Tax, Customs or Federal Excise department who has put in at least 10 years of satisfactory service not lower than post of an Assistant collector.
- v) An accountant.

Who cannot be authorised?

- i) A person who has been convicted of criminal proceedings.
- ii) A person compulsorily dismissed or retired from service.
- iii) A person who is undischarged insolvent.

On receipt of complaint for misconduct against an authorized representative, the adjudicating authority, Appellate Tribunal or the Board may disqualify him from representing the taxpayer.

How to appoint an authorized representative

In order to appoint his authorized representative, a taxpayer shall issue a letter of authorization, duly signed by the proprietor, partner or director of the company or, business concern, which shall be submitted by the authorized representative before the adjudicating authority or Appellate Tribunal.

RECOVERY

Initiation of Recovery

Once an amount of government dues is adjudged against the taxpayer, on expiry of thirty days from the date of such judgment, the referring authority i.e. an officer not below the rank of an Assistant Collector, desiring to recover government dues may deduct the amount from any money

owing to the person from whom such amount is recoverable and which may be at the disposal or in the control of such officer.

In case the government dues are not fully recovered by way of aforesaid manner, the referring authority may,

- (a) serve a notice to the Sales Tax, Customs, Federal Excise and Income Tax officers to deduct the Government dues from any money owing to the defaulter which may be under their control; and a copy of such notice shall be endorsed to the defaulter;
- (b) require by notice in writing, any person or organization who holds, or may subsequently hold, any money for or on account of the defaulter, to pay to such officer the amount specified in the notice;
- (c) require, by notice in writing, the customs officers to stop the clearance of any goods imported by the defaulter; and
- (d) attach the bank accounts of the defaulter.

Either before or after the initiation of recovery proceedings, the Collector may, if so requested by the person concerned, recover the dues in such installments as he may deem proper.

In case a registered person pays the amount of tax less than the due tax as indicated in his return, the referring authority may directly proceed to recover the short-paid amount by attachment of the bank accounts of the defaulter or through stoppage of clearances from the business premises, after serving a notice for payment of the short-paid amount in three days.

Stoppage of clearances and sealing of business premises.—

- (1) In case the government dues are not recovered in the aforesaid manner, the referring authority shall serve upon the defaulter a notice, informing him that removal of any goods from his business premises shall be stopped with effect from the date specified in the notice till such time the dues are paid or recovered in full.

Provided that if the government dues still remain unpaid, the referring authority shall seal the business premises of the defaulter till such time the dues are paid or recovered in full.

- (2) If the referring authority is satisfied that the defaulter is likely to conceal, remove or dispose of the whole or any part of such of his movable or immovable property, as shall be liable to attachment in the process of recovery, and that the realization of government dues in consequence be delayed or obstructed, he may at any time after the issuance of the notice direct, for reasons to be recorded in writing, execution of the notice by ignoring the specified time limit.
- (3) The referring authority may, if he deems fit, publish such recovery notice, in one or more newspapers circulated in the district of normal residence of the defaulter.

Demand note.—

In the event of failure of aforesaid recovery measures taken by the referring authority, the referring authority, shall issue a demand note, to the Recovery Officer, specifying therein the details of Government dues meant for recovery and shall also certify that the formalities under clauses (a), (b), (c), (ca), (d) and (f) of sub-section (1) of section 43 of the Act have been completed and there exists no bar or stay order against the proposed recovery.

Attachment and sale of property.—

The Recovery Officer, on receipt of the demand note, shall serve upon the defaulter a notice and his movable and immovable property shall stand attached and subsequently shall be sold if the recovery is not otherwise effected.

SALES TAX AUDIT

All registered/enrolled taxpayers are liable to audit by authorized sales tax Auditors at least once in a year.

In some cases Chartered Accountant or a Cost & Management Accountant appointed by the CBR may also conduct audit.

Advanced Audit Notice

The local Sales Tax Office informs the registered person about a proposed visit of the auditor in advance. The advance notice includes:

- details of the record required to be audited;
- the period to be covered;
- starting date for the audit; and
- name of the auditors.

Sometimes however, audit may be conducted without advance notice. In such an event, the auditors will identify themselves, and show their authority for the visit. If there are any doubts about the veracity of the audit or the auditors, a registered person may contact the Collector of the local Sales Tax Office to confirm the information given by the auditors.

A registered person is required to cooperate with the auditors and give all business records to them. This includes:

- sale and purchase invoices 14
- sale and purchase ledgers or records
- credit notes and debit notes
- record of daily aggregate sales (if applicable), etc.
- inventory records
- Import documents
- Bank statements

Audit Observation

On completion of audit, the auditors will give a copy of an audit observation pointing out any contraventions of the Act or Rules. The registered person has the right to present his point of view on these observations within fifteen days of the receipt of such observations.

Audit Report

In case the reply from the registered person is not received within 15 days or the Assistant Collector Audit is not satisfied with the reply, he/she issues an audit report specifying the violations of the Act or rules committed by the registered person along with the amount of tax or charge payable by the registered person.

Concessions

If a registered person deposits the amount of tax short paid or evaded along with additional tax before he/she receives a notice for audit, penalty shall not be payable.

Registry

CNIC

The registered person having the status of 'individual' or 'proprietor' is required to mention his Computerized National Identity Card number. In all other cases this information can be skipped.

Normal/ Revised

Normal return means the first return filed for any specific tax period. A revised return can be filed under section 26(3) of the Sales Tax Act, 1990. While filing the revised return, the taxpayer shall tick the relevant box and fill in all the relevant data for the month including the columns which were correctly filled in the normal return.

Monthly/ Quarterly

All registered persons are required to file return on monthly basis, except persons engaged exclusively in commercial imports, who shall file the same return on quarterly basis.

Inadmissible input tax relating to exempt supplies/ non-taxed services etc:

The input tax which is attributed to exempt supplies or to non-taxable services is to be mentioned here. Any other input tax which is not admissible as credit is also to be included. If any part of input tax relates to both taxable and exempt supplies or services, inadmissible input tax is to be calculated in accordance with the Apportionment Rules as in the Sales Tax Rules, 2006.

Ship imports by ship-breakers

The LDT of ships imported during the current month need to be mentioned.

Part of input tax attributed to zero-rated supplies/ exports

The registered person shall work out the amount of input tax relating to inputs consumed in zero-rated supplies or exports made during

Accumulated Credit

This is the total input tax available for adjustment against output tax. This is the sum of total admissible input tax for the month plus Credit brought forward from the previous month minus Refund claim.

SALES TAX DEBIT

Taxable services rendered

The services chargeable to sales tax under provincial ordinances and the services subject to FED in VAT mode are to be mentioned here. For example courier services and domestic air travel services etc. will be mentioned here.

Others (Pl. specify)

Data of all supplies on which sales tax has not been paid on the standard rates shall be given here. A brief description must also be provided in the available space.

Commercial Importers

The commercial importer shall provide the value and sales tax charged on all invoices issued by him. In case the sales tax charged exceeds the amount paid on the same goods at import stage, the differential amount has to be mentioned in space provided.

Invoices issued under Special procedures

Where the registered person, other than a commercial importer, is allowed to issue invoice showing amount of sales tax but the actual tax liability has already been discharged, such as in case of steel sector, the registered person shall provide the value and sales tax charged on all invoices issued by him. This detail is for information only and does not add to the tax payable with the return.

Whether excluded from Section 8B(1), under SRO 647(I)/2007

The registered person should tick the relevant box and calculate net liability and the amount of tax to be carried forward in accordance with the formulas provided.

Sales Tax withheld by the return filer (STWH)

If a registered person is also withholding sales tax under SRO 660(I)/2007, he shall mention the tax deducted during the tax period from the amounts payable to suppliers.

FEDERAL EXCISE DUTY

Excisable goods cleared for domestic

Space has been provided for five types of excisable goods. If such goods are more than five, then top four in terms of highest duty payable should be specified and the rest should be clubbed and mentioned against the heading description 'others'. Following nomenclature should be adhered to while specifying the goods:

- 1 Vegetable ghee and cooking oil
- 2 Concentrates for aerated beverages
- 3 Aerated waters
- 4 Aerated waters with sweetener etc.
- 5 Aerated waters made from pulp/juice etc.
- 6 Unmanufactured tobacco.
- 7 Cigars, cheroots cigarillos and cigarettes
- 8 Cement
- 9 Clinker
- 10 Solvent oil (non-composite)
- 11 Other petroleum oils
- 12 Other fuel oils
- 13 Lubricating oils
- 14 Lubricating oil in bulk
- 15 Lubricating oil if manufactured from reclaimed oils
- 16 Mineral greases
- 17 Base lube oil

- 18 Transformer oil
- 19 Other mineral oils
- 20 Waste oil
- 21 Petroleum gases in liquefied state
- 22 Natural gas in gaseous state and other petroleum gases
- 23 Carbon black oil etc
- 24 Methyl tertiary butyl ether (MTBE)
- 25 Flavours and concentrates
- 26 Perfumes and toilet waters;
- 27 Beauty or make-up preparations etc.
- 28 Preparations for hair
- 29 Pre-shave, shaving or after-shave preparations etc.
- 30 Greases
- 31 Organic composite solvents and thinners
- 32 Other solvents excluding thinners

Exempt clearances

All clearances of exempt excisable goods as in the Third Schedule or under any notification should be mentioned here.

FED paid on goods used in manufacturing of Goods cleared for domestic consumption

The credit of FED paid on inputs consumed in excisable goods supplied during the tax period will be availed by mentioning the same. This value has to be less than excise duty payable on finished goods supplied. It would be greater only in case where the rate of excise duty on inputs is higher. In such cases no refund of higher duty on inputs is admissible.

Special FED on inputs used in Manufacturing of Goods cleared for domestic consumption

Special FED on inputs used in goods supplied during the tax period is to be given here.

Payment

Arrears and current liability

In this part sales tax and FED arrears arising from various orders, observations or voluntary assessments can be mentioned and paid. Separate space is provided for mentioning and paying default surcharge and penalty due to late filing of the return being filed.

Revision Credit (Credit due to revision of declaration)

In case the return is being revised, the credit of the amount paid on the normal/ original return can be availed by mentioning the said amount.

Balance Tax Payable (Total Taxes Payable - Rev. Credit)

Balance payable is the amount to be deposited on the return.

Declaration

Declaration can be filled in by any person duly authorized to file the return. CNIC mentioned here should belong to the person making the declaration.

Head of Accounts

The break-up of tax being payable on the return is to be provided. If the taxpayer is dealing in more than one type of taxes he should provide the head-wise break up of the total amount payable for the month i.e. the amount mentioned in the column "Total Taxes Payable (Net ST Payable + Net FED Payable + PDL)". The amount falling in FED and PDL can easily be determined. However, the problem may arise while providing break-up of sales tax, provincial sales tax and FED payable in VAT mode because of common inputs involved. In case the registered person is not conveniently able to determine such break-up, then the total payable amount for such heads can be apportioned on the basis of value of supplies/ services relating to a particular head of account."

Other Facilitation and Tax Education Material Produced by
Federal Board of Revenue

Publications

Brochure- Universal self-assessment and record keeping Brochure - Business accounts documents and records Brochure - Taxation of income from salary
Brochure - Frequently asked questions about Taxation of Salary. Brochure - Collection and deduction of tax at source
Brochure - Charitable Organizations
Brochure - Taxation of income from dividend
Brochure - The Mechanism of Alternate Dispute Resolution Brochure - Taxpayers' Charter
Brochure - Import of vehicles
Brochure - Passenger Baggage Rules
Brochure - Sales Tax Facilitation Guide
Quarterly Review
Year Book

FEDERAL EXCISE ACT, 2005 AS AMENDED UP TO 2021

FEDERAL EXCISE ACT, 2005

14th July 2014

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THE FEDERAL EXCISE ACT, 2005

CHAPTER I PRELIMINARY

- (1) This Act may be called the Federal Excise Act, 2005,
- (2) It extends to the whole of Pakistan
- (3) It shall come into force on 1st day of July, 2005.

Important Definitions

"adjudicating authority" means any authority competent to pass any order or decision under this Act or the rules made there under, but does not include the Board or Appellate Tribunal;

"adjustment" means deduction of amount of duty paid on goods used in the manufacture or production of other goods from the amount of duty payable on such other goods in the prescribed manner;

"Appellate Tribunal" means the Appellate Tribunal Inland Revenue established under section 130 of the Income Tax Ordinance, 2001 (XLIX of 2001);

"Board" means the Federal Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924) and on the commencement of the Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3.

"Chief Commissioner" means a person appointed as the Chief Commissioner Inland Revenue under section 29;

"Commissioner" means a person appointed as a Commissioner Inland Revenue under section 29;

"conveyance" means any means of transport used for carrying goods or passengers such as vessel, aircraft, vehicle or animal etc.;

"default surcharge" means surcharge levied under section 8;

"distributor" means a person appointed by a manufacturer in or for a specified area to purchase goods from him for sale to a wholesale dealer in that area;

"due date", in relation to furnishing a return under section 4, means the 15th day of the month following the end of the month, or such other date as the Federal Government may, by notification in the official Gazette, specify.

"dutyable goods" means all excisable goods specified in the First Schedule except those which are exempt under section 16 of the Act;

"dutyable supply" means a supply of dutyable goods made by a manufacturer other than a supply of goods which is exempt under section 16 of the Act;

"dutyable services" means all excisable services specified in the First Schedule except those which are exempt under section 16 of the Act;

"duty" means any sum payable under the provisions of this Act or the rules made there under and includes the default surcharge and the duty chargeable at the rate of zero per cent;

"duty due" means duty in respect of supplies made or services provided or rendered during a month and shall be paid at the time of filing of return;

"establishment" includes an undertaking, firm or company, whether incorporated or not, an association of persons and an individual;

"factory" means any premises, including the precincts thereof, wherein or in any part of which goods are manufactured, or wherein or in any part of which any manufacturing process connected with the production of the goods is being carried on or is ordinarily carried on;

"Officer of Inland Revenue" means any person appointed by the Board as officer of Inland Revenue under section 29 or any person (including an officer of the Provincial Government) entrusted by the Board with any of the powers of an officer of Inland Revenue under this Act or rules made there under;

"franchise" means an authority given by a franchiser under which the franchisee is contractually or otherwise granted any right to produce, manufacture, sell or trade in or do any other business activity in respect of goods or to provide service or to undertake any process identified with franchiser against a fee or consideration including royalty or technical fee, whether or not a trade mark, service mark, trade name, logo, brand name or any such representation or symbol, as the case may be, is involved;

"goods" means goods leviable to excise duty under this Act or as specified in the First Schedule and includes goods manufactured or produced in non-tariff area and brought for use or consumption to tariff area;

"goods insurance" includes fire, marine, theft, accident and other such miscellaneous insurance;

"import" and "export" mean respectively bringing into, and taking out of Pakistan by sea, land or air and shall be deemed to have always been so defined;

"KIBOR" means Karachi Inter Bank Offered Rate prevalent on first day of each quarter of the financial year;

"manufacture" includes,-

- (a) any process incidental or ancillary to the completion of a manufactured product;
- (b) any process of re-manufacture, remaking, reconditioning or repair and the processes of packing or repacking such product, and, in relation to tobacco, includes the preparation of cigarettes, cigars, cheroots, biris, cigarette and pipe or hookah tobacco, chewing tobacco or and the word "manufacturer" shall be construed accordingly and shall include,-
 - (i) any person who employs hired labour in the production or manufacture of goods; or
 - (ii) any person who engages in the production or manufacture of goods on his own account if such goods are intended for sale; and
 - (iii) any person who engages in the production or manufacture of goods on his own account if such goods are intended for sale; and

"non-fund banking services" includes all non-interest based services provided or rendered by the banking companies or non-banking financial institutions against a consideration in the form of a fee or commission or charges;

"non-tariff area" means Azad Jammu and Kashmir, Northern Areas and such other territories or areas to which this Act does not apply;

"person" includes a company, an association, a body of individuals, whether incorporated or not, a public or local authority, a Provincial Government or the Federal Government;

"prescribed" means prescribed under this Act or by rules made there under;

"franchise" means an authority given by a franchiser under which the franchisee is contractually or otherwise granted any right to produce, manufacture, sell or trade in or do any other business activity in respect of goods or to provide service or to undertake any process identified with franchiser against a fee or consideration including royalty or technical fee, whether or not a trade mark, service mark, trade name, logo, brand name or any such representation or symbol, as the case may be, is involved;

"registered person" means a person who is registered or is required to be registered under this Act provided that a person who is not registered but is required to be registered shall not be entitled to any benefit or privilege under this Act or rules made there under, unless he is registered and such benefit and privilege, unless allowed by Board, shall be confined to period of registration;

"sale" and **"purchase"** with their grammatical variations and cognate expressions, mean any transfer of the possession of goods or rendering and providing of services by one person to another in the ordinary course of trade or business for cash or deferred payment or other consideration;

"sales tax mode" means the manner of collection and payment under the Sales Tax Act, 1990, and rules made there under, of the duties of excise chargeable under this Act specified to be collected and paid as if such duties were tax chargeable under section 3 of the said Act and all the provisions of that Act and rules, notifications, orders and instructions made or issued there under shall, *mutatis mutandis*, apply to the excise duty so chargeable;

"Schedule" means the schedule appended to this Act;

"services" means services, facilities and utilities leviable to excise duty under this Act or as specified in the First Schedule read with Chapter 98 of the Pakistan Customs Tariff, including the services, facilities and utilities originating from Pakistan or its tariff area or terminating in Pakistan or its tariff area;

[(23a) **"supply"** includes sale, lease or other disposition of goods and shall include such transaction as the [Board, with the approval of the Federal Minister-in-charge,] may notify in the official Gazette from time to time;]

"tariff area" means area other than the non-tariff area;

"wholesale dealer" means a person who buys or sells goods wholesale for the purpose of trade or manufacture, and includes a broker or commission agent who, in addition to making contracts for the sale or purchase of goods for others, stocks such goods belonging to others as an agent for the purpose of sale; and

"zero-rated" means duty of Federal excise levied and charged at the rate of zero per cent under section 5 of this act.

Recent Amendments in the Act

[(5a) in respect of goods, specified in the fourth schedule, the minimum production for a month shall be determined on the basis of a single or more inputs as consumed in the production process as per criterion specified in the fourth schedule and if minimum production so determined exceeds the actual supplies for the month, such minimum production shall be treated as quantity supplied during the month and the liability to pay duty shall be discharged accordingly.]

- The [Board, with the approval of the Federal Minister-in-charge,] may, by notification in the official Gazette, declare that any of the provisions of the Sales Tax Act, 1990, relating to the levy of and exemption from sales tax, registration, book keeping and invoicing requirements, returns, offences and penalties, appeals and recovery of arrears shall, with such modifications and alterations as it may consider necessary or desirable to adapt them to the circumstances, be applicable in regard to like matters in respect of the duty leviable under this Act.]
- The Federal Government may, whenever circumstances exist to take immediate action for the purposes of national security, natural disaster, national food security in emergency situations and implementation of bilateral and multilateral agreements, by notification in the official Gazette, exempt subject to such conditions as may be specified therein, any goods or class of goods or any services or class of services from the whole or any part of the duty leviable under this Act.]
- a person who sells cigarettes in retail at a price lower than the retail price plus the amount of sales tax as printed thereon shall be guilty of an offence and for every such offence shall be liable to fine which may extend to twenty thousand rupees and in case of offence under clause (b), the fine may extend to one hundred thousand rupees and he shall be punishable with imprisonment for a term which may extend to five years or with both.

[19A. Proceedings against authority and persons.— (1) Subject to section 41, the Board shall prescribe rules for initiating criminal proceedings against any authority mentioned in section 29, including any officer or official subordinate to the aforesaid authority, who willfully and deliberately commits or omits an act which results in undue benefit or advantage to the authority or the officer or official or to any other person.

(2) Where proceedings under sub-section (1) have been initiated against the authority or officer or official, the Board shall simultaneously intimate the relevant Government agency to initiate criminal proceedings against the person referred to in sub-section (1).

(3) The proceedings under this section shall be without prejudice to any other liability that the authority or officer or official or the person may incur under any other law for the time being in force.]

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Without prejudice to other provisions of this Act, _____ may levy and collect duty on any class or classes of goods or services by notification in the official Gazette at such higher or lower rate or rates as may be specified in such notification.
(a) The Federal Government (b) The provincial Government
(c) Both of these (d) None of these
2. The liability to pay duty shall be _____
(a) in case of goods produced or manufactured in Pakistan, of the person manufacturing or producing such goods
(b) in case of goods imported into Pakistan, of the person importing such goods
(c) both of the above
(d) none of the above
3. For the purpose of determining net liability of duty in respect of any goods, the duty already paid on goods specified in the _____ and used directly as input goods for the manufacture or production of such goods shall be deducted from the amount of duty calculated on such goods.
(a) First Schedule (b) Second Schedule
(c) Third Schedule (d) None of these
4. Notwithstanding the provisions of _____ the Board may, by a notification in the official Gazette, disallow or restrict whole or part of the amount of or otherwise regulate the adjustment of duty in respect of any goods or class of goods.
(a) sub-section (2) (b) sub-section (3) (c) sub-section (1) (d) none of these
5. a person shall be entitled to _____ duty of excise paid or payable, on such goods or services as are acquired by him during a month, from the amount of duty of excise due from him on such goods manufactured or produced or services as are provided or rendered by him, during that month.
(a) Paid (b) Deduct (c) both of these (d) none of these
6. The Federal Government may, by notification in the _____, declare that any of the provisions of the Sales Tax Act, 1990, relating to the levy of and exemption from sales tax, registration, book keeping and invoicing requirements, returns, offences and penalties, appeals and recovery of arrears shall, with such modifications and alterations as it may consider necessary or desirable to adapt them to the circumstances, be applicable in regard to like matters in respect of the duty leviable under this Act.
(a) official Gazette (b) newspaper (c) both of these (d) none of these
7. If a person does not pay the duty due or any part thereof within the prescribed time or receives a refund of duty or drawback or makes an adjustment which is not admissible to him, he shall, in addition to the duty due, pay _____ at the rate of KIBOR plus three per cent [per annum] of the duty due, refund of duty or drawback.
(a) Paid surcharge (b) additional surcharge
(c) default surcharge (d) none of these

8. _____ deals with Liability for payment of duty in the case of private companies or business enterprises or in case of sale of business ownership
(a) section 9 (b) section 10 (c) section 11 (d) none of these
9. Provided that no business enterprise or a part thereof shall be sold or transferred unless the outstanding duty is paid and a no objection certificate in this behalf from the _____ concerned is obtained.
(a) Commissioner (b) Federal Minister
(c) Both of these (d) None of these
10. In case of termination of a business or part thereof involving any outstanding charge of duty, a person terminating such business or part thereof shall be required to account for and pay the outstanding _____ of duty as if no such termination has taken place.
(a) Tax (b) Charge (c) Levy (d) None of these
11. The value and the rate of duty applicable to any goods or services shall be _____ and the rate of duty in force.
(a) the value (b) retail price (c) tariff value (d) all of these
12. Every person who for any reason whatever has collected or collects any duty, which is not payable as duty or which is in excess of the duty actually payable and the incidence of which has been passed on to the consumer, shall pay the amount so collected to the _____.
(a) Federal Government (b) provincial Government
(c) both of these (d) none of these
13. Where any goods are liable to duty under this Act at a rate dependent on their value, duty shall be assessed and paid on the basis of value as determined in accordance with _____ of section 2 of the Sales Tax Act, 1990, excluding the amount of duty payable thereon.
(a) sub-section (48) (b) sub-section (47)
(c) sub-section (46) (d) none of these
14. The Board may fix the minimum price of any goods or class of goods, for the purpose of _____ and _____ of duty and duty on such goods shall be paid accordingly.
(a) Levying (b) Collecting (c) both of these (d) none of these
15. Where any person has not levied or paid any duty or has short levied or short paid such duty or where any amount of duty has been refunded erroneously, such person shall be serviced with notice requiring him to show cause for payment of such duty provided that such notice shall be issued within _____ from the relevant date.
(a) five years (b) six years
(c) seven years (d) none of the above
16. _____ may by notification in the official Gazette, exempt subject to such conditions as may be specified therein, any goods or class of goods or any services or class of services from the whole or any part of the duty leviable under this Act.
(a) The Federal Government (b) The provincial Government
(c) both of these (d) none of the above
17. The _____ may, by special order, exempt from the payment of the whole or any part of the duty leviable under this Act, under circumstances of exceptional nature, any goods or services on which such duty is leviable.
(a) The Federal Government (b) The provincial Government
(c) Board (d) none of the above

18. the provisions of sub-sections _____ the Federal Government or the Board may, by a notification in the official Gazette, for reasons to be recorded, exempt any person or class of persons from payment of the whole or part of the default surcharge imposed under section 8 2[and penalties] subject to the such conditions or limitations as may be specified in such notification.
(a) (2) and (3) (b) (3) and (5)
(c) (6) and (7) (d) None of the above
19. Every person registered for the purposes of this Act shall maintain and keep for a period of _____ or till such further period the final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any, proceedings before an Alternative
(a) five years (b) six years (c) seven years (d) none of these
20. The Board may, by notification in the _____ specify goods in respect of which a copy of the invoice shall be carried or accompanied with the conveyance during their transportation or movement in such manner and subject to such conditions as may be specified in this behalf either in such notification or otherwise.
(a) official Gazette (b) newspaper (c) both of these (d) none of these
21. section _____ deals the Power to summon persons to give evidence and produce documents in inquiries.-
(a) 21 (b) 22 (c) 23 (d) None of these
22. The cigarettes 1[or beverages] seized for the reasons of counterfeiting shall be liable to outright confiscation and shall be destroyed in the manner prescribed in sub-section (10) of _____
(a) Section 19 (b) Section 18 (c) Section 20 (d) None of these
23. Where any conveyance is seized which is liable to confiscation, the adjudicating authority may, subject to such conditions as may be prescribed, order its release pending adjudication of the case and on furnishing a guarantee by the owner of the seized conveyance, from a scheduled bank valid for at least _____ equal to the value of such conveyance.
(a) Two years (b) One year (c) Three years (d) None of these
24. In respect of cases pending before the _____, release of conveyance under sub-section (1) shall not be allowed without prior permission of the Special Judge.
(a) Special Judge (b) Session Judge (c) Both of these (d) None of these
25. Wherever _____ is adjudged under this Act or the rules made there under, the officer adjudging it may give the owner of the conveyance an option to pay in lieu of confiscation such fine as the officer thinks fit.
(a) Confiscation (b) Levy (c) Both of these (d) None of these
26. Any person or officer of Inland Revenue] aggrieved by any of the following orders may within sixty days of the receipt of such orders file appeal to the Appellate Tribunal against such orders,
(a) An order passed by the [Commissioner] (Appeals); and
(b) An order passed by the Board or the Commissioner Inland Revenue under section 35:
(c) Both of the above
(d) None of these

27. The Board may make rules to carry into effect the purposes of any or all the provisions of this Act including charging _____ for processing of returns, claims and other documents and for preparation of copies thereof.
(a) Fee (b) Tax (c) Levy (d) None of these

ANSWERS

1.	a	2.	c	3.	a	4.	c	5.	b	6.	a	7.	c
8.	a	9.	a	10.	b	11.	d	12.	a	13.	c	14.	c
15.	a	16.	a	17.	c	18.	a	19.	b	20.	a	21.	c
22.	a	23.	b	24.	a	25.	a	26.	c	27.	a		

INCOME TAX ORDINANCE 2001 AS AMENDED UPTO 2021

INCOME TAX ORDINANCE, 2001

Amended upto 2021

TAX ON TAXABLE INCOME

PART I COMPUTATION OF TAXABLE INCOME

Taxable income.— The taxable income of a person for a tax year shall be the total income under clause (a) of section 10 of the person for the year reduced (but not below zero) by the total of any deductible allowances under Part IX of this Chapter of the person for the year.

10. Total Income.— The total income of a person for a tax year shall be the sum of the —

- (a) person's income under all heads of income for the year; and
- (b) person's income exempt from tax under any of the provisions of this Ordinance.

11. Heads of income.— (1) For the purposes of the imposition of tax and the computation of total income, all income shall be classified under the following heads, namely: —

- (a) Salary;
- (b) Income from Property;
- (c) Income from Business;
- (d) Capital Gains; and
- (e) Income from Other Sources.

(2) Subject to this Ordinance, the income of a person under a head of income for a tax year shall be the total of the amounts derived by the person in that year that are chargeable to tax under the head as reduced by the total deductions, if any, allowed under this Ordinance to the person for the year under that head.

(3) Subject to this Ordinance, where the total deductions allowed under this Ordinance to a person for a tax year under a head of income exceed the total of the amounts derived by the person in that year that are chargeable to tax under that head, the person shall be treated as sustaining a loss for that head for that year of an amount equal to the excess.

(4) A loss for a head of income for a tax year shall be dealt with in accordance with Part VIII of this Chapter.

(5) The income of a resident person under a head of income shall be computed by taking into account amounts that are Pakistan-source income and amounts that are foreign-source income.

(6) The income of a non-resident person under a head of income shall be computed by taking into account only amounts that are Pakistan-source income.

PART II HEAD OF INCOME: SALARY

12. Salary.— (1) Any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head 'Salary'.

(2) Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including —

- (a) any pay, wages or other remuneration provided to an employee, including leave pay, payment in lieu of leave, overtime payment, bonus, commission, fees, gratuity or work condition supplements (such as for unpleasant or dangerous working conditions);

Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2010, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule;

- (b) any perquisite, whether convertible to money or not;
- (c) the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but shall not include any allowance solely expended in the performance of the employee's duties of employment;

[Explanation.— For removal of doubt, it is clarified that the allowance solely expended in the performance of employee's duty does not include —

- (i) allowance which is paid in monthly salary on fixed basis or percentage of salary; or
- (ii) allowance which is not wholly, exclusively, necessarily or actually spent on behalf of the employer;
- (d) the amount of any expenditure incurred by an employee that is paid or reimbursed by the employer, other than expenditure incurred on behalf of the employer in the performance of the employee's duties of employment;
- (e) the amount of any profits in lieu of, or in addition to, salary or wages, including any amount received —
 - (i) as consideration for a person's agreement to enter into an employment relationship;
 - (ii) as consideration for an employee's agreement to any conditions of employment or any changes to the employee's conditions of employment;
 - (iii) on termination of employment, whether paid voluntarily or under an agreement, including any compensation for redundancy or loss of employment and golden handshake payments;

- (iv) from a provident or other fund, to the extent to which the amount is not a repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to a deduction; and
- (v) as consideration for an employee's agreement to a restrictive covenant in respect of any past, present or prospective employment;

- (f) any pension or annuity, or any supplement to a pension or annuity; and
- (g) any amount chargeable to tax as 'Salary' under section 14.

(3) Where an employer agrees to pay the tax chargeable on an employee's salary, the amount of the employee's income chargeable under the head 'Salary' shall be grossed up by the amount of tax payable by the employer.

(4) No deduction shall be allowed for any expenditure incurred by an employee in deriving amounts chargeable to tax under the head 'Salary'.

(5) For the purposes of this Ordinance, an amount or perquisite shall be treated as received by an employee from any employment regardless of whether the amount or perquisite is paid or provided

- (a) by the employee's employer, an associate of the employer, or by a third party under an arrangement with the employer or an associate of the employer;
- (b) by a past employer or a prospective employer; or
- (c) to the employee or to an associate of the employee or to a third party under an agreement with the employee or an associate of the employee.

(6) An employee who has received an amount referred to in sub-clause (iii) of clause (e) of sub-section (2) in a tax year may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rate computed in accordance with the following formula, namely:—

A/B%

where—

- A is the total tax paid or payable by the employee on the employee's total taxable income for the three preceding tax years; and
- B is the employee's total taxable income for the three preceding tax years.

(7) Where—

- (a) any amount chargeable under the head 'Salary' is paid to an employee in arrears; and
- (b) as a result the employee is chargeable at higher rates of tax than would have been applicable if the amount had been paid to the employee in the tax year in which the services were rendered, the employee may, by notice in writing to the Commissioner, elect for the amount to be taxed at the rates of tax that would have been applicable if the salary had been paid to the employee in the tax year in which the services were rendered.

(8) An election under sub-section (6) or (7) shall be made by the due date for furnishing the employee's return of income or employer certificate, as the case may be, for the tax year in which the amount was received or by such later date as the Commissioner may allow.

13. **Value of perquisites.**—(1) For the purposes of computing the income of an employee for a tax year chargeable to tax under the head 'Salary', the value of any perquisite provided by an employer to the employee in that year that is included in the employee's salary under section 12 shall be determined in accordance with this section.

(2) This section shall not apply to any amount referred to in clause (c) or (d) of sub-section (2) of section 12.

(3) Where, in a tax year, a motor vehicle is provided by an employer to an employee wholly or partly for the private use of the employee, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include an amount computed as may be prescribed.

(4) Omitted

(5) Where, in a tax year, the services of a housekeeper, driver, gardener or other domestic assistant is provided by an employer to an employee, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the total salary paid to the domestic assistant such as house keeper, driver, gardener or other domestic assistant in that year for services rendered to the employee, as reduced by any payment made to the employer for such services.

(6) Where, in a tax year, utilities are provided by an employer to an employee, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the fair market value of the utilities provided, as reduced by any payment made by the employee for the utilities.

(7) Where a loan is made, on or after the 1st day of July, 2002, by an employer to an employee and either no profit on loan is payable by the employee or the rate of profit on loan is less than the benchmark rate, the amount chargeable to tax to the employee under the head 'Salary' for a tax year shall include an amount equal to—

- (a) the profit on loan computed at the benchmark rate, where no profit on loan is payable by the employee, or
 - (b) the difference between the amount of profit on loan paid by the employee in that tax year and the amount of profit on loan computed at the benchmark rate,
- as the case may be:

Provided that this sub-section shall not apply to such benefit arising to an employee due to waiver of interest by such employee on his account with the employer

Provided further that this sub-section shall not apply to loans not exceeding five hundred thousand rupees.

(8) For the purposes of this Ordinance not including sub-section (7), where the employee uses a loan referred to in sub-section (7) wholly or partly for the acquisition of any asset or property producing income chargeable to tax under any head of income, the employee shall be treated as having paid an amount as profit equal to the benchmark rate on the loan or that part of the loan used to acquire asset or property.

(9) Where, in a tax year, an obligation of an employee to pay or repay an amount owing by the employee to the employer is waived by the employer, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the amount so waived.

(10) Where, in a tax year, an obligation of an employee to pay or repay an amount owing by the employee to another person is paid by the employer, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the amount so paid.

(11) Where, in a tax year, property is transferred or services are provided by an employer to an employee, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the fair market value of the property or services determined at the time the property is transferred or the services are provided, as reduced by any payment made by the employee for the property or services.

(12) Where, in the tax year, accommodation or housing is provided by an employer to an

employee, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include an amount computed as may be prescribed.

(13) Where, in a tax year, an employer has provided an employee with a perquisite which is not covered by sub-sections (3) through (12), the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the fair market value of the perquisite, except where the rules, if any, provide otherwise, determined at the time it is provided, as reduced by any payment made by the employee for the perquisite.

(14) In this section,—

(a) benchmark rate means—

- (i) for the tax year commencing on the first day of July, 2002, a rate of five per cent per annum; and
- (ii) for the tax years next following the tax year referred to in sub-clause (i), the rate for each successive year taken at one per cent above the rate applicable for the immediately preceding tax year, but not exceeding ten per cent per annum in respect of any tax year;

(b) services includes the provision of any facility; and

(c) utilities includes electricity, gas, water and telephone.

14. **Employee share schemes.**— (1) The value of a right or option to acquire shares under an employee share scheme granted to an employee shall not be chargeable to tax.

(2) Subject to sub-section (3), where, in a tax year, an employee is issued with shares under an employee share scheme including as a result of the exercise of an option or right to acquire the shares, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the fair market value of the shares determined at the date of issue, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(3) Where shares issued to an employee under an employee share scheme are subject to a restriction on the transfer of the shares—

(a) no amount shall be chargeable to tax to the employee under the head 'Salary' until the earlier of—

- (i) the time the employee has a free right to transfer the shares; or
- (ii) the time the employee disposes of the shares; and

(b) the amount chargeable to tax to the employee shall be the fair market value of the shares at the time the employee has a free right to transfer the shares or disposes of the shares, as the case may be, as reduced by any consideration given by the employee for the shares including any amount given as consideration for the grant of a right or option to acquire the shares.

(4) For purposes of this Ordinance, where sub-section (2) or (3) applies, the cost of the shares to the employee shall be the sum of—

- (a) the consideration, if any, given by the employee for the shares;
- (b) the consideration, if any, given by the employee for the grant of any right or option to acquire the shares; and
- (c) the amount chargeable to tax under the head 'Salary' under those sub-sections.

(5) Where, in a tax year, an employee disposes of a right or option to acquire shares under a

employee share scheme, the amount chargeable to tax to the employee under the head 'Salary' for that year shall include the amount of any gain made on the disposal computed in accordance with the following formula, namely:—

$A - B$

where—

A is the consideration received for the disposal of the right or option; and

B is the employee's cost in respect of the right or option.

(6) In this sub-section, 'employee share scheme' means any agreement or arrangement under which a company may issue shares in the company to—

- (a) an employee of the company or an employee of an associated company; or
- (b) the trustee of a trust and under the trust deed the trustee may transfer the shares to an employee of the company or an employee of an associated company.

PART III HEAD OF INCOME: INCOME FROM PROPERTY

15. **Income from property.**— (1) The rent received or receivable by a person for a tax year, other than rent exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head 'Income from Property'.

(2) Subject to sub-section (3), 'rent' means any amount received or receivable by the owner of land or a building as consideration for the use or occupation of, or the right to use or occupy, the land or building, and includes any forfeited deposit paid under a contract for the sale of land or a building.

(3) This section shall not apply to any rent received or receivable by any person in respect of the lease of a building together with plant and machinery and such rent shall be chargeable to tax under the head 'Income from Other Sources'.

(3A) Where any amount is included in rent received or receivable by any person for the provision of amenities, utilities or any other service connected with the renting of the building, such amount shall be chargeable to tax under the head 'Income from Other Sources'.

(4) Subject to sub-section (5), where the rent received or receivable by a person is less than the fair market rent for the property, the person shall be treated as having derived the fair market rent for the period the property is let on rent in the tax year.

(5) Sub-section (4) shall not apply where the fair market rent is included in the income of the lessee chargeable to tax under the head 'Salary'.

15A. **Deductions in computing income chargeable under the head Income from Property.**— (1) In computing the income of a person chargeable to tax under the head 'Income from Property' for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:—

- (a) in respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;
- (b) any premium paid or payable by the person in the year to insure the building against the risk of damage or destruction;
- (c) any local rate, tax, charge or cess in respect of the property or the rent from the property paid or payable by the person to any local authority or government in the

- year, not being any tax payable under this Ordinance;
- (d) any ground rent paid or payable by the person in the year in respect of the property;
 - (e) any profit paid or payable by the person in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend or reconstruct the property;
 - (f) where the property has been acquired, constructed, renovated, extended, or reconstructed by the person with capital contributed by the House Building Finance Corporation or a scheduled bank under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent and share towards appreciation in the value of property (excluding the return of capital, if any) from the property paid or payable by the person to the said Corporation or the bank in the year under that scheme;
 - (g) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge;
 - (h) any expenditure (not exceeding six per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property;
 - (i) any expenditure paid or payable by the person in the tax year for legal services acquired to defend the person's title to the property or any suit connected with the property in a court; and
 - (j) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where —
 - (i) the tenancy was bona fide, the defaulting tenant has vacated the property or steps have been taken to compel the tenant to vacate the property and the defaulting tenant is not in occupation of any other property of the person;
 - (ii) the person has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless; and
 - (iii) the unpaid rent has been included in the income of the person chargeable to tax under the head 'Income from Property' for the tax year in which the rent was due and tax has been duly paid on such income.

(2) Where any unpaid rent allowed as a deduction under clause (j) of sub-section (1) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.

(3) Where a person has been allowed a deduction for any expenditure incurred in deriving rent chargeable to tax under the head 'Income from Property' and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head 'Income from Property' in the first tax year following the end of the three years.

(4) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (3) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

(5) Any expenditure allowed to a person under this section as a deduction shall not be allowed

as a deduction in computing the income of the person chargeable to tax under any other head of income.

(6) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of a person chargeable to tax under the head 'Income from Business'.

16. Non-adjustable amounts received in relation to buildings.— (1) Where the owner of a building receives from a tenant an amount which is not adjustable against the rent payable by the tenant, the amount shall be treated as rent chargeable to tax under the head 'Income from Property' in the tax year in which it was received and the following nine tax years in equal proportion.

(2) Where an amount (hereinafter referred to as the 'earlier amount') referred to in sub-section (1) is refunded by the owner to the tenant on termination of the tenancy before the expiry of ten years, no portion of the amount shall be allocated to the tax year in which it is refunded or to any subsequent tax year except as provided for in sub-section (3).

(3) Where the circumstances specified in sub-section (2) occur and the owner lets out the building or part thereof to another person (hereinafter referred to as the 'succeeding tenant') and receives from the succeeding tenant any amount (hereinafter referred to as the 'succeeding amount') which is not adjustable against the rent payable by the succeeding tenant, the succeeding amount as reduced by such portion of the earlier amount as was charged to tax shall be treated as rent chargeable to tax under the head 'Income from Property' as specified in sub-section (1).

Section 17 omitted by the Finance Act, 2006. The omitted section 17 read as follows:

17. Deductions in computing income chargeable under the head 'Income from Property'.— (1) In computing the income of a person chargeable to tax under the head 'Income from Property' for a tax year, a deduction shall be allowed for the following expenditures or allowances, namely:—

- (a) In respect of repairs to a building, an allowance equal to one-fifth of the rent chargeable to tax in respect of the building for the year, computed before any deduction allowed under this section;
- (b) any premium paid or payable by the person in the year to insure the building against the risk of damage or destruction;
- (c) any local rate, tax, charge, or cess in respect of the property or the rent from the property paid or payable by the person to any local authority or government in the year, not being any tax payable under this Ordinance;
- (d) any ground rent paid or payable by the person in the year in respect of the property;
- (e) any profit paid or payable by the person in the year on any money borrowed including by way of mortgage, to acquire, construct, renovate, extend, or reconstruct the property;
- (f) where the property has been acquired, constructed, renovated, extended, or reconstructed by the person with capital contributed by the House Building Finance Corporation or a scheduled bank under a scheme of investment in property on the basis of sharing the rent made by the Corporation or bank, the share in rent and share towards appreciation in the value of property (excluding the return of capital, if any) from the property paid or payable by the person to the said Corporation or the bank in the year under that scheme;
- (fa) where the property is subject to mortgage or other capital charge, the amount of profit or interest paid on such mortgage or charge;

- (g) any expenditure (not exceeding six per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section) paid or payable by the person in the year for the purpose of collecting the rent due in respect of the property;
- (h) any expenditure paid or payable by the person in the tax year for legal services acquired to defend the person's title to the property or any suit connected with the property in a Court; and
- (i) where there are reasonable grounds for believing that any unpaid rent in respect of the property is irrecoverable, an allowance equal to the unpaid rent where —
 - (i) the tenancy was bona fide, the defaulting tenant has vacated the property or steps have been taken to compel the tenant to vacate the property, and the defaulting tenant is not in occupation of any other property of the person;
 - (ii) the person has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or has reasonable grounds to believe that legal proceedings would be useless; and
 - (iii) the unpaid rent has been included in the income of the person chargeable to tax under the head 'Income from Property' for the tax year in which the rent was due and tax has been duly paid on such income.

(2) Where any unpaid rent allowed as a deduction under clause (i) of sub-section (1) is wholly or partly recovered, the amount recovered shall be chargeable to tax in the tax year in which it is recovered.

(3) Where a person has been allowed a deduction for any expenditure incurred in deriving rent chargeable to tax under the head 'Income from Property' and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head 'Income from Property' in the first tax year following the end of the three years.

PART IV

HEAD OF INCOME: INCOME FROM BUSINESS

DIVISION I

INCOME FROM BUSINESS

18. **Income from business.**— (1) The following incomes of a person for a tax year, other than income exempt from tax under this Ordinance, shall be chargeable to tax under the head 'Income from Business' —

- (a) the profits and gains of any business carried on by a person at any time in the year;
- (b) any income derived by any trade, professional or similar association from the sale of goods or provision of services to its members;
- (c) any income from the hire or lease of tangible movable property;
- (d) the fair market value of any benefit or perquisite, whether convertible into money or not, derived by a person in the course of, or by virtue of, a past, present, or prospective business relationship.

Explanation. — For the purposes of this clause, it is declared that the word benefit includes any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan Banking Policy Department's Circular No.29 of 2002 or in any other scheme issued by the State Bank of Pakistan;

- (e) any management fee derived by a management company (including a modaraba management company).

(2) Any profit on debt derived by a person where the person's business is to derive such income shall be chargeable to tax under the head 'Income from Business' and not under the head 'Income from Other Sources'.

(3) Where a lessor, being a scheduled bank or an investment bank or a development finance institution or a modaraba or a leasing company has leased out any asset, whether owned by it or not, to another person, any amount paid or payable by the said person in connection with the lease of said asset shall be treated as the income of the said lessor and shall be chargeable to tax under the head 'Income from Business'.

(4) Any amount received by a banking company or a non-banking finance company, where such amount represents distribution by a mutual fund or a Private Equity and Venture Capital Fund out of its income from profit on debt, shall be chargeable to tax under the head 'Income from Business' and not under the head 'Income from Other Sources'.

19. **Speculation business.**— (1) Where a person carries on a speculation business —

- (a) that business shall be treated as distinct and separate from any other business carried on by the person;
- (b) this Part shall apply separately to the speculation business and the other business of the person; b head 'Income from Business' for that year; and
- (c) any loss of the person arising from the speculation business sustained for a tax year computed in accordance with this Part shall be dealt with under section 58.

(2) In this section, 'speculation business' means any business in which a contract for the purchase and sale of any commodity (including stocks and shares) is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity, but does not include a business in which —

- (a) a contract in respect of raw materials or merchandise is entered into by a person in the course of a manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling the person's other contracts for the actual delivery of the goods to be manufactured or merchandise to be sold;
- (b) a contract in respect of stocks and shares is entered into by a dealer or investor therein to guard against loss in the person's holding of stocks and shares through price fluctuations; or
- (c) a contract is entered into by a member of a forward market or stock exchange in the course of any transaction in the nature of jobbing arbitrage to guard against any loss which may arise in the ordinary course of the person's business as such member.

DIVISION II

DEDUCTIONS: GENERAL PRINCIPLES

20. Deductions in computing income chargeable under the head 'Income from Business'.—(1) Subject to this Ordinance, in computing the income of a person chargeable to tax under the head 'Income from Business' for a tax year, a deduction shall be allowed for any expenditure incurred by the person in the year wholly and exclusively for the purposes of business.

(1A) Subject to this Ordinance, where animals which have been used for the purposes of the business or profession otherwise than as stock-in-trade and have died or become permanently useless for such purposes, the difference between the actual cost to the taxpayer of the animals and the amount, if any, realized in respect of the carcasses or animals.

(2) Subject to this Ordinance, where the expenditure referred to in sub-section (1) is incurred in acquiring a depreciable asset or an intangible with a useful life of more than one year or is pre-commencement expenditure, the person must depreciate or amortise the expenditure in accordance with sections 22, 23, 24 and 25.

(3) Subject to this Ordinance, where any expenditure is incurred by an amalgamated company on legal and financial advisory services and other administrative cost relating to planning and implementation of amalgamation, a deduction shall be allowed for such expenditure.

21. Deductions not allowed.— Except as otherwise provided in this Ordinance, no deduction shall be allowed in computing the income of a person under the head 'Income from Business' for —

- (a) any cess, rate or tax paid or payable by the person in Pakistan or a foreign country that is levied on the profits or gains of the business or assessed as a percentage or otherwise on the basis of such profits or gains;
- (b) any amount of tax deducted under Division III of Part V of Chapter X from an amount derived by the person;
- (c) any salary, rent, brokerage or commission, profit on debt, payment to non-resident, payment for services or fee paid by the person from which the person is required to deduct tax under Division III of Part V of Chapter X or section 233 of chapter XII, unless the person has paid or deducted and paid the tax as required by Division IV of Part V of Chapter X;
- (d) any entertainment expenditure in excess of such limits or in violation of such conditions as may be prescribed;
- (e) any contribution made by the person to a fund that is not a recognized provident fund, approved pension fund, approved superannuation fund or approved gratuity fund;
- (f) any contribution made by the person to any provident or other fund established for the benefit of employees of the person, unless the person has made effective arrangements to secure that tax is deducted under section 149 from any payments made by the fund in respect of which the recipient is chargeable to tax under the head 'Salary';
- (g) any fine or penalty paid or payable by the person for the violation of any law, rule or regulation;
- (h) any personal expenditures incurred by the person;
- (i) any amount carried to a reserve fund or capitalised in any way;
- (j) any profit on debt, brokerage, commission, salary or other remuneration paid by an

association of persons to a member of the association;

- (k) omitted
- (l) any expenditure for a transaction, paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees, made other than by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer;

Provided that online transfer of payment from the business account of the payer to the business account of payee as well as payments through credit card shall be treated as transactions through the banking channel, subject to the condition that such transactions are verifiable from the bank statements of the respective payer and the payee;

Provided further that this clause shall not apply in the case of—

- (a) expenditures not exceeding ten thousand rupees;
- (b) expenditures on account of—
 - (i) utility bills;
 - (ii) freight charges;
 - (iii) travel fare;
 - (iv) postage; and
 - (v) payment of taxes, duties, fee, fines or any other statutory obligation;
- (m) any salary paid or payable exceeding fifteen thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee's bank account; and
- (n) except as provided in Division III of this Part, any expenditure paid or payable of a capital nature.

DIVISION III

DEDUCTIONS: SPECIAL PROVISIONS

22. Depreciation.— (1) Subject to this section, a person shall be allowed a deduction for the depreciation of the person's depreciable assets used in the person's business in the tax year.

(2) Subject to sub-section (3), the depreciation deduction for a tax year shall be computed by applying the rate specified in Part I of the Third Schedule against the written down value of the asset at the beginning of the year.

(3) Where a depreciable asset is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the asset was wholly used to derive income from business chargeable to tax.

(5) The written down value of a depreciable asset of a person at the beginning of the tax year shall be—

- (a) where the asset was acquired in the tax year, the cost of the asset to the person as reduced by any initial allowance in respect of the asset under section 23; or
- (b) in any other case, the cost of the asset to the person as reduced by the total depreciation deductions (including any initial allowance under section 23) allowed to

the person in respect of the asset in previous tax years.

(6) Where sub-section (3) applies to a depreciable asset for a tax year, the written down value of the asset shall be computed on the basis that the asset has been solely used to derive income from business chargeable to tax.

(7) The total deductions allowed to a person during the period of ownership of a depreciable asset under this section and section 23 shall not exceed the cost of the asset.

(8) Where, in any tax year, a person disposes of a depreciable asset, no depreciation deduction shall be allowed under this section for that year and —

- (a) if the consideration received exceeds the written down value of the asset at the time of disposal, the excess shall be chargeable to tax in that year under the head 'Income from Business'; or
- (b) if the consideration received is less than the written down value of the asset at the time of disposal, the difference shall be allowed as a deduction in computing the person's income chargeable under the head 'Income from Business' for that year.

(9) Where sub-section (3) applies, the written down value of the asset for the purposes of sub-section (8) shall be increased by the amount that is not allowed as a deduction as a result of the application of sub-section (3).

(10) Where clause (a) of sub-section (13) applies, the consideration received on disposal of the passenger transport vehicle for the purposes of sub-section (8) shall be computed according to the following formula —

$A \times B/C$

where —

- A is the amount received on disposal of the vehicle;
- B is the amount referred to in clause (a) of sub-section (13); and
- C is the actual cost of acquiring the vehicle.

(11) Subject to sub-sections (13) and (14), the rules in Part III of Chapter IV shall apply in determining the cost and consideration received in respect of a depreciable asset for the purposes of this section.

(12) The depreciation deductions allowed to a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person shall be deductible only against the lease rental income derived in respect of such assets.

(13) For the purposes of this section, —

- (a) the cost of a depreciable asset being a passenger transport vehicle not plying for hire shall not exceed two and half million rupees;
- (b) the cost of immovable property or a structural improvement to immovable property shall not include the cost of the land;
- (c) any asset owned by a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution and leased to another person is treated as used in the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution's business; and
- (d) where the consideration received on the disposal of immovable property exceeds the

cost of the property, the consideration received shall be treated as the cost of the property.

(14) Where a depreciable asset that has been used by a person in Pakistan is exported or transferred out of Pakistan, the person shall be treated as having disposed of the asset at the time of the export or transfer for a consideration received equal to the cost of the asset.

(15) In this section, —

'depreciable asset' means any tangible movable property, immovable property (other than unimproved land), or structural improvement to immovable property, owned by a person that —

- (a) has a normal useful life exceeding one year;
- (b) is likely to lose value as a result of normal wear and tear, or obsolescence; and
- (c) is used wholly or partly by the person in deriving income from business chargeable to tax,

but shall not include any tangible movable property, immovable property, or structural improvement to immovable property in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the property or improvement in the tax year in which the property is acquired or improvement made by the person; and "structural improvement" in relation to immovable property, includes any building, road, driveway, car park, railway line, pipeline, bridge, tunnel, airport runway, canal, dock, wharf, retaining wall, fence, power lines, water or sewerage pipes, drainage, landscaping or dam.

23. **Initial allowance.**— (1) A person who places an eligible depreciable asset into service in Pakistan for the first time in a tax year shall be allowed a deduction (hereinafter referred to as an 'initial allowance') computed in accordance with sub-section (2), provided the asset is used by the person for the purposes of his business for the first time or the tax year in which commercial production is commenced, whichever is later.

(2) The amount of the initial allowance of a person shall be computed by applying the rate specified in Part II of the Third Schedule against the cost of the asset.

(3) The rules in section 76 shall apply in determining the cost of an eligible depreciable asset for the purposes of this section.

(4) A deduction allowed under this section to a leasing company or an investment bank or a modaraba or a scheduled bank or a development finance institution in respect of assets owned by the leasing company or the investment bank or the modaraba or the scheduled bank or the development finance institution and leased to another person shall be deducted only against the leased rental income derived in respect of such assets.

(5) In this section, 'eligible depreciable asset' means a depreciable asset other than —

- (a) any road transport vehicle unless the vehicle is plying for hire;
- (b) any furniture, including fittings;
- (c) any plant or machinery that has been used previously in Pakistan; or
- (d) any plant or machinery in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the asset in the tax year in which the asset is acquired.

23A. **First Year Allowance.**— (1) Plant, machinery and equipment installed by any industrial

undertaking set up in specified rural and under developed areas, and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23, at the rate specified in Part II of the Third Schedule against the cost of the eligible depreciable assets put to use after July 1, 2008.

(2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall mutatis mutandis apply.

(3) The Federal Government may notify 'specified areas' for the purposes of sub-section (1).

23B. Accelerated depreciation to alternate energy projects.— (1) Any plant, machinery and equipments installed for generation of alternate energy by an industrial undertaking set up anywhere in Pakistan and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23, at the rate specified in Part II of the Third Schedule against the cost of the eligible depreciable assets put to use after first day of July, 2009.

(2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall mutatis mutandis apply.

24. Intangibles.— (1) A person shall be allowed an amortisation deduction in accordance with this section in a tax year for the cost of the person's intangibles—

- (a) that are wholly or partly used by the person in the tax year in deriving income from business chargeable to tax; and
- (b) that have a normal useful life exceeding one year.

(2) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire cost of the intangible in the tax year in which the intangible is acquired.

(3) Subject to sub-section (7), the amortization deduction of a person for a tax year shall be computed according to the following formula, namely:—

$$\frac{A}{B}$$

where—

- A is the cost of the intangible; and
B is the normal useful life of the intangible in whole years.

(4) An intangible—

- (a) with a normal useful life of more than ten years; or
- (b) that does not have an ascertainable useful life,

shall be treated as if it had a normal useful life of ten years.

(5) Where an intangible is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the intangible were wholly used to derive income from business chargeable to tax.

(6) Where an intangible is not used for the whole of the tax year in deriving income from business chargeable to tax, the deduction allowed under this section shall be computed according to the following formula, namely:—

$$A \times B/C$$

where—

- A is the amount of amortization computed under sub-section (3) or (5), as the case may be;
B is the number of days in the tax year the intangible is used in deriving income from business chargeable to tax; and
C is the number of days in the tax year.

(7) The total deductions allowed to a person under this section in the current tax year and all previous tax years in respect of an intangible shall not exceed the cost of the intangible.

(8) Where, in any tax year, a person disposes of an intangible, no amortisation deduction shall be allowed under this section for that year and—

- (a) if the consideration received by the person exceeds the written down value of the intangible at the time of disposal, the excess shall be income of the person chargeable to tax in that year under the head 'Income from Business'; or
- (b) if the consideration received is less than the written down value of the intangible at the time of disposal, the difference shall be allowed as a deduction in computing the person's income chargeable under the head 'Income from Business' in that year.

(9) For the purposes of sub-section (8)—

- (a) the written down value of an intangible at the time of disposal shall be the cost of the intangible reduced by the total deductions allowed to the person under this section in respect of the intangible or, where the intangible is not wholly used to derive income chargeable to tax, the amount that would be allowed under this section if the intangible were wholly so used; and
- (b) the consideration received on disposal of an intangible shall be determined in accordance with section 77.

(10) For the purposes of this section, an intangible that is available for use on a day (including a non-working day) is treated as used on that day.

(11) In this section,—

cost in relation to an intangible, means any expenditure incurred in acquiring or creating the intangible, including any expenditure incurred in improving or renewing the intangible; and

intangible means any patent, invention, design or model, secret formula or process, copyright, trade mark, scientific or technical knowledge, computer software, motion picture film, export quotas, franchise, licence, intellectual property, or other like property or right, contractual rights and any expenditure that provides an advantage or benefit for a period of more than one year (other than expenditure incurred to acquire a depreciable asset or unimproved land).

25. Pre-commencement expenditure.— (1) A person shall be allowed a deduction for any pre-commencement expenditure in accordance with this section.

(2) Pre-commencement expenditure shall be amortized on a straight-line basis at the rate specified in Part III of the Third Schedule.

(3) The total deductions allowed under this section in the current tax year and all previous tax years in respect of an amount of pre-commencement expenditure shall not exceed the amount of the expenditure.

(4) No deduction shall be allowed under this section where a deduction has been allowed under another section of this Ordinance for the entire amount of the pre-commencement expenditure in the tax year in which it is incurred.

(5) In this section, 'pre-commencement expenditure' means any expenditure incurred before the commencement of a business wholly and exclusively to derive income chargeable to tax, including the cost of feasibility studies, construction of prototypes, and trial production activities, but shall not include any expenditure which is incurred in acquiring land, or which is depreciated or amortised under section 22 or 24.

26. Scientific research expenditure.— (1) A person shall be allowed a deduction for scientific research expenditure incurred in Pakistan in a tax year wholly and exclusively for the purpose of deriving income from business chargeable to tax.

(2) In this section —

scientific research means any activity undertaken in Pakistan in the fields of natural or applied science for the development of human knowledge;

scientific research expenditure means any expenditure incurred by a person on scientific research undertaken in Pakistan for the purposes of developing the person's business, including any contribution to a scientific research institution to undertake scientific research for the purposes of the person's business, other than expenditure incurred —

- (a) in the acquisition of any depreciable asset or intangible;
- (b) in the acquisition of immovable property; or
- (c) for the purpose of ascertaining the existence, location, extent or quality of a natural deposit; and

scientific research institution means any institution certified by the Board as conducting scientific research in Pakistan.

27. Employee training and facilities.— A person shall be allowed a deduction for any expenditure (other than capital expenditure) incurred in a tax year in respect of—

- (a) any educational institution or hospital in Pakistan established for the benefit of the person's employees and their dependents;
- (b) any institute in Pakistan established for the training of industrial workers recognized, aided, or run by the Federal Government or a Provincial Government or a Local Government; or
- (c) the training of any person, being a citizen of Pakistan, in connection with a scheme approved by the Board for the purposes of this section.

28. Profit on debt, financial costs and lease payments.— (1) Subject to this Ordinance, a deduction shall be allowed for a tax year for —

- (a) any profit on debt incurred by a person in the tax year to the extent that the proceeds or benefit of the debt have been used by the person for the purposes of business;
- (b) any lease rental incurred by a person in the tax year to a scheduled bank, financial institution, an approved modaraba, an approved leasing company or a Special Purpose Vehicle on behalf of the Originator for an asset used by the person for the purposes of business;
- (c) any amount incurred by a person in the tax year to a modaraba or a participation term certificate holder for any funds borrowed and used by the person for the purposes of business;
- (d) any amount incurred by a scheduled bank in the tax year to a person maintaining a profit or loss sharing account or a deposit with the bank as a distribution of profits by the bank in respect of the account or deposit;

(e) any amount incurred by the House Building Finance Corporation (hereinafter referred to as 'the Corporation') constituted under the House Building Finance Corporation Act, 1952 (XVIII of 1952), in the tax year to the State Bank of Pakistan (hereinafter referred to as 'the Bank') as the share of the Bank in the profits derived by the Corporation on its investment in property made under a scheme of partnership in profit and loss, where the investment is provided by the Bank under the House Building Finance Corporation (Issue and Redemption of Certificates) Regulations, 1982;

(f) any amount incurred by the National Development Leasing Corporation Limited (hereinafter referred to as 'the Corporation') in the tax year to the State Bank of Pakistan (hereinafter referred to as 'the Bank') as the share of the Bank in the profits derived by the Corporation on its leasing operations financed out of a credit line provided by the Bank on a profit and loss sharing basis;

(g) any amount incurred by the Small and Medium Enterprises Bank (hereinafter referred to as 'the SME Bank') in the tax year to the State Bank of Pakistan (hereinafter referred to as 'the Bank') as the share of the Bank in the profits derived by the SME Bank on investments made in small business out of a credit line provided by the Bank on a profit and loss sharing basis;

(h) any amount incurred by a person in the tax year to a banking company under a scheme of musharika representing the bank's share in the profits of the musharika;

(i) any amount incurred by a person in the tax year to a certificate holder under a musharika scheme approved by the Securities and Exchange Commission and Religious Board formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) representing the certificate holder's share in the profits of the musharika; or

(j) the financial cost of the securitization of receivables incurred by an Originator in the tax year from a Special Purpose Vehicle being the difference between the amount received by the Originator and the amount of receivables securitized from a Special Purpose Vehicle.

(2) Notwithstanding any other provision in this Ordinance, where any assets are transferred by an Originator, as a consequence of securitisation, to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Originator.

(3) In this section, —

approved leasing company means a leasing company approved by the Board for the purposes of clause (b) of sub-section (1); and

approved modaraba means a modaraba approved by the Board for the purposes of clause (b) of sub-section (1).

29. Bad debts.— (1) A person shall be allowed a deduction for a bad debt in a tax year if the following conditions are satisfied, namely:—

(a) the amount of the debt was —

- (i) previously included in the person's income from business chargeable to tax; or
- (ii) in respect of money lent by a financial institution in deriving income from business chargeable to tax;

(b) the debt or part of the debt is written off in the accounts of the person in the tax year;

and

- (c) there are reasonable grounds for believing that the debt is irrecoverable.
- (2) The amount of the deduction allowed to a person under this section for a tax year shall not exceed the amount of the debt written off in the accounts of the person in the tax year.
- (3) Where a person has been allowed a deduction in a tax year for a bad debt and in a subsequent tax year the person receives in cash or kind any amount in respect of that debt, the following rules shall apply, namely:-

- (a) where the amount received exceeds the difference between the whole of such bad debt and the amount previously allowed as a deduction under this section, the excess shall be included in the person's income under the head 'Income from Business' for the tax year in which it was received; or
- (b) where the amount received is less than the difference between the whole of such bad debt and the amount allowed as a deduction under this section, the shortfall shall be allowed as a bad debt deduction in computing the person's income under the head 'Income from Business' for the tax year in which it was received.

29A. Provision regarding consumer loans.— (1) A non-banking finance company or the House Building Finance Corporation shall be allowed a deduction, not exceeding three per cent of the income for the tax year, arising out of consumer loans for creation of a reserve to off-set bad debts arising out of such loans.

(2) Where bad debt can not be wholly set off against reserve, any amount of bad debt, exceeding the reserves shall be carried forward for adjustment against the reserve for the following years.

Explanation.— In this section, 'consumer loan' means a loan of money or its equivalent made by a non-banking finance company or the House Building Finance Corporation to a debtor (consumer) and the loan is entered primarily for personal, family or household purposes and includes debts created by the use of a lender credit card or similar arrangement as well as insurance premium financing.

30. Profit on non-performing debts of a banking company or development finance institution.— (1) A banking company or development finance institution or Non-Banking Finance Company (NBFC) or modaraba shall be allowed a deduction for any profit accruing on a non-performing debt of the banking company or institution or Non-Banking Finance Company (NBFC) or modaraba where the profit is credited to a suspense account in accordance with the Prudential Regulations for Banks or Non-Banking Finance Company or modaraba Non-bank Financial Institutions, as the case may be, issued by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan.

(2) Any profit deducted under sub-section (1) that is subsequently recovered by the banking company or development finance institution or Non-Banking Finance Company (NBFC) or modaraba shall be included in the income of the company or institution or Non-Banking Finance Company (NBFC) or modaraba chargeable under the head 'Income from Business' for the tax year in which it is recovered.

31. Transfer to participatory reserve.— (1) Subject to this section, a company shall be allowed a deduction for a tax year for any amount transferred by the company in the year to a participatory reserve created under section 120 of the Companies Ordinance, 1984 (XLVII of 1984) in accordance with an agreement relating to participatory redeemable capital entered into between the company and a banking company as defined in the Financial Institutions (Recovery Of Finances) Ordinance, 2001

(XLVI of 2001).

- (2) The deduction allowed under subsection (1) for a tax year shall be limited to five per cent of the value of the company's participatory redeemable capital.
- (3) No deduction shall be allowed under subsection (1) if the amount of the tax exempted accumulation in the participatory reserve exceeds ten per cent of the amount of the participatory redeemable capital.
- (4) Where any amount accumulated in the participatory reserve of a company has been allowed as a deduction under this section is applied by the company towards any purpose other than payment of share of profit on the participatory redeemable capital or towards any purpose not allowable for deduction or exemption under this Ordinance the amount so applied shall be included in the income from business of the company in the tax year in which it is so applied.

DIVISION IV TAX ACCOUNTING

32. Method of accounting.— (1) Subject to this Ordinance, a person's income chargeable to tax shall be computed in accordance with the method of accounting regularly employed by such person.

(2) Subject to sub-section (3), a company shall account for income chargeable to tax under the head 'Income from Business' on an accrual basis, while other persons may account for such income on a cash or accrual basis.

(3) The Board may prescribe that any class of persons shall account for income chargeable to tax under the head 'Income from Business' on a cash or accrual basis.

(4) A person may apply, in writing, for a change in the person's method of accounting and the Commissioner may, by order in writing, approve such an application but only if satisfied that the change is necessary to clearly reflect the person's income chargeable to tax under the head 'Income from Business'.

(5) If a person's method of accounting has changed, the person shall make adjustments to items of income, deduction, or credit, or to any other items affected by the change so that no item is omitted and no item is taken into account more than once.

33. Cash-basis accounting.— A person accounting for income chargeable to tax under the head 'Income from Business' on a cash basis shall derive income when it is received and shall incur expenditure when it is paid.

34. Accrual-basis accounting.— (1) A person accounting for income chargeable to tax under the head 'Income from Business' on an accrual basis shall derive income when it is due to the person and shall incur expenditure when it is payable by the person.

(2) Subject to this Ordinance, an amount shall be due to a person when the person becomes entitled to receive it even if the time for discharge of the entitlement is postponed or the amount is payable by instalments.

(3) Subject to this Ordinance, an amount shall be payable by a person when all the events that determine liability have occurred and the amount of the liability can be determined with reasonable accuracy.

(5) Where a person has been allowed a deduction for any expenditure incurred in deriving income chargeable to tax under the head 'Income from Business' and the person has not paid the liability or a part of the liability to which the deduction relates within three years of the end of the tax

year in which the deduction was allowed, the unpaid amount of the liability shall be chargeable to tax under the head 'Income from Business' in the first tax year following the end of the three years.

(5A) Where a person has been allowed a deduction in respect of a trading liability and such person has derived any benefit in respect of such trading liability, the value of such benefit shall be chargeable to tax under the head 'Income from Business' for the tax year in which such benefit is received.

(6) Where an unpaid liability is chargeable to tax as a result of the application of sub-section (5) and the person subsequently pays the liability or a part of the liability, the person shall be allowed a deduction for the amount paid in the tax year in which the payment is made.

35. **Stock-in-trade.**— (1) For the purposes of determining a person's income chargeable to tax under the head 'Income from Business' for a tax year, the cost of stock-in-trade disposed of by the person in the year shall be computed in accordance with the following formula, namely:—

$$(A + B) - C$$

where—

A is the opening value of the person's stock-in-trade for the year;

B is cost of stock-in-trade acquired by the person in the year; and

C is the closing value of stock-in-trade for the year.

(2) The opening value of stock-in-trade of a person for a tax year shall

(a) the closing value of the person's stock-in-trade at the end of the previous year; or

(b) where the person commenced to carry on business in the year, the fair market value of any stock-in-trade acquired by the person prior to the commencement of the business.

(3) The fair market value of stock-in-trade referred to in clause (b) of sub-section (2) shall be determined at the time the stock-in-trade is ventured in the business.

(4) The closing value of a person's stock-in-trade for a tax year shall be the lower of cost or net realisable value of the person's stock-in-trade on hand at the end of the year.

(5) A person accounting for income chargeable to tax under the head 'Income from Business' on a cash basis may compute the person's cost of stock-in-trade on the prime-cost method or absorption-cost method, and a person accounting for such income on an accrual basis shall compute the person's cost of stock-in-trade on the absorption-cost method.

(6) Where particular items of stock-in-trade are not readily identifiable, a person may account for that stock on the first-in-first-out method or the average-cost method but, once chosen, a stock valuation method may be changed only with the written permission of the Commissioner and in accordance with any conditions that the Commissioner may impose.

(7) In this section, —

absorption-cost method means the generally accepted accounting principle under which the cost of an item of stock-in-trade is the sum of direct material costs, direct labour costs, and factory overhead costs;

average-cost method means the generally accepted accounting principle under which the valuation of stock-in-trade is based on a weighted average cost of units on hand;

direct labour costs means labour costs directly related to the manufacture or production of stock-in-trade;

direct material costs means the cost of materials that become an integral part of the stock-

in-trade manufactured or produced, or which are consumed in the manufacturing or production process;

factory overhead costs means the total costs of manufacturing or producing stock-in-trade, other than direct labour and direct material costs;

first-in-first-out method means the generally accepted accounting principle under which the valuation of stock-in-trade is based on the assumption that stock is sold in the order of its acquisition;

prime-cost method means the generally accepted accounting principle under which the cost of stock-in-trade is the sum of direct material costs, direct labour costs, and variable factory overhead costs;

stock-in-trade means anything produced, manufactured, purchased, or otherwise acquired for manufacture, sale or exchange, and any materials or supplies to be consumed in the production or manufacturing process, but does not include stocks or shares; and

variable factory overhead costs means those factory overhead costs which vary directly with changes in volume of stock-in-trade manufactured or produced.

36. **Long-term contracts.**— (1) A person accounting for income chargeable to tax under the head 'Income from Business' on an accrual basis shall compute such income arising for a tax year under a long-term contract on the basis of the percentage of completion method.

(2) The percentage of completion of a long-term contract in a tax year shall be determined by comparing the total costs allocated to the contract and incurred before the end of the year with the estimated total contract costs as determined at the commencement of the contract.

(3) In this section, —

long-term contract means a contract for manufacture, installation, or construction, or, in relation to each, the performance of related services, which is not completed within the tax year in which work under the contract commenced, other than a contract estimated to be completed within six months of the date on which work under the contract commenced and

percentage of completion method means the generally accepted accounting principle under which revenue and expenses arising under a long-term contract are recognised by reference to the stage of completion of the contract, as modified by sub-section (2).

PART V

HEAD OF INCOME: CAPITAL GAINS

37. **Capital gains.**— (1) Subject to this Ordinance, a gain arising on the disposal of a capital asset by a person in a tax year, other than a gain that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head 'Capital Gains'.

(1A) Notwithstanding anything contained in sub-sections (1) and (3) gain arising on the disposal of immovable property by a person in a tax year, shall be chargeable to tax in that year under the head 'Capital Gains' at the rates specified in Division VIII of Part I of the First Schedule.

(2) Subject to sub-sections (3) and (4), the gain arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely:—

$$A - B$$

where—

A is the consideration received by the person on disposal of the asset; and
B is the cost of the asset.

(3) Where a capital asset has been held by a person for more than one year, other than shares of public companies including the vouchers of Pakistan Telecommunication Corporation, modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984); the amount of any gain arising on disposal of the asset shall be computed in accordance with the following formula, namely:—

$A \times \frac{1}{2}$
where A is the amount of the gain determined under sub-section (2).

(4) For the purposes of determining component B of the formula in sub-section (2), no amount shall be included in the cost of a capital asset for any expenditure incurred by a person—

- that is or may be deducted under another provision of this Chapter; or
- that is referred to in section 21.

(4A) Where the capital asset becomes the property of the person—

- under a gift, bequest or will;
- by succession, inheritance or devolution;
- a distribution of assets on dissolution of an association of persons; or
- on distribution of assets on liquidation of a company,

the fair market value of the asset, on the date of its transfer or acquisition by the person shall be treated to be the cost of the asset.

(5) In this section, 'capital asset' means property of any kind held by a person, whether or not connected with a business, but does not include—

- any stock-in-trade, consumable stores or raw materials held for the purpose of business;
- any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortisation deduction under section 24; or
- any movable property excluding capital assets specified in sub-section (5) of section 38 held for personal use by the person or any member of the person's family dependent on the person.

37A. Capital gain on disposal of securities.— (1) The capital gain arising on or after the first day of July 2010, from disposal of securities held for a period of less than a year, other than a gain that is exempt from tax under this Ordinance, shall be chargeable to tax at the rates specified in Division VII of Part I of the First Schedule:

Provided that this section shall not apply to a banking company and an insurance company.

(1A) The gain arising on the disposal of a security by a person shall be computed in accordance with the following formula, namely:—

$A - B$

Where—

- 'A' is the consideration received by the person on disposal of the security; and
- 'B' is the cost of acquisition of the security.

(2) The holding period of a security, for the purposes of this section, shall be reckoned from

the date of acquisition (whether before, on or after the thirtieth day of June, 2010) to the date of disposal of such security falling after the thirtieth day of June, 2010.

(3) For the purposes of this section 'security' means share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital, debt securities and derivative products.

(3A) For the purpose of this section, 'debt securities' means—

- Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan; and
- Government Debt Securities such as Treasury Bills (T-bills), Federal Investment Bonds (FIBs), Pakistan Investment Bonds (PIBs), Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies.

(4) Gain under this section shall be treated as a separate block of income.

(5) Notwithstanding anything contained in this Ordinance, where a person sustains a loss on disposal of securities in a tax year, the loss shall be set off only against the gain of the person from any other securities chargeable to tax under this section and no loss shall be carried forward to the subsequent tax year.

38. Deduction of losses in computing the amount chargeable under the head 'Capital Gains.'— (1) Subject to this Ordinance, in computing the amount of a person chargeable to tax under the head 'Capital Gains' for a tax year, a deduction shall be allowed for any loss on the disposal of a capital asset by the person in the year.

(2) No loss shall be deducted under this section on the disposal of a capital asset where a gain on the disposal of such asset would not be chargeable to tax.

(3) The loss arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely:—

$A - B$

where—

A is the cost of the asset; and

B is the consideration received by the person on disposal of the asset.

(4) The provisions of sub-section (4) of section 37 shall apply in determining component A of the formula in sub-section (3).

(5) No loss shall be recognized under this Ordinance on the disposal of the following capital assets, namely:—

- A painting, sculpture, drawing or other work of art; jewellery;
- a rare manuscript, folio or book;
- a postage stamp or first day cover;
- a coin or medallion; or
- an antique.

PART VI

HEAD OF INCOME: INCOME FROM OTHER SOURCES

39. **Income from other sources.** — (1) Income of every kind received by a person in a tax year, if it is not included in any other head, other than income exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head 'Income from Other Sources', including the following namely: —

- (a) Dividend;
- (b) royalty;
- (c) profit on debt;
- (cc) additional payment on delayed refund under any tax law;
- (d) ground rent;
- (e) rent from the sub-lease of land or a building;
- (f) income from the lease of any building together with plant or machinery;
- (fa) income from provision of amenities, utilities or any other service connected with renting of building;
- (g) any annuity or pension;
- (h) any prize bond, or winnings from a raffle, lottery, prize on winning a quiz, prize offered by companies for promotion of sale or cross-word puzzle;
- (i) any other amount received as consideration for the provision, use or exploitation of property, including from the grant of a right to explore for, or exploit, natural resources;
- (j) the fair market value of any benefit, whether convertible to money or not, received in connection with the provision, use or exploitation of property;
- (k) any amount received by a person as consideration for vacating the possession of a building or part thereof, reduced by any amount paid by the person to acquire possession of such building or part thereof.
- (l) any amount received by a person from Approved Income Payment Plan or Approved Annuity Plan under Voluntary Pension System Rules, 2005; and
- (m) income arising to the shareholder of a company, from the issuance of bonus shares.

(2) Where a person receives an amount referred to in clause (k) of sub-section (1), the amount shall be chargeable to tax under the head 'Income from Other Sources' in the tax year in which it was received and the following nine tax years in equal proportion.

(3) Subject to sub-section (4), any amount received as a loan, advance, deposit for issuance of shares or gift by a person in a tax year from another person (not being a banking company or financial institution) otherwise than by a crossed cheque drawn on a bank or through a banking channel from a person holding a National Tax Number shall be treated as income chargeable to tax under the head 'Income from Other Sources' for the tax year in which it was received.

(4) Sub-section (3) shall not apply to an advance payment for the sale of goods or supply of services.

(4A) Where —

- (a) any profit on debt derived from investment in National Savings Deposit Certificates including Defence Savings Certificate paid

- (b) to a person in arrears or the amount received includes profit chargeable to tax in the tax year or years preceding the tax year in which it is received; and

- (c) as a result the person is chargeable at higher rate of tax than would have been applicable if the profit had been paid to the person in the tax year to which it relates,

the person may, by notice in writing to the Commissioner, elect for the profit to be taxed at the rate of tax that would have been applicable if the profit had been paid to the person in the tax year to which it relates.

(4B) An election under sub-section (4A) shall be made by the due date for furnishing the person's return of income for the tax year in which the amount was received or by such later date as the Commissioner may allow by an order in writing.

(5) This section shall not apply to any income received by a person in a tax year that is chargeable to tax under any other head of income or subject to tax under section 5, 6 or 7.

40. **Deductions in computing income chargeable under the head 'Income from Other Sources'.** — (1) Subject to this Ordinance, in computing the income of a person chargeable to tax under the head 'Income from Other Sources' for a tax year, a deduction shall be allowed for any expenditure paid by the person in the year to the extent to which the expenditure is paid in deriving income chargeable to tax under that head, other than expenditure of a capital nature.

(2) A person receiving any profit on debt chargeable to tax under the head 'Income from Other Sources' shall be allowed a deduction for any Zakat paid by the person under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), at the time the profit is paid to the person.

(3) A person receiving income referred to in clause (f) of sub-section (1) of section 39 chargeable to tax under the head 'Income from Other Sources' shall be allowed —

- (a) a deduction for the depreciation of any plant, machinery or building used to derive that income in accordance with section 22; and
- (b) an initial allowance for any plant or machinery used to derive that income in accordance with section 23.

(4) No deduction shall be allowed to a person under this section to the extent that the expenditure is deductible in computing the income of the person under another head of income.

(5) The provisions of section 21 shall apply in determining the deductions allowed to a person under this section in the same manner as they apply in determining the deductions allowed in computing the income of the person chargeable to tax under the head 'Income from Business'.

(6) Expenditure is of a capital nature if it has a normal useful life of more than one year.

PART VII

EXEMPTIONS AND TAX CONCESSIONS

41. **Agricultural income.** — (1) Agricultural income derived by a person shall be exempt from tax under this Ordinance.

(2) In this section, 'agricultural income' means, —

- (a) any rent or revenue derived by a person from land which is situated in Pakistan and is used for agricultural purposes;
- (b) any income derived by a person from land situated in Pakistan from —
 - (i) agriculture;

- (ii) the performance by a cultivator or receiver of rent-in-kind of any process ordinarily employed by such person to render the produce raised or received by the person fit to be taken to market; or
 - (iii) the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by such person, in respect of which no process has been performed other than a process of the nature described in sub-clause (ii); or
- (c) any income derived by a person from —
- (i) any building owned and occupied by the receiver of the rent or revenue of any land described in clause (a) or (b);
 - (ii) any building occupied by the cultivator, or the receiver of rent-in-kind, of any land in respect of which, or the produce of which, any operation specified in sub-clauses (ii) or (iii) of clause (b) is carried on,
- but only where the building is on, or in the immediate vicinity of the land and is a building which the receiver of the rent or revenue, or the cultivator, or the receiver of the rent-in-kind by reason of the person's connection with the land, requires as a dwelling-house, a store-house, or other out-building.

42. Diplomatic and United Nations exemptions. — (1) The income of an individual entitled to privileges under the Diplomatic and Consular Privileges Act, 1972 (IX of 1972) shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(2) The income of an individual entitled to privileges under the United Nations (Privileges and Immunities) Act, 1948 (XX of 1948), shall be exempt from tax under this Ordinance to the extent provided for in that Act.

(3) Any pension received by a person, being a citizen of Pakistan, by virtue of the person's former employment in the United Nations or its specialised agencies (including the International Court of Justice) provided the person's salary from such employment was exempt under this Ordinance.

43. Foreign government officials. — Any salary received by an employee of a foreign government as remuneration for services rendered to such government shall be exempt from tax under this Ordinance provided —

- (a) the employee is a citizen of the foreign country and not a citizen of Pakistan;
- (b) the services performed by the employee are of a character similar to those performed by employees of the Federal Government in foreign countries; and
- (c) the foreign government grants a similar exemption to employees of the Federal Government performing similar services in such foreign country.

44. Exemptions under international agreements. — (1) Any Pakistan-source income which Pakistan is not permitted to tax under a tax treaty shall be exempt from tax under this Ordinance.

(2) Any salary received by an individual (not being a citizen of Pakistan) shall be exempt from tax under this Ordinance to the extent provided for in an Aid Agreement between the Federal Government and a foreign government or public international organization, where —

- (a) the individual is either not a resident individual or a resident individual solely by reason of the performance of services under the Aid Agreement;
- (b) if the Aid Agreement is with a foreign country, the individual is a citizen of that country; and

- (c) the salary is paid by the foreign government or public international organization out of funds or grants released as aid to Pakistan in pursuance of such Agreement.

(3) Any income received by a person (not being a citizen of Pakistan) engaged as a contractor, consultant, or expert on a project in Pakistan shall be exempt from tax under this Ordinance to the extent provided for in a bilateral or multilateral technical assistance agreement between the Federal Government and a foreign government or public international organization, where —

- (a) the project is financed out of grant funds in accordance with the agreement;
- (b) the person is either a non-resident person or a resident person solely by reason of the performance of services under the agreement; and
- (c) the income is paid out of the funds of the grant in pursuance of the agreement.

45. President's honours. — (1) Any allowance attached to any Honour, Award, or Medal awarded to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

(2) Any monetary award granted to a person by the President of Pakistan shall be exempt from tax under this Ordinance.

46. Profit on debt. — Any profit received by a non-resident person on a security issued by a resident person shall be exempt from tax under this Ordinance where —

- (a) the persons are not associates;
- (b) the security was widely issued by the resident person outside Pakistan for the purposes of raising a loan outside Pakistan for use in a business carried on by the person in Pakistan;
- (c) the profit was paid outside Pakistan; and
- (d) the security is approved by the Board for the purposes of this section.

47. Scholarships. — Any scholarship granted to a person to meet the cost of the person's education shall be exempt from tax under this Ordinance, other than where the scholarship is paid directly or indirectly by an associate.

48. Support payments under an agreement to live apart. — Any income received by a spouse as support payment under an agreement to live apart shall be exempt from tax under this Ordinance.

49. Federal Government, Provincial Government, and Local Government income. — (1) The income of the Federal Government shall be exempt from tax under this Ordinance.

(2) The income of a Provincial Government or a Local Government in Pakistan shall be exempt from tax under this Ordinance, other than income chargeable under the head 'Income from Business' derived by a Provincial Government or Local Government from a business carried on outside its jurisdictional area.

(3) Subject to sub-section (2), any payment received by the Federal Government, a Provincial Government or a Local Government shall not be liable to any collection or deduction of advance tax.

(4) Exemption under this section shall not be available in the case of corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company, a regulatory authority, a development authority or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income as laid down in Article 165A of the Constitution of the Islamic Republic of Pakistan:

Provided that the income from sale of spectrum licenses by Pakistan Telecommunication

Authority on behalf of the Federal Government after the first day of March 2014 shall be treated as income of the Federal Government and not of the Pakistan Telecommunication Authority.

50. Foreign-source income of short-term resident individuals.— (1) Subject to sub-section (2), the foreign-source income of an individual —

- (a) who is a resident individual solely by reason of the individual's employment; and
- (b) who is present in Pakistan for a period or periods not exceeding three years,

shall be exempt from tax under this Ordinance.

(2) This section shall not apply to —

- (a) any income derived from a business of the person established in Pakistan; or
- (b) any foreign-source income brought into or received in Pakistan by the person.

51. Foreign-source income of returning expatriates.— (1) Any foreign-source income derived by a citizen of Pakistan in a tax year who was not a resident individual in any of the four tax years preceding the tax year in which the individual became a resident shall be exempt from tax under this Ordinance in the tax year in which the individual became a resident individual and in the following tax year.

(2) Where a citizen of Pakistan leaves Pakistan during a tax year and remains abroad during that tax year, any income chargeable under the head 'Salary' earned by him outside Pakistan during that year shall be exempt from tax under this Ordinance.

53. Exemptions and tax concessions in the Second Schedule.— (1) The income or classes of income, or persons or classes of persons specified in the Second Schedule shall be —

- (a) exempt from tax under this Ordinance, subject to any conditions and to the extent specified therein;
- (b) subject to tax under this Ordinance at such rates, which are less than the rates specified in the First Schedule, as are specified therein;
- (c) allowed a reduction in tax liability under this Ordinance, subject to any conditions and to the extent specified therein; or
- (d) exempted from the operation of any provision of this Ordinance, subject to any conditions and to the extent specified therein.

(2) The Federal Government may, from time to time, by notification in the official Gazette, make such amendment in the Second Schedule by —

- (a) adding any clause or condition therein;
- (b) omitting any clause or condition therein; or
- (c) making any change in any clause or condition therein,

as the Government may think fit, and all such amendments shall have effect in respect of any tax year beginning on any date before or after the commencement of the financial year in which the notification is issued.

(3) The Federal Government shall place before the National Assembly all amendments made by it to the Second Schedule in a financial year.

54. Exemptions and tax provisions in other laws.— No provision in any other law providing for

- (a) an exemption from any tax imposed under this Ordinance;
- (b) a reduction in the rate of tax imposed under this Ordinance;

- (c) a reduction in tax liability of any person under this Ordinance; or
 - (d) an exemption from the operation of any provision of this Ordinance,
- shall have legal effect unless also provided for in this Ordinance.

55. Limitation of exemption.— (1) Where any income is exempt from tax under this Ordinance, the exemption shall be, in the absence of a specific provision to the contrary contained in this Ordinance, limited to the original recipient of that income and shall not extend to any person receiving any payment wholly or in part out of that income.

PART VIII LOSSES

56. Set off of losses.— (1) Subject to sections 58 and 59, where a person sustains a loss for any tax year under any head of income specified in section 11, the person shall be entitled to have the amount of the loss set off against the person's income, if any, chargeable to tax under any other head of income except income under the head salary or income from property for the year.

(2) Except as provided in this Part, where a person sustains a loss under a head of income for a tax year that cannot be set off under sub-section (1), the person shall not be permitted to carry the loss forward to the next tax year.

(3) Where, in a tax year, a person sustains a loss under the head 'Income from Business' and a loss under another head of income, the loss under the head 'Income from Business' shall be set off last.

56A. Set off of losses of companies operating hotels.— Subject to sections 56 and 57, where a company registered in Pakistan or Azad Jammu and Kashmir (AJ&K), operating hotels in Pakistan or AJ&K, sustains a loss in Pakistan or AJ&K for any tax year under the head 'income from business' shall be entitled to have the amount of the loss set off against the company's income in Pakistan or AJ&K, as the case may be, from the tax year 2007 onward.

57. Carry forward of business losses.— (1) Where a person sustains a loss for a tax year under the head 'Income from Business' (other than a loss to which section 58 applies) and the loss cannot be wholly set off under section 56, so much of the loss that has not been set off shall be carried forward to the following tax year and set off against the person's income chargeable under the head 'Income from Business' for that year.

(2) If a loss sustained by a person for a tax year under the head 'Income from Business' is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied as specified in sub-section (1) in that year, and so on, but no loss can be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(2A) Where a loss, referred to in sub-section (2), relating to any assessment year commencing on or after 1st day of July, 1995, and ending on the 30th day of June 2001, is sustained by a banking company wholly owned by the Federal Government as on first day of June, 2002, which is approved by the State Bank of Pakistan for the purpose of this sub-section, the said loss shall be carried forward for a period of ten years.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

(4) Where the loss referred to in sub-section (1) includes deductions allowed under sections 22, 23, 23A, 23B and 24 that have not been set off against income, the amount not set off shall be added to the deductions allowed under those sections in the following tax year, and so on until

completely set off.

(5) In determining whether a person's deductions under sections 22, 23, 23A, 23B and 24 have been set off against income, the deductions allowed under those sections shall be taken into account last.

57A. Set off of business loss consequent to amalgamation.— (1) The assessed loss (excluding capital loss) for the tax year, other than brought forward and capital loss, of the amalgamating company or companies shall be set off against business profits and gains of the amalgamated company, and vice versa, in the year of amalgamation and where the loss is not adjusted against the profits and gains for the tax year the unadjusted loss shall be carried forward for adjustment upto a period of six tax years succeeding the year of amalgamation.

(2) The provisions of sub-section (4) and (5) of section 57 shall, mutatis mutandis, apply for the purposes of allowing unabsorbed depreciation of amalgamating company or companies in the assessment of amalgamated company and vice versa.

Provided that the losses referred to in sub-section (1) and unabsorbed depreciation referred to in sub-section (2) shall be allowed set off subject to the condition that the amalgamated company continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation.

(2A) In case of amalgamation of Banking Company or Non-banking Finance Company, medarabas or insurance company, the accumulated loss under the head 'Income from Business' (not being speculation business losses) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company and vice versa, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies.

Provided that the provisions of this sub-section shall in the case of Banking companies be applicable from July 1, 2007.

(3) Where any of the conditions as laid down by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan or any court, court, as the case may be, in the scheme of amalgamation, are not fulfilled, the set off of loss or allowance for depreciation made in any tax year of the amalgamated company or the amalgamating company or companies shall be deemed to be the income of that amalgamated company or the amalgamating company or companies, as the case may be, for the year in which such default is discovered by the Commissioner or taxation officer, and all the provisions of this Ordinance shall apply accordingly.

58. Carry forward of speculation business losses.— (1) Where a person sustains a loss for a tax year in respect of a speculation business carried on by the person (hereinafter referred to as a speculation loss), the loss shall be set off only against the income of the person from any other speculation business of the person chargeable to tax for that year.

(2) If a speculation loss sustained by a person for a tax year is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year and applied against the income of any speculation business of the person in that year and applied as specified in sub-section (1) in that year, and so on, but no speculation loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

59. Carry forward of capital losses.— (1) Where a person sustains a loss for a tax year under the head 'Capital Gains' (hereinafter referred to as a 'capital loss'), the loss shall not be set off against the

person's income, if any, chargeable under any other head of income for the year, but shall be carried forward to the next tax year and set off against the capital gain, if any, chargeable under the head 'Capital Gains' for that year.

(2) If a capital loss sustained by a person for a tax year under the head 'Capital Gains' is not wholly set off under sub-section (1), then the amount of the loss not set off shall be carried forward to the following tax year, and so on, but no loss shall be carried forward to more than six tax years immediately succeeding the tax year for which the loss was first computed.

(3) Where a person has a loss carried forward under this section for more than one tax year, the loss of the earliest tax year shall be set off first.

59A. Limitations on set off and carry forward of losses.—

(3) In case of association of persons any loss shall be set off or carried forward and set off only against the income of the association.

(4) Nothing contained in section 56, 57, 58 or 59 shall entitle—

(a) any member of an association of persons to set off any loss sustained by such association of persons, as the case may be, or have it carried forward and set off, against his income; or

(b) any person who has succeeded, in such capacity, any other person carrying on any business or profession, otherwise than by inheritance, to carry forward and set off against his income, any loss sustained by such other person.

(5) Where in computing the taxable income for any tax year, full effect cannot be given to a deduction mentioned in section 22, 23, 24 or 25 owing to there being no profits or gains chargeable for that year or such profits or gains being less than the deduction, then, subject to sub-section (12) of section 22, and sub-section (6), the deduction or part of the deduction to which effect has not been given, as the case may be, shall be added to the amount of such deduction for the following year and be treated to be part of that deduction, or if there is no such deduction for that year, be treated to be the deduction for that year and so on for succeeding years.

(6) Where, under sub-section (5), deduction is also to be carried forward, effect shall first be given to the provisions of section 56 and sub-section (2) of section 58.

(7) Notwithstanding anything contained in this Ordinance, no loss which has not been assessed or determined in pursuance of an order made under section 59, 59A, 62, 63 or 65 of the repealed Ordinance or an order made or treated as made under section 120, 121 or 122 shall be carried forward and set off under section 57, sub-section (2) of section 58 or section 59.

59AA. Group taxation.— (1) Holding companies and subsidiary companies of 100% owned group may opt to be taxed as one fiscal unit. In such cases, besides consolidated group accounts as required under the Companies Ordinance, 1984 (XLVII of 1984), computation of income and tax payable shall be made for tax purposes.

(2) The companies in the group shall give irrevocable option for taxation under this section as one fiscal unit.

(3) The group taxation shall be restricted to companies locally incorporated under the Companies Ordinance, 1984 (XLVII of 1984).

(4) The relief under group taxation would not be available to losses prior to the formation of the group.

(5) The option of group taxation shall be available to those group companies which comply with such corporate governance requirements and group designation rules or regulations as may be

specified by the Securities and Exchange Commission of Pakistan from time to time and as designated as companies entitled to avail group taxation.

(6) Group taxation may be regulated through rules as may be made by the Board.

59B. Group relief.— (1) Subject to sub-section (2), any company, being a subsidiary of a holding company, may surrender its assessed loss (excluding capital loss) for the tax year (other than brought forward losses and capital losses), in favour of its holding company or its subsidiary or between another subsidiary of the holding company:

Provided that where one of the company in the group is a public company listed on a registered stock exchange in Pakistan, the holding company shall directly hold fifty-five per cent or more of the share capital of the subsidiary company. Where none of the companies in the group is a listed company, the holding company shall hold directly seventy-five per cent or more of the share capital of the subsidiary company.

(2) The loss surrendered by the subsidiary company may be claimed by the holding company or a subsidiary company for set off against its income under the head 'Income from Business' in the tax year and the following two tax years subject to the following conditions, namely:—

- there is continued ownership for five years, of share capital of the subsidiary company to the extent of fifty-five per cent in the case of a listed company, or seventy-five per cent or more, in the case of other companies;
- a company within the group engaged in the business of trading shall not be entitled to avail group relief;
- holding company, being a private limited company with seventy-five per cent of ownership of share capital gets itself listed within three years from the year in which loss is claimed;
- the group companies are locally incorporated companies under the Companies Ordinance, 1984 (XLVII of 1984);
- the loss surrendered and loss claimed under this section shall have approval of the Board of Directors of the respective companies;
- the subsidiary company continues the same business during the said period of three years;
- all the companies in the group shall comply with such corporate governance requirements and group designation rules or regulations as may be specified by the Securities and Exchange Commission of Pakistan from time to time, and are designated as companies entitled to avail group relief; and
- any other condition as may be prescribed.

(3) The subsidiary company shall not be allowed to surrender its assessed losses for set off against income of the holding company for more than three tax years.

(4) Where the losses surrendered by a subsidiary company are not adjusted against income of the holding company in the said three tax years, the subsidiary company shall carry forward the unadjusted losses in accordance with section 57.

(5) If there has been any disposal of shares by the holding company during the aforesaid period of five years to bring the ownership of the holding company to less than fifty-five per cent or seventy-five per cent, as the case may be, the holding company shall, in the year of disposal, offer the amount of profit on which taxes have not been paid due to set off of losses surrendered by the subsidiary company.

(6) Loss claiming company shall, with the approval of the Board of Directors, transfer cash to the loss surrendering company equal to the amount of tax payable on the profits to be set off against the acquired loss at the applicable tax rate. The transfer of cash would not be taken as a taxable event in the case of either of the two companies.

(7) The transfer of shares between companies and the share holders, in one direction, would not be taken as a taxable event provided the transfer is to acquire share capital for formation of the group and approval of the Security and Exchange Commission of Pakistan or State Bank of Pakistan, as the case may be, has been obtained in this effect. Sale and purchase from third party would be taken as taxable event.

PART IX DEDUCTIBLE ALLOWANCES

60. Zakat.— (1) A person shall be entitled to a deductible allowance for the amount of any Zakat paid by the person in a tax year under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

(2) Sub-section (1) does not apply to any Zakat taken into account under sub-section (2) of section 40.

(3) Any allowance or part of an allowance under this section for a tax year that is not able to be deducted under section 9 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

60A. Workers' Welfare Fund.— A person shall be entitled to a deductible allowance for the amount of any Workers' Welfare Fund paid by the person in tax year under Workers' Welfare Fund Ordinance, 1971 (XXXVI of 1971).

60B. Workers' Participation Fund.— A person shall be entitled to a deductible allowance for the amount of any Workers' Participation Fund paid by the person in a tax year in accordance with the provisions of the Companies Profit (Workers' Participation) Act, 1968 (XII of 1968).

PART X TAX CREDITS

61. Charitable donations.— (1) A person shall be entitled to a tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation to—

- any board of education or any university in Pakistan established by, or under, a Federal or a Provincial law;
- any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or a Local Government; or
- any non-profit organization.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where—

- is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
- is the person's taxable income for the tax year; and

C is the lesser of—

- (a) the total amount of the person's donations referred to in sub-section (1) in the year, including the fair market value of any property given; or
- (b) where the person is—
 - (i) an individual or association of persons, thirty per cent of the taxable income of the person for the year; or
 - (ii) a company, twenty per cent of the taxable income of the person for the year.

(3) For the purposes of clause (a) of component C of the formula in sub-section (2), the fair market value of any property given shall be determined at the time it is given.

(4) A cash amount paid by a person as a donation shall be taken into account under clause (a) of component C of sub-section (2) only if it was paid by a crossed cheque drawn on a bank.

(5) The Board may make rules regulating the procedure of the grant of approval under sub-clause (c) of clause (36) of section 2 and any other matter connected with, or incidental to, the operation of this section.

62. Tax credit for investment in shares and insurance.— (1) A resident person other than a company shall be entitled to a tax credit for a tax year either—

- (i) in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan; or
- (ii) in respect of any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head salary or income from business.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
- B is the person's taxable income for the tax year; and
- C is the lesser of—

- (a) the total cost of acquiring the shares, or the total contribution or premium paid by the person referred to in sub-section (1) in the year;
- (b) twenty per cent of the person's taxable income for the year; or
- (c) one million rupees.

(3) Where—

- (a) a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and
- (b) the person has made a disposal of the share within twentyfour months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.

63. Contribution to an Approved Pension Fund.— (1) An eligible person as defined in sub-section (1 9A) of section 2 deriving income chargeable to tax under the head 'Salary' or the head 'Income from Business' shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person in approved pension fund under the Voluntary Pension System Rules, 2005.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

Where—

- A is the amount of tax assessed to the person for the tax year, before allowance of any tax credit under this Part;
- B is the person's taxable income for the tax year; and
- C is the lesser of—

- (i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or
- (ii) twenty per cent of the eligible person's taxable income for the relevant tax year; Provided that an eligible person joining the pension fund at the age of forty-one years or above, during the first ten years starting from July 1, 2006 shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year.

(3) The transfer by the members of approved employment pension or annuity scheme or approved occupational saving scheme of their existing balance to their individual pension accounts maintained with one or more pension fund managers shall not qualify for tax credit under this section.

64. Profit on debt.— (1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the person utilizes the loan for the construction of a new house or the acquisition of a house.

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

$$(A/B) \times C$$

where—

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
- B is the person's taxable income for the tax year; and
- C is the lesser of—

- (a) the total profit referred to in sub-section (1) paid by the person in the year;
- (b) fifty per cent of the person's taxable income for the year; or
- (c) seven hundred and fifty thousand rupees.

(3) A person is not entitled to tax credit under this section for any profit deductible under section 17.

65. Miscellaneous provisions relating to tax credits.— (1) Where the person entitled to a tax credit under this Part is a member of an association of persons to which sub-section (1) of section 92 applies, the following shall apply—

- (a) component A of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the amount of tax that would be assessed to the individual if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax; and
 - (b) component B of the formula in sub-section (2) of section 61, sub-section (2) of section 62, sub-section (2) of section 63 and sub-section (2) of section 64 shall be the taxable income of the individual for the year if any amount derived in the year that is exempt from tax under sub-section (1) of section 92 were chargeable to tax.
- (2) Any tax credit allowed under this Part shall be applied in accordance with sub-section (3) of section 4.

(3) Subject to sub-section (4), any tax credit or part of a tax credit allowed to a person under this Part for a tax year that is not able to be credited under sub-section (3) of section 4 for the year shall not be refunded, carried forward to a subsequent tax year, or carried back to a preceding tax year.

(4) Where the person to whom sub-section (3) applies is a member of an association of persons to which sub-section (1) of section 92 applies, the amount of any excess credit under sub-section (3) for a tax year may be claimed as a tax credit by the association for that year.

(5) Sub-section (4) applies only where the member and the association agree in writing for the sub-section to apply and such agreement in writing must be furnished with the association's return of income for that year.

65A. Tax credit to a person registered under the Sales Tax Act, 1990.— (1) Every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of two and a half per cent of tax payable for a tax year, if ninety per cent of his sales are to the person who is registered under the aforesaid Act during the said tax year.

(2) For claiming of the credit, the person shall provide complete details of the persons to whom the sales were made.

(3) No credit will be allowed to a person whose income is covered under final tax or minimum tax.

(4) Carry forward of any amount where full credit may not be allowed against the tax liability for the tax year, shall not be allowed.

65B. Tax credit for investment.— (1) Where a taxpayer being a company invests any amount in the purchase of plant and machinery, for the purposes of extension, expansion, balancing, modernization and replacement of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan and owned by it, credit equal to ten per cent of the amount so invested shall be allowed against the tax payable, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance, by it in the manner hereinafter provided.

(2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2010, and the 30th day of June, 2015.

(3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery in the purchase of which the amount referred to in sub-section (1) is invested and installed.

(4) The provisions of this section shall mutatis mutandis apply to a company setup in

Pakistan before the first day of July, 2011, which makes investment, through hundred per cent new equity, during first day of July, 2011 and 30th day of June, 2016, for the purposes of balancing, modernization and replacement of the plant and machinery already installed in an industrial undertaking owned by the company. However, credit equal to twenty per cent of the amount so invested shall be allowed against the tax payable, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance. The credit shall be allowed in the year in which the plant and machinery in the purchase of which the investment as aforesaid is made, is installed therein.

Explanation.— For the purpose of this section the term 'new equity' shall, have the same meaning as defined in sub-section (7) of section 65E.

(5) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of credit as aforesaid, the amount of the credit or so much of it as is in excess thereof, as the case may be, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year and so on, but no such amount shall be carried forward for more than two tax years in the case of investment referred to in sub-section (1) and for more than five tax years in respect of investment referred to in sub-section (4), however, the deduction made under this section shall not exceed in aggregate the limit specified in sub-section (1) or sub-section (4), as the case may be.

(6) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner, notwithstanding anything contained in this Ordinance, shall re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

65C. Tax credit for enlistment.— (1) Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to fifteen per cent of the tax payable shall be allowed for the tax year in which the said company is enlisted.

65D. Tax credit for newly established industrial undertakings.— (1) Where a taxpayer being a company formed for establishing and operating a new industrial undertaking including corporate dairy farming sets up a new industrial undertaking including a corporate dairy farm, it shall be given a tax credit equal to hundred per cent of the tax payable, including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance, on the taxable income arising from such industrial undertaking for a period of five years beginning from the date of setting up or commencement of commercial production, whichever is later.

(2) Tax credit under this section shall be admissible where—

- (a) the company is incorporated and industrial undertaking is setup between the first day of July, 2011 and 30th day of June, 2016;
- (b) industrial undertaking is managed by a company formed for operating the said industrial undertaking and registered under the Companies Ordinance, 1984 (XLVII of 1984) and having its registered office in Pakistan;
- (c) the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an industrial undertaking established in Pakistan at any time before 1st July 2011; and
- (d) the industrial undertaking is set up with hundred per cent equity raised through

issuance of new shares for cash consideration:

Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.

(4) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that any of the conditions specified in this section were not fulfilled, fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

(5) For the purposes of this section and sections 65B and 65E, an industrial undertaking shall be treated to have been setup on the date on which the industrial undertaking is ready to go into production, whether trial production or commercial production.

65E. Tax credit for industrial undertakings established before the first day of July, 2011.—(1) Where a taxpayer being a company, setup in Pakistan before the first day of July, 2011, invests any amount, with hundred per cent new equity raised through issuance of new shares, in the purchase and installation of plant and machinery for an industrial undertaking, including corporate dairy farming, for the purposes of—

- (i) expansion of the plant and machinery already installed therein; or
- (ii) undertaking a new project,

a tax credit shall be allowed against the tax payable in the manner provided in sub-section (2) and sub-section (3), as the case may be, for a period of five years beginning from the date of setting up or commencement of commercial production from the new plant or expansion project, whichever is later.

(2) Where a taxpayer maintains separate accounts of an expansion project or a new project, as the case may be, the taxpayer shall be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, attributable to such expansion project or new project.

(3) In all other cases, the credit under this section shall be such proportion of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, as is the proportion between the new equity and the total equity including new equity.

(4) The provisions of sub-section (1) shall apply if the plant and machinery is installed at any time between the first day of July, 2011 and the 30th day of June, 2016.

(5) The amount of credit admissible under this section shall be deducted from the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, by the taxpayer in respect of the tax year in which the plant or machinery referred to in sub-section (1) is installed and for the subsequent four years.

(6) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that any of the conditions specified in this section were not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall apply accordingly.

(7) For the purposes of this section, "new equity" means equity raised through fresh issue of shares against cash by the company and shall not include loans obtained from shareholders or directors:

Provided that short term loans and finances obtained from banking companies or non-banking financial institutions for the purposes of meeting working capital requirements shall not disqualify the taxpayer from claiming tax credit under this section.

PROCEDURE

PART IV COLLECTION AND RECOVERY OF TAX

137. Due date for payment of tax.—(1) The tax payable by a taxpayer on the taxable income of the taxpayer including the tax payable under section 113 or 113A for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year.

(2) Where any tax is payable under an assessment order or an amended assessment order or any other order issued by the Commissioner under this Ordinance, a notice shall be served upon the taxpayer in the prescribed form specifying the amount payable and thereupon the sum so specified shall be paid within fifteen days from the date of service of the notice:

Provided that the tax payable as a result of provisional assessment order under section 122C, as specified in the notice under sub-section (2) shall be payable immediately after a period of sixty days from the date of service of the notice:

Provided further that the taxpayer may pay the tax payable prior to expiry of the period of sixty days specified in the first proviso.

(3) Nothing in sub-section (2) or (4) shall affect the operation of sub-section (1).

(4) Upon written application by a taxpayer, the Commissioner may, where good cause is shown, grant the taxpayer an extension of time for payment of tax due under sub-section (2) or allow the taxpayer to pay such tax in installments of equal or varying amounts as the Commissioner may determine having regard to the circumstances of the case.

(5) Where a taxpayer is permitted to pay tax by installments and the taxpayer defaults in payment of any installments, the whole balance of the tax outstanding shall become immediately payable.

(6) The grant of an extension of time to pay tax due or the grant of permission to pay tax due by installments shall not preclude the liability for default surcharge arising under section 205 from the due date of the tax under sub-section (2).

138. Recovery of tax out of property and through arrest of taxpayer.—(1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may serve upon the taxpayer a notice in the prescribed form requiring him to pay the said amount within such time as may be specified in the notice.

(2) If the amount referred to in the notice issued under sub-section (1) is not paid within the time specified therein or within the further time, if any, allowed by the Commissioner, the Commissioner may proceed to recover from the taxpayer the said amount by one or more of the following modes, namely:—

- (a) attachment and sale of any movable or immovable property of the taxpayer;
- (b) appointment of a receiver for the management of the movable or immovable property

- of the taxpayer; and
(c) arrest of the taxpayer and his detention in prison for a period not exceeding six months.

(3) For the purposes of recovery of tax under sub-section (2), the Commissioner shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purposes of the recovery of any amount due under a decree.

(4) The Board may make rules regulating the procedure for the recovery of tax under this section and any other matter connected with, or incidental to, the operation of this section.

138A. Recovery of tax by District Officer (Revenue).—(1) The Commissioner may forward to the District Officer (Revenue) of the district in which the taxpayer resides or carries on business or in which any property belonging to the taxpayer is situated, a certificate specifying the amount of any tax due from the taxpayer, and, on receipt of such certificate, the District Officer (Revenue) shall proceed to recover from the taxpayer the amount so specified as, it were an arrear of land revenue.

(2) Without prejudice to any other power of the District Officer (Revenue) in this behalf, he shall have the same powers as a Civil Court has under the Code of Civil Procedure, 1908 (Act V of 1908), for the purpose of the recovery of the amount due under a decree.

138B. Estate in bankruptcy.—(1) If a taxpayer is declared bankrupt, the tax liability under this Ordinance shall pass on to the estate in bankruptcy.

(2) If tax liability is incurred by an estate in bankruptcy, the tax shall be deemed to be a current expenditure in the operations of the estate in bankruptcy and shall be paid before the claims preferred by other creditors are settled.

139. Collection of tax in the case of private companies and associations of persons.—(1) Notwithstanding anything in the Companies Ordinance, 1984 (XLVII of 1984), where any tax payable by a private company (including a private company that has been wound up or gone into liquidation) in respect of any tax year cannot be recovered from the company, every person who was, at any time in that tax year —

- (a) a director of the company, other than an employed director; or
- (b) a shareholder in the company owning not less than ten per cent of the paid-up capital of the company,

shall be jointly and severally liable for payment of the tax due by the company.

(2) Any director who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or a share of the tax from any other director.

(3) A shareholder who pays tax under sub-section (1) shall be entitled to recover the tax paid from the company or from any other shareholder to whom clause (b) of sub-section (1) applies in proportion to the shares owned by that other shareholder.

(4) Notwithstanding anything in any law, where any tax payable by a member of an association of persons in respect of the member's share of the income of the association in respect of any tax year cannot be recovered from the member, the association shall be liable for the tax due by the member.

(5) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

140. Recovery of tax from persons holding money on behalf of a taxpayer.—(1) For the purpose of recovering any tax due by a taxpayer, the Commissioner may, by notice, in writing, require any person —

- (a) owing or who may owe money to the taxpayer; or

- (b) holding or who may hold money for, or on account of the taxpayer;
- (c) holding or who may hold money on account of some other person for payment to the taxpayer; or
- (d) having authority of some other person to pay money to the taxpayer,

to pay to the Commissioner so much of the money as set out in the notice by the date set out in the notice.

(2) Subject to sub-section (3), the amount set out in a notice under sub-section (1) —

- (a) where the amount of the money is equal to or less than the amount of tax due by the taxpayer, shall not exceed the amount of the money; or
- (b) in any other case, shall be so much of the money as is sufficient to pay the amount of tax due by the taxpayer.

(3) Where a person is liable to make a series of payments (such as salary) to a taxpayer, a notice under sub-section (1) may specify an amount to be paid out of each payment until the amount of tax due by the taxpayer has been paid.

(4) The date for payment specified in a notice under sub-section (1) shall not be a date before the money becomes payable to the taxpayer or held on the taxpayer's behalf.

(5) The provisions of sections 160, 161, 162 and 163, so far as may be, shall apply to an amount due under this section as if the amount were required to be deducted from a payment under Division III of Part V of this Chapter.

(6) Any person who has paid any amount in compliance with a notice under sub-section (1) shall be treated as having paid such amount under the authority of the taxpayer and the receipt of the Commissioner constitutes a good and sufficient discharge of the liability of such person to the taxpayer to the extent of the amount referred to in such receipt.

(10) In this section, 'person' includes any Court, Tribunal or any other authority.

141. Liquidators.—(1) Every person (hereinafter referred to as a 'liquidator') who is —

- (a) a liquidator of a company;
- (b) a receiver appointed by a Court or appointed out of Court;
- (c) a trustee for a bankrupt; or
- (d) a mortgagee in possession,

shall, within fourteen days of being appointed or taking possession of an asset in Pakistan, whichever occurs first, give written notice thereof to the Commissioner.

(2) The Commissioner shall, within three months of being notified under sub-section (1), notify the liquidator in writing of the amount which appears to the Commissioner to be sufficient to provide for any tax which is or will become payable by the person whose assets are in the possession of the liquidator.

(3) A liquidator shall not, without leave of the Commissioner, part with any asset held as liquidator until the liquidator has been notified under sub-section (2).

(4) A liquidator —

- (a) shall set aside, out of the proceeds of sale of any asset by the liquidator, the amount notified by the Commissioner under sub-section (2), or such lesser amount as is subsequently agreed to by the Commissioner;
- (b) shall be liable to the extent of the amount set aside for the tax of the person who owned the asset; and

(c) may pay any debt that has priority over the tax referred to in this section notwithstanding any provision of this section.

(5) A liquidator shall be personally liable to the extent of any amount required to be set aside under sub-section (4) for the tax referred to in sub-section (2) if, and to the extent that, the liquidator fails to comply with the requirements of this section.

(6) Where the proceeds of sale of any asset are less than the amount notified by the Commissioner under sub-section (2), the application of sub-sections (4) and (5) shall be limited to the proceeds of sale.

(7) This section shall have effect notwithstanding anything contained in any other law for the time being in force.

(8) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

142. Recovery of tax due by non-resident member of an association of persons.— (1) The tax due by a non-resident member of an association of persons in respect of the member's share of the profits of the association shall be assessable in the name of the association or of any resident member of the association and may be recovered out of the assets of the association or from the resident member personally.

(2) A person making a payment under this section shall be treated as acting under the authority of the non-resident member and is hereby indemnified in respect of the payment against all proceedings, civil or criminal, and all processes, judicial or extra-judicial, notwithstanding any provisions to the contrary in any written law, contract or agreement.

(3) The provisions of this Ordinance shall apply to any amount due under this section as if it were tax due under an assessment order.

143. Non-resident ship owner or charterer.— (1) Before the departure of a ship owned or chartered by a non-resident person from any port in Pakistan, the master of the ship shall furnish to the Commissioner a return showing the gross amount specified in sub-section (1) of section 7 in respect of the ship.

(2) Where the master of a ship has furnished a return under sub-section (1), the Commissioner shall, after calling for such particulars, accounts or documents as he may require, determine the amount of tax due under section 7 in respect of the ship and, as soon as possible, notify the master, in writing, of the amount payable.

(3) The master of a ship shall be liable for the tax notified under sub-section (2) and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

(4) Where the Commissioner is satisfied that the master of a ship or non-resident owner or charterer of the ship is unable to furnish the return required under sub-section (1) before the departure of the ship from a port in Pakistan, the Commissioner may allow the return to be furnished within thirty days of departure of the ship provided the non-resident owner or charterer has made satisfactory arrangements for the payment of the tax due under section 7 in respect of the ship.

(5) The Collector of Customs or other authorised officer shall not grant a port clearance for a ship owned or chartered by a non-resident person until the Collector or officer is satisfied that any tax due under section 7 in respect of the ship has been paid or that arrangements for its payment have been made to the satisfaction of the Commissioner.

(6) This section shall not relieve the non-resident owner or charterer of the ship from liability to pay any tax due under this section that is not paid by the master of the ship.

144. Non-resident aircraft owner or charterer.— (1) A non-resident owner or charterer of an aircraft liable for tax under section 7, or an agent authorised by the non-resident person for this purpose, shall furnish to the Commissioner, within forty-five days from the last day of each quarter of the financial year, a return, in respect of the quarter, showing the gross amount specified in sub-section (1) of section 7 of the non-resident person for the quarter.

(2) Where a return has been furnished under sub-section (1), the Commissioner shall, after calling for such particulars, accounts or documents as he may require, determine the amount of tax due under section 7 by the non-resident person for the quarter and notify the non-resident person, in writing, of the amount payable.

(3) The non-resident person shall be liable to pay the tax notified under sub-section (2) within the time specified in the notice and the provisions of this Ordinance shall apply to such tax as if it were tax due under an assessment order.

(4) Where the tax referred to in sub-section (3) is not paid within three months of service of the notice, the Commissioner may issue to the authority by whom clearance may be granted to the aircraft operated by the non-resident person a certificate specifying the name of the non-resident person and the amount of tax due.

(5) The authority to whom a certificate is issued under sub-section (4) shall refuse clearance from any airport in Pakistan to any aircraft owned or chartered by the non-resident until the tax due has been paid.

145. Assessment of persons about to leave Pakistan.— (1) Where any person is likely to leave Pakistan during the currency of tax year or shortly after its expiry with no intention of returning to Pakistan, he shall give to the Commissioner a notice to that effect not less than fifteen days before the probable date of his departure (hereinafter in this section referred to as the "said date").

(2) The notice under sub-section (1) shall be accompanied by a return or returns of taxable income in respect of the period commencing from the end of the latest tax year for which an assessment has been or, where no such assessment has been made, a return has been made, as the case may be, and ending on the said date, or where no such assessment or return has been made, the tax year or tax years comprising the period ending on the said date; and the period commencing from the end of the latest tax year to the said date shall, for the purposes of this section, be deemed to be a tax year (distinct and separate from any other tax year) in which the said date falls.

(3) Notwithstanding anything contained in sub-sections (1) and (2), the Commissioner may serve a notice on any person who, in his opinion, is likely to leave Pakistan during the current tax year or shortly after its expiry and has no intention of returning to Pakistan, to furnish within such time as may be specified in such notice, a return or returns of taxable income for the tax year or tax years for which the taxpayer is required to furnish such return or returns under sub-section (2).

(4) The taxable income shall be charged to tax at the rates applicable to the relevant tax year and all the provisions of this Ordinance shall, so far as may be, apply accordingly.

146. Recovery of tax from persons assessed in Azad Jammu and Kashmir.— (1) Where any person assessed to tax for any tax year under the law relating to income tax in the Azad Jammu and Kashmir has failed to pay the tax and the income-tax authorities of the Azad Jammu and Kashmir cannot recover the tax because—

- the person's residence is in Pakistan; or
- the person has no movable or immovable property in the Azad Jammu and Kashmir, the Deputy Commissioner in the Azad Jammu and Kashmir may forward a certificate of recovery to the Commissioner and, on receipt of such certificate, the

Commissioner shall recover the tax referred to in the certificate in accordance with this Part.

- (2) A certificate of recovery under sub-section (1) shall be in the prescribed form specifying

- (a) the place of residence of the person in Pakistan;
- (b) the description and location of movable or immovable property of the person in Pakistan; and
- (c) the amount of tax payable by the person.

146A. Initiation, validity, etc., of recovery proceedings.— (1) Any proceedings for the recovery of tax under this Part may be initiated at any time.

(2) The Commissioner may, at any time, amend the certificate issued under section 138A, or recall such certificate and issue fresh certificate, as he thinks fit.

(3) It shall not be open to a taxpayer to question before the District Officer (Revenue) the validity or correctness of any certificate issued under section 138A, or any such certificate as amended, or any fresh certificate issued, under sub-section (2).

(4) The several modes of recovery provided in this Part shall be deemed to be neither mutually exclusive nor affect in any way any other law for the time being in force relating to the recovery of debts due to the Government and the Commissioner may have recourse to any such mode of recovery notwithstanding that the tax due is being recovered from a taxpayer by any other mode.

146B. Tax arrears settlement incentives scheme.— (1) Subject to provisions of this Ordinance, the Board may make scheme in respect of recovery of tax arrears or withholding taxes and waiver of default surcharge or penalty levied thereon.

MULTIPLE CHOICE QUESTIONS (MCQS)

SET - I

1. Pakistan has one of the lowest _____ to-GDP ratios in Asia and the country faces serious budget deficits.
(a) Tax (b) Fee (c) Both of these (d) None of these
2. _____ in the report that result in low tax collection including SROs, inefficient administrative issues of FBR, low tax incentives for taxpayers, trust deficit in tax collectors, and others.
(a) Indirect tax (b) direct taxes (c) Both of these (d) None of these
3. Top management of _____ should include honest and competent professionals with regular training programs.
(a) CIA (b) FBR (c) Both of these (d) None of these
4. _____ of tax collection and its monitoring by multiple bodies to ensure honesty and professionalism is also recommended to make the system more efficient.
(a) Devolution (b) Evolution (c) Levy (d) None of these

5. Tax payment _____ to be issued to taxpayers to avail benefits of tax payment as well as evidence of tax payment.
(a) Certificates (b) Bonds (c) White papers (d) None of these
6. Tax should be made fairer, value added tax should be promoted and _____ should be lowered instead sales tax should be increased on luxury items.
(a) GST (b) Sst (c) Both of these (d) None of these
7. proportion of indirect taxes should be _____
(a) Lowered (b) Higher (c) Constant (d) None of these
8. _____ contribution in tax is disproportionately low and should be increased,
(a) Service sector's (b) Applied sectors (c) Both of these (d) None of these
9. _____ should be lowered, tax base should be increased and tax slab limits should increase and be tied to CPI.
(a) Company tax (b) Corporate taxes (c) factories tax (d) none of the above
10. _____ annual rental values should be revised
(a) Gross (b) National (c) Domestic (d) none of these.
11. Special tax evasion courts should be established to facilitate legal problems between _____ and tax payers.
(a) Levy office (b) tax department (c) both of these (d) none of these
12. _____ by banks should be promoted for proper documentation of the economy fixed tax liability to be imposed on non-taxpayers which should be proportionately high rate of tax,
(a) Check guarantee system (b) Cheque guarantee system (c) company guarantee system (d) none of these
13. _____ a low but fixed tax should be imposed where tax accounting difficulties persist
(a) Large scale firms (b) small scale firms (c) both of these (d) none of these
14. _____ are imposed in Pakistan through the 4th Schedule of the Federal Legislative List of the Constitution of Pakistan
(a) Federal taxes (b) Provincial taxes (c) Territorial taxes (d) None of the above
15. Major federal taxes include Income tax, Sales tax _____ and _____.
(a) Custom duties (b) Excise duties (c) Both of the above (d) None of the above
16. Income Tax is levied under the "_____"
(a) Income tax Ordinance 2001 (b) Income tax Ordinance 2002 (c) Income tax Ordinance 2009 (d) None of the above
17. Sales Tax is levied under the "Sales Tax Act _____"
(a) 1991 (b) 1990 (c) 1999 (d) None of the above

18. Custom Duties is levied under the Customs Act _____
 (a) 1969 (b) 1991
 (c) 1951 (d) None of the above
19. Excise Duties is levied under the "Federal Excise Act" _____
 (a) 2004 (b) 2005
 (c) 2001 (d) None of the above
20. For a developing country like Pakistan to successfully meet its recurring obligations and invest in development, it should ideally have a tax to GDP ratio of around _____
 (a) 20% (b) 15%
 (c) 10% (d) None of the above
21. The Government of (Pakistan, 1986) in the final report of National Taxation Reform Commission suggests _____ as one of the major source of leakage in system due to vague policy and weak implementation.
 (a) Fee aversion (b) tax aversion (c) both of the above (d) None of these
22. In Pakistan we are heavily reliant on _____ like General Sales Tax (GST)
 (a) in-direct taxes (b) direct tax
 (c) constant tax (d) none of the above
23. Sustainable Development Policy Institute reported very few Pakistanis pay _____
 (a) Sales tax (b) income taxes
 (c) direct tax (d) none of the above
24. Out of a total work force of 58 million less than 2 million are registered taxpayers and last year only _____ people actually paid income tax.
 (a) 0.7 million (b) 0.6 million
 (c) 0.5 million (d) None of the above
25. When the Government finds it difficult to collect _____ like income tax than it resorts to rely on the easy way out of in-direct taxes.
 (a) indirect taxes (b) direct taxes
 (c) both of the above (d) none of the above
26. Direct taxes are _____ in-direct taxes are regressive as applied uniformly.
 (a) regressive (b) progressive
 (c) both of the above (d) none of the above
27. It is clearly visible from the data above that we have a heavy reliance on _____ taxes whereas the case should be vice versa.
 (a) in-direct (b) regressive
 (c) progressive (d) none of the above
28. Consecutive governments have failed to increase tax to _____ ratio and effectively develop measuring mechanism to gauge Income Tax.
 (a) GNP (b) GDP (c) Both of the above (d) None of these
29. For the fiscal year 2012-2013 FBR was not able to meet its target and achieved only _____ increase in their tax collection.
 (a) 1 percent (b) 4 percent (c) 3 percent (d) None of these
30. The single largest contributor of direct taxation in Pakistan is _____.
 (a) Income tax (b) Sales tax (c) Both of these (d) None of these

31. Of the three major in-direct taxes applied by the Federation, the largest contributor is _____.
 (a) Sales Tax (b) Income tax (c) Factories tax (d) None of these
32. _____ will ensure that the tax is applied at input and output rather than just taxing the output in the case of General Sales Tax.
 (a) VAT (b) GAT (c) Both of these (d) None of these
33. The corporate income tax rate is 35% for Pakistan which is on a higher side when compared to other emerging economies of the world especially _____ countries.
 (a) G-8 (b) SAARC (c) E.U (d) None of these
34. The reduction in tax rate will encourage corporatization, a concept Pakistan is far behind its neighboring _____ and will motivate business to expand.
 (a) India (b) China
 (c) Iran (d) None of the above
35. It is suggested to develop bench marks for different sizes of small sized business and introduce a _____.
 (a) fixed tax (b) constant tax
 (c) free tax (d) none of the above
36. Majority of direct tax is collected from the industry where as service and agriculture sector do not contribute as per their share in the _____.
 (a) GNP (b) GDP
 (c) Both of the above (d) none of the above
37. As agriculture income tax is a provincial subject after the _____ in the constitution of Pakistan.
 (a) 18th amendment (b) 19th amendment
 (c) 21st amendment (d) none of the above
38. The federation should consider a stronger focus on matching the tax collection from the _____ as per its contribution in the GDP.
 (a) Factory sector (b) service sector
 (c) industrial sector (d) none of the above
39. The _____ are the only major contributor of tax in service sector.
 (a) Factory sector (b) Telecom companies
 (c) industrial sector (d) none of the above
40. Tax payers need to be encouraged by _____ where the tax payer is benefited and appreciated for his due contribution.
 (a) Schemes (b) Announcements
 (c) Proclamation (d) none of the above
41. Unfortunately the tax payer already in the tax net is neither appreciated but rather feels harassed due to the behavior of tax _____.
 (a) Spending agency (b) collection agency
 (c) both of the above (d) none of the above
42. _____ need to set for tax evaders to discourage them from this practice.
 (a) Stronger penalties (b) weaker penalties
 (c) feeble penalties (d) none of the above

43. The most comprehensive database in the country is operated by _____
 (a) NADRA (b) OMEGA
 (c) CIA (d) none of the above
44. It is proposed to make _____ into tax number for individuals and centralize different available databases for example data of Capital Development Authority (CDA) and Motor Registration Department so FBR could track non-filing high income individuals.
 (a) Personal number (b) CNIC number
 (c) Both of these (d) none of the above
45. The _____ dictates that it is mandatory for every person owning a vehicle above 1000cc to file a tax return.
 (a) tax of the land (b) sale of the land
 (c) law of the land (d) none of the above
46. There should be Bridge trust gap between the _____ and _____.
 (a) Tax collector (b) Tax payer
 (c) Both of the above (d) None of the above

ANSWERS

1.	a	2.	b	3.	b	4.	a	5.	a	6.	a	7.	a
8.	a	9.	b	10.	a	11.	b	12.	a	13.	b	14.	a
15.	c	16.	a	17.	b	18.	a	19.	b	20.	a	21.	b
22.	a	23.	b	24.	a	25.	b	26.	b	27.	a	28.	b
29.	c	30.	a	31.	a	32.	a	33.	b	34.	a	35.	a
36.	b	37.	a	38.	b	39.	b	40.	a	41.	b	42.	a
43.	a	44.	b	45.	c	46.	c						

SET - II

1. Business means any activity the motive of which is:
 (a) To loss business (b) To earn profit
 (c) To earn extraordinary amount by illegal way
 (d) None of above
2. Essential of Business is:
 (a) Trade (b) Commerce (c) Manufacture (d) All of above
3. Income taxable under the head of income from business are:
 (a) Gains & profit (b) Income from trade
 (c) Profession (d) Services & property
 (e) Management fee & value of any benefit
 (f) Profit on debt (g) All of above.
4. Income which are not taxable:
 (a) Remuneration received by an examiner
 (b) Enrolment fee received by Bar Council

- (c) Income of non-professional writer
 (d) All of above
5. Any profit and gains arising from sale of capital asset is taxable under the head of capital gains:
 (a) True (b) False
6. What are not capital assets:
 (a) Any stock in trade & raw materials
 (b) Any land from which agriculture is derived
 (c) Any immovable property for personal use
 (d) All of above
7. Essentials of capital gains are:
 (a) Profit (b) Capital asset (c) Transfer (d) All of above
8. Where asset is disposed off after one year:
 (a) 75% of capital gain is taxable (b) Remaining 25% is exempt from tax
 (c) Both (a) & (b) (d) None of above
9. Modes of transfer of capital gains are:
 (a) By sale & exchange (b) By disposition
 (c) By relinquishment (d) All of above
10. Expenses incurred in any business or borne by a tax payer may be:
 (a) Capital expenditure (b) Revenue/business expenditure
 (c) Both (a) & (b) (d) None of above
11. Legal fee paid to legal adviser for drafting Memorandum or a partnership deed for partnership firm represents:
 (a) Capital expenditures (b) Revenue expenditures
 (c) Business expenditure (d) None of above.
12. Objects of differentiating between capital expenditure and business expenditure are:
 (a) Correct assessment expenditure (b) Correct preparation of balance sheet
 (c) Correct preparation of profit and loss (d) All of above
13. Income means:
 (a) Profit or gains (b) Amount
 (c) Chargeable to tax and loss of income (d) All of above
14. What are include in income:
 (a) Profit gains (b) Income from imports
 (c) Income from exports (d) All of above
15. What are not included in income:
 (a) Face value of any bonus shares
 (b) Bonus paid to share holders of company
 (c) Both (a) & (b) (d) None of above
16. Any amount received in installments is called:
 (a) Capital income (b) Revenue income (c) Both (a) & (b) (d) None of above
17. Any amount which is received lump sum is called:
 (a) Capital income (b) Revenue income (c) Both (a) & (b) (d) None of above

18. Meaning of word income is that which comes as the periodical produce of:
 (a) One's work (b) One's business
 (c) One's land or investments (d) All of above
19. Salary means fixed:
 (a) Weekly remuneration (b) Monthly remuneration
 (c) Both (a) & (b) (d) None of above
20. Gratuity is a lump sum amount given by the employer normally at the time of:
 (a) Appointment (b) During continuous service
 (c) Retirement (d) None of above
21. Income Tax is an annual charges upon a person deriving such income during tax:
 (a) Month (b) Year (c) Day (d) None of above
22. Classification of income of the person under five different heads does:
 (a) Not mean that a person will have to pay five different taxes
 (b) Mean that a person will have to pay five different taxes
 (c) Both (a) & (b) (d) None of above
23. Section 39 of Income Tax Ordinance 2001 enumerates the income from:
 (a) Other sources (b) Business (c) Property (d) None of above
24. What include in income from other source i.e.:
 (a) Dividend (b) Profit on Debt (c) Royalty (d) All of above
25. Income from other sources which are not taxable but included in income from other sources:
 (a) Director's fee (b) Tips
 (c) Interest on Bank Deposits (d) All of above
26. Deductions are admissible under section 40 of Income Tax Ordinance 2001:
 (a) Zakat (b) Repair & maintenance
 (c) Insurance charges (d) All of above
27. Section 41 to 56 of the Income Tax Ordinance 2001 deal with the exemptions and tax concessions available to a tax payer:
 (a) True (b) False
28. Section 60 to 65 of income tax ordinance are relating to:
 (a) Exemptions (b) Deductible allowances
 (c) Income from other sources (d) None of above
29. The word depreciation has not been defined in Income Tax Ordinance 2001 however it means a:
 (a) Decrease in a value of an asset (b) Increase in a value of an asset
 (c) Decrease in capital gain (d) None of above
30. Kinds of depreciation are:
 (a) Initial depreciation (b) Additional initial depreciation
 (c) Normal depreciation (d) All of above
31. Reasons of depreciation are:
 (a) New invention (b) Decrease in market value
 (c) Passage of time & loss (d) All of above

32. Assets on which depreciation is allowed:
 (a) Building, plant (b) Machinery, furniture, Aero engines
 (c) Computer, motor vehicles ships, Air crafts, Air photographic apparatus, laboratory equipments
 (d) All of above
33. A firm is an association of person for the purpose of:
 (a) Income (b) Property (c) Business (d) None of above
34. Time for application for the registration of firm is:
 (a) Start in income year (b) End of income year
 (c) Mid of income year (d) None of above
35. Return is a statement by which assessee shows his income:
 (a) During a income year (b) End of year
 (c) Start of year (d) None of above
36. Return if income is a prescribe form which is used by a person to inform his income during particular tax year to the:
 (a) Income Tax department or Authority (b) Provincial Govt. for levy of tax
 (c) Federal Govt. for levy of tax (d) None of above
37. When tax payer is file an application on the prescribe form along with the returned income, when this return duly completed, is submitted to the authorities it is known as:
 (a) Furnishing the return of income (b) Return of income
 (c) Return of Business (d) None of above
38. Persons who are not required to furnish a return of income for a tax year are:
 (a) A widow (b) Any non-profit organization
 (c) Any approved Welfare institution (d) All of above
39. In case of company who tax year ends between 1st January and 30th June, the time for filing return is upto:
 (a) 31st December of the same year (b) 31st January of next year
 (c) 30th June of same year (d) None of above
40. In other cases all person should furnish the return of income or prescribed certificate upto:
 (a) 30th September next following end of their tax-year
 (b) 30th June of same year
 (c) 31st December of same year (d) None of above
41. Grounds for extension of filing of return provided by tax payer (assessee) are:
 (a) Absence from Pakistan (b) Sickness
 (c) A misadventure or any other genuine difficulty
 (d) All of above
42. Penalty for not filing return is:
 (a) 1/10 of one percent of tax payable for each day of default.
 (b) minimum 25% of tax, payable
 (c) Both (a) & (b) (d) None of above
43. Section 120 to 126 of Income Tax Ordinance 2001, are relating to:
 (a) Assessment (b) Return (c) Business (d) None of above

44. Who can amend the assessment:
(a) Commissioner (b) Deputy Commissioner
(c) Assistant Commissioner (d) None of above
45. Period of amend of the assessment is:
(a) Within five years after the issuance of commissioner order
(b) Within six years after the issuance of commissioner order
(c) Within seven years after the issuance of commissioner order
(d) None of above
46. The persons who can file appeal in income tax ordinance 2001 are:
(a) Tax payer (b) Third party
(c) Commissioner of income tax (d) Both (a) & (b)
47. Authorities to whom the appeal can be submitted:
(a) Commissioner (Appeals) (b) Appellate tribunal
(c) Reference to high court (d) Supreme Court
(e) All of above
48. Sections 127 to 129 of Income Tax Ordinance describe the procedure of appeal to:
(a) Commissioner (Appeals) (b) Appellate tribunal
(c) Both (a) & (b) (d) None of above
49. The appellate tribunals is disposing of an appeal under section:
(a) 132 (b) 133 (c) 134 (d) None of above
50. Reference filed before High Court under section:
(a) 132 (b) 133 (c) 134 (d) None of above
51. When ever a case is reconsidered by the same or the higher administration authority it is known as:
(a) Revision (b) Review (c) Appeal (d) None of above
52. A person may be appointed as a judicial member of the appellate Tribunal if the person:
(a) Has exercised powers of a District Judge or Judge of a High Court
(b) Is or has been an advocate of a High Court and is qualified to be a Judge of the High Court
(c) Both (a) & (b)
(d) None of above
53. Alternative dispute resolution is described under section:
(a) 134 (b) 134A (c) 135 (d) None of above
54. Recovery proceeding can be initiated against defaulter of income tax by income tax authorities:
(a) False (b) True
55. Authorities who can recover income tax:
(a) Commissioner Inland (b) Deputy Commissioner Inland Revenue
(c) Both (a) & (b) (d) None of above
56. Modes of Recovery of Income tax under section 138 of income tax ordinance 2001 are:
(a) Attachment of property (b) Sale of property
(c) Appointment of receiver (d) Arrest & detention
(e) All of above

57. Deduction of tax at source have great importance
(a) It saves time (b) Collection of tax becomes easy
(c) Both (a) & (b) (d) None of above
58. Principles in respect of deduction are laid down:
(a) Method of accounting regularly used by assessee
(b) Expenditure should be from tax payer
(c) Expenditure should be in that income year in which such income assessed
(d) All of above
59. The principle of deduction of tax at source is applicable as under:
(a) Salary (b) Dividend (c) Profit on debt (d) All of above
60. A tax payer can take back the amount which has been paid by him if it is in excess this is called:
(a) Refund (b) Deduction (c) Dividend (d) None of above

ANSWERS

1.	b	2.	d	3.	g	4.	d	5.	a	6.	d	7.	d
8.	c	9.	d	10.	c	11.	a	12.	d	13.	d	14.	d
15.	c	16.	b	17.	b	18.	d	19.	c	20.	c	21.	b
22.	a	23.	a	24.	d	25.	d	26.	d	27.	a	28.	b
29.	a	30.	d	31.	d	32.	d	33.	c	34.	b	35.	a
36.	a	37.	a	38.	d	39.	a	40.	a	41.	d	42.	c
43.	a	44.	a	45.	a	46.	d	47.	c	48.	a	49.	a
50.	b	51.	a	52.	c	53.	b	54.	b	55.	c	56.	e
57.	c	58.	d	59.	a	60.	a						

SET III

Note: Answers are Bold and Underlined.

1. Section 41 to 56 of the Income Tax Ordinance 2001 deal with the exemptions and tax concessions available to a tax payer:
(a) True (b) FALSE
2. Deductions are admissible under section 40 of Income Tax Ordinance 2001:
(a) Zakat (b) Repair & maintenance
(c) Insurance charges (d) All of above
3. Income from other sources which are not taxable but included in income from other sources:
(a) Director's fee (b) Tips
(c) Interest on Bank Deposits (d) All of above

4. What include in income from other source i.e.:
 (a) Dividend (b) Profit on Debt
 (c) Royalty (d) All of above
5. Section 39 of Income Tax Ordinance 2001 enumerates the income from:
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6. Classification of income of the person under five different heads does:
 (a) Not mean that a person will have to pay five different taxes
 (b) Mean that a person will have to pay five different taxes
 (c) Both (a) & (b) (d) None-of above
7. Income tax is an annual charges upon a person deriving such income during tax:
 (a) Month (b) Year (c) Day (d) None
8. Capital gain is the fourth source of income for a person and is chargeable to tax under the head of "Capital gain".
 (a) True (b) FALSE
9. According to section 155(2) the tax deducted under sub-section(1) shall be a final tax on the income from property:
 (a) True (b) FALSE
10. Alternative dispute resolution is described under section:
 (a) 134 (b) 134A
 (c) 135 (d) None
11. A person may be appointed as a judicial member of the appellate Tribunal if the person:
 (a) Has exercised powers of a District Judge or Judge of a High Court
 (b) Is or has been an advocate of a High Court and is qualified to be a Judge of the High Court
 (c) Both (a) & (b)
 (d) None
12. Whenever a case is reconsidered by the same or the higher administration authority it is known as:
 (a) Revision (b) Review (c) Appeal (d) None
13. Reference filed before High Court under section:
 (a) 132 (b) 133 (c) 134 (d) None
14. Reference filed before High Court does not effect the recovery:
 (a) False (b) TRUE
15. The appellate tribunals is disposing of an appeal under section:
 (a) 132 (b) 133 (c) 134 (d) None
16. Sections 127 to 129 of Income Tax Ordinance describe the procedure of appeal to:
 (a) Commissioner (Appeals) (b) Appellate tribunal
 (c) Both (a) & (b) (d) None
17. Authorities to whom the appeal can be submitted:
 (a) Commissioner (Appeals) (b) Appellate tribunal
 (c) Reference to high court (d) Supreme Court
 (e) All of above

18. The persons who can file appeal in income tax ordinance 2001 are:
 (a) Tax payer (b) Third party
 (c) Commissioner of income tax (d) Both (a) & (b)
19. Income which are not taxable:
 (a) Remuneration received by an examiner
 (b) Enrolment fee received by Bar Council
 (c) Income of non-professional writer
 (d) All of above
20. Incomes taxable under the head of income from business are:
 (a) Gains & profit (b) Income from trade
 (c) Profession (d) Services & property
 (e) Management fee & value of any benefit
 (f) Profit on debt
 (g) All of above
21. All professions "are business but all business are not professions:
 (a) True (b) FALSE
22. Essential of Business are:
 (a) Trade (b) Commerce
 (c) Manufacture (d) All of above
23. Business means any activity the motive of which is:
 (a) To loss business (b) To earn profit
 (c) To earn extraordinary amount by illegal way
 (d) None
24. Return is a statement by which assesses shows his income:
 (a) During a income year (b) End of year
 (c) Start of year (d) None
25. Time for application for the registration of firm is:
 (a) Start in income year (b) End-of income year
 (c) Mid of income year (d) None
26. A firm is an association of person for the purpose of:
 (a) Income (b) Property (c) Business (d) None
27. Assets on which depreciation is allowed:
 (a) Building, plant
 (b) Machinery, furniture, Aero engines
 (c) Computer, motor vehicles, ships, Air crafts Air photographic apparatus, laboratory equipments
 (d) All of above
28. Reasons of depreciation are:
 (a) New invention (b) Decrease in market value
 (c) Passage of time & loss (d) All of above

29. Kinds of depreciation are
(a) Initial depreciation
(c) Normal depreciation
(b) Additional initial depreciation
(d) All of above
30. The word depreciation has not been defined in Income Tax Ordinance 2001 however it means a:
(a) Decrease in a value of an asset
(b) Increase in a value of an asset
(c) Decrease in capital gain
(d) None
31. Section 60 to 65 of income tax ordinance are relating to:
(a) Exemptions
(b) Deductible allowances
(c) Income from other sources
(d) Non of above
32. Rectification of Mistakes is described under section:
(a) 221
(b) 222
(c) 223
(d) None
33. The highest executive authority of income tax in Pakistan is:
(a) Board
(b) Commissioner
(c) Deputy Commissioner
(d) None
34. Service of Notices and other documents is described under section:
(a) 218
(b) 219
(c) 220
(d) None
35. Legal fee paid to legal adviser for drafting Memorandum or a partnership deed for partnership firm represents:
(a) Capital expenditures
(b) Revenue expenditures
(c) Business expenditure
(d) None
36. All the expenditures made at the initiation of business are capital expenditures:
(a) True
(b) FALSE
37. Expenses incurred in any business or borne by a tax payer may be:
(a) Capital expenditure
(b) Revenue/business expenditure
(c) Both (a) & (b)
(d) None
38. Modes of transfer of capital gains are:
(a) By sale & exchange
(b) By disposition
(c) By relinquishment
(d) All of above
39. Where asset is disposed off after one year:
(a) 75% of capital gain is taxable
(b) Remaining 25% is exempt from tax
(c) Both (a) & (b)
(d) None
40. Essentials of capital gains are:
(a) Profit
(b) Capital asset
(c) Transfer
(d) All of above
41. What are not capital assets:
(a) Any stock in trade & raw materials
(b) Any land from which agriculture is derived
(c) Any immovable property for personal use
(d) All of above

42. Movable property is included in the definition of capital asset.
(a) True
(b) FALSE
43. Any profit and gains arising from sale of capital asset is taxable under the head of capital gains:
(a) True
(b) FALSE
44. Capital assets means property of any kind held by a person (assessee):
(a) True
(b) FALSE
45. Period of amend of the assessment is:
(a) Within five years after the issuance of commissioner order
(b) Within six years after the issuance of commissioner order
(c) Within - seven years after the issuance of commissioner order
(d) None
46. Who can amend the assessment:
(a) Commissioner
(b) Deputy Commissioner
(c) Assistant Commissioner
(d) None
47. How many cycle of assessment:
(a) Five
(b) Six
(c) Seven
(d) None
48. Assessment means process of:
(a) Ascertaining
(b) Collection
(c) Depositing
(d) None
49. Section 120 to 126 of Income Tax Ordinance 2001, are relating to:
(a) Assessment
(b) Return
(c) Business
(d) None
50. Penalty for not filing return is:
(a) 1/10 of one percent of tax payable for each day of default
(b) Minimum 25% of tax, payable
(c) Both (a) & (b)
(d) None
51. Grounds for extension of filing of return provided by tax payer (assessee) are:
(a) Absence from Pakistan
(b) Sickness
(c) A misadventure or any other genuine difficulty
(d) All of above
52. Gratuity is a lump sum amount given by the employer normally at the time of:
(a) Appointment
(b) During continuous service
(c) Retirement
(d) None
53. Salary means fixed:
(a) Weekly remuneration
(b) Monthly remuneration
(c) Both (a) & (b)
(d) None
54. Meaning of word income is that which comes as the periodical produce of:
(a) One's work
(b) One's business
(c) One's land or investments
(d) All of above
55. Any amount which is received lump sum is called:
(a) Capital income
(b) Revenue income
(c) Both (a) & (b)
(d) None

56. Any amount received in installments is called:
 (a) Capital income (b) Revenue income
 (c) Both (a) & (b) (d) None
57. What are not included in income:
 (a) Face value of any bonus shares (b) Bonus paid to share holders of company
 (c) Both (a) & (b) (d) None
58. What are include in income:
 (a) Profit gains (b) Income from imports
 (c) Income from exports (d) All of above
59. Income means:
 (a) Profit or gains (b) Amount
 (c) Chargeable to tax and loss of income (d) All of above
60. Objects of differentiating between capital expenditure and business expenditure are:
 (a) Correct assessment expenditure (b) Correct preparation of balance sheet
 (c) Correct preparation of profit and loss (d) All of above
61. Who is entitled to claim refund:
 (a) Person who paid tax/tax payer (b) Guardian
 (c) Receiver & Trustee (d) Legal representative of tax payer
 (e) All of above
62. A tax payer can take back the amount which has been paid by him it is in excess this is called:
 (a) Refund (b) Deduction (c) Dividend (d) None
63. The principle of deduction of tax at source is applicable as under:
 (a) Salary (b) Dividend (c) Profit on debt (d) All of above
64. Principles in respect of deduction are laid down:
 (a) Method of accounting regularly used by assessee
 (b) Expenditure should be from tax payer
 (c) Expenditure should be in that income year in which such income assessed
 (d) All of above
65. Deduction of tax at source have great importance
 (a) It saves time (b) Collection of tax becomes easy
 (c) Both (a) & (b) (d) None
66. Modes of Recovery of income tax under section 138 of income tax ordinance 2001 are:
 (a) Attachment of property (b) Sale of property
 (c) Appointment of receiver (d) Arrest & detention
 (e) All of above
67. Authorities who can recover income tax;
 (a) Commissioner Inland (b) Deputy Commissioner Inland Revenue
 (c) Both (a) & (b) (d) None

68. Recovery proceeding can be initiated against defaulter of income tax by income tax authorities:
 (a) False (b) TRUE
69. Income tax authority mean such authority which are appointed for the administration of taxation system:
 (a) True (b) FALSE
70. Different authorities of income tax are described in Income Tax Ordinance 2001 under section:
 (a) 207 (b) 209 (c) 211 (d) None
71. Income Tax authorities has great importance in the proper administration of tax system. It provide:
 (a) Revenue for the country in order to run the economic affairs
 (b) Administration for justice
 (c) Both (a) & (b)
 (d) None
72. Any person obstructs any income tax authority is discharge of function a penalty imposed is:
 (a) Rs.25000/-
 (b) 100% of the amount of tax involved which is higher
 (c) Both (a) & (b)
 (d) None
73. Any person without reasonable cause fails to comply with the notice penalty imposed is:
 (a) First default Rs.5000/-
 (b) Rs.10,000/- for each subsequent default
 (c) Both (a) & (b)
 (d) None
74. Any person without reasonable cause fails to maintain accounts, the penalty imposed is:
 (a) Rs.10,000/-
 (b) 5% of the amount of tax on income which ever is higher
 (c) Both (a) & (b)
 (d) None
75. Any person conceals his income before tax authorities penalty imposed is:
 (a) Rs.25000/-
 (b) Equal to tax which person evaded
 (c) Both (a) & (b)
 (d) None
76. In other cases all person should furnish the return of income or prescribed certificate upto:
 (a) 30th September next following end of their tax-year
 (b) 30th June of same year
 (c) 31st December of same year. (d) None

77. In case of company who tax year ends between 1st January and 30th June, the time for filing return is upto:
- 31st December of the same year
 - 31st January of next year
 - 30th June of same year
 - None
78. Persons who are not required to furnish a return of income for a tax year are:
- A widow
 - An orphan below the age of 25 year
 - A disabled person
 - All of above
79. According to section 114 of income tax ordinance 2001, it is necessary for the persons to furnish the returns of income:
- Every company irrespective of its income
 - Any non-profit organization
 - Any approved Welfare institution
 - All of above
80. When tax payer is file an application on the prescribe form alongwith the returned income, when this return duly completed, is submitted to the authorities it is known as:
- Furnishing the return of income
 - Return of income
 - Return of Business
 - None
81. Return of income is a prescribe form which is used by a person to inform his income during particular tax year to the:
- Income Tax department or Authority
 - Provincial Govt. for levy of tax
 - Federal Govt. for levy of tax
 - None
82. Any tax payer fails to pay the tax within specified time, the amount of penalty imposed is:
- First default 5% of tax
 - Second default additional penalty 25% of the tax
 - Third default 50%
 - All of above
83. Any person without reasonable cause fails to furnish the required statement within the time allowed the commissioner Inland Revenue the amount of penalty imposed is:
- Initial penalty of Rs.2000
 - Additional penalty of Rs.200 for each day during which default continues
 - Both (a) & (b)
 - None

84. Person fail to furnish income tax return within reasonable time, the amount of imposed penalty is:
- Equal to 1/10 of one percent of taxable for each day of default
 - Minimum penalty of Rs.50,000/-
 - Maximum penalty of 25% of tax payable in respect of that tax year
 - All of above
85. Ignorance of law provides no defence against penal liability:
- True
 - FALSE
86. The principle of mens-rea is not applicable under the tax laws regarding:
- Imposition of penalty
 - Imposition of deduction
 - Imposition of refund
 - None
87. Penalty is a punishment:
- Corporeal or pecuniary
 - Civil or Criminal
 - Both (a) & (b)
 - None
88. Section 170 of Income Tax Ordinance 2001 described the procedure of:
- Refunded
 - Deduction
 - Dividend
 - None
89. The Directorate-General - of inspection and internal Audit shall 'consist of:
- A Director-General
 - Directors
 - Additional Directors
 - Assistant Directors
 - Extra Assistant Directors
 - Inspectors
 - All of these
 - None
 - Only a, b and c
 - Only d, e and f
90. Ordinary "amalgamation" means:
- Unity
 - Separation
 - Merger
 - None
91. A dividend shall be Pakistani source income if it is paid by:
- A foreign company
 - A resident company
 - Neither a nor b
 - Both a & b
92. An amount shall be _____ income to the extent to which it is not Pakistani source income.
- Domestic-source income
 - Foreign-source income
 - Neither a nor b
 - Both a & b
93. An asset held wholly or partly for use in a business is called:
- Commercial assets
 - Business asset
 - Trade asset
 - None
 - All of these
94. For the purpose of this Ordinance, the tax year shall be period of twelve months ending on the:
- 30th day of July
 - 30th day of June
 - 31st day of August
 - 31st Day of December

95. A person shall be entitled to a tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation to:
- Any board of Education or any university in Pakistan established by, or under a federal or a provincial law;
 - Any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or local authority;
 - Any non-profit organization;
 - Both a and b;
 - None;
 - All of these
96. Where a person has a loss carried forward for more than _____ the loss of the earlier tax year shall be set off first.
- One year
 - Two years
 - three years
 - Four years
 - None
97. The Federal Government shall place before the National Assembly all amendments made by it to _____ the in a financial year:
- First Schedule;
 - Second Schedule;
 - Third Schedule;
 - None
98. The following persons shall not be required to furnish a return of income for a tax year solely by reason of sub-clauses (iii) through (vii) of clause (b) of sub-Section (i) of Section 114
- A widows;
 - An orphan below the age of 25 years;
 - In the case of ownership of immovable property, a non-resident person;
 - All of these;
 - None
99. Any person who having furnished a return discovers any omission or wrong statement therein may furnish a revised return within _____ of the date that the original return was furnished.
- Seven years
 - Five years
 - Two years
 - None
100. Every company _____ to furnish a return of income for a tax.
- Is not required
 - Is required
 - Neither a nor b
 - Either a or b
101. Where the time taken by an another of literary or artistic work to complete the work exceeds _____, the author may elect to treat any lump-sum amount received by the author in a tax year on account of royalties in respect of the work as having been received in that tax year and the preceding two tax years in equal proportion:
- Six months
 - Twelve months
 - Twenty-four months
 - None
102. The legal representative of a deceased individual shall be liable for:
- Any tax that the individual would have become liable for if the individual had not died;
 - Any tax payable in respect of the income of the deceased's estate
 - Neither a nor b
 - Both a and b

103. Subject to this Ordinance, the taxable income of each individual shall be determined:
- Collectively
 - Separately
 - Neither a nor b
 - Both a and b
104. There are _____ kinds of share capital.
- Three
 - Four
 - Two
 - None
105. In tenancy-in-Common, the shares may be:
- Equal;
 - Unequal;
 - Both a and b;
 - Either a or b;
106. Royalty is a payment to a landowner by the _____ of the mine in return for the privilege of working.
- Lessee;
 - Lessor;
 - Mortgagor;
 - Mortgagee;
107. Salary" includes:
- Wages;
 - Any annuity;
 - Pension;
 - Any gratuity;
 - Any advance of salary;
 - None;
 - All of these
108. Specific percentage which was required to be paid under any law or direction having sanctity of law is:
- Bonus
 - Dividend
 - Share
 - Excise duty
 - Royalty
 - None
109. Private Company means a company that is:
- A public company;
 - Not a public company;
 - Either a or b;
 - Neither a nor b;
110. Any undertaking pertaining to a scheduled industry carried on in one or more factories by any person or authority including the Government is called:
- Commercial Undertaking;
 - Industrial Undertaking;
 - Employer's Undertaking;
 - None;
111. Income includes
- Profits and gains;
 - Dividend;
 - Any capital gains chargeable under Section 45;
 - None;
 - All of these
112. Any distribution by a company to its share holders on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether such accumulated profits have been capitalized or not is called:
- Profit;
 - Bonus;
 - Supporting fund;
 - Dividend;
113. As soon as possible after making 'an' amended assessment, the Commissioner shall issue an amended assessment order to the tax payer stating:
- The amended taxable income of the taxpayer;
 - The amended amount of tax;
 - The amount of tax paid, if any;
 - The time, place, and manner of appealing the amended assessment;
 - None;
 - All of these;
 - Both a and d;

114. Assessment order shall only be amended under sub-Section (1) within after the Commissioner has issued or is treated as having issued the assessment order on the tax payer:
 (a) Two years; (b) One year; (c) Three years; (d) Five years;
 (e) None
115. As soon as possible after making an assessment under this Section, the Commissioner shall issue the assessment order to the Tax payer stating:
 (a) The taxable income;
 (b) The amount of tax due;
 (c) The amount of tax paid;
 (d) The time, place and manner of appealing the assessment order;
 (e) None; (f) Both a and b; (g) Both c and d;
 (h) All of these; (i) Both a and d
116. An extension of time under sub-Section (3) should not exceed _____ from the due date for furnishing the return of income, employer's certificate, or statement, as the case may be, unless these are exceptional circumstances justifying a longer extension of time:
 (a) Twenty days (b) Ten days (c) Fifteen days (d) None
117. Any profit received by a non-resident person on a security issued by a resident person, shall not be exempt from Tax:
 (a) Shall be exempt from Tax; (b) Shall not be exempt from Tax;
 (c) Neither a nor b; (d) Both a and b
118. Any monetary award granted to a person by the president of Pakistan:
 (a) Shall be exempt from Tax; (b) Shall not be exempt from Tax;
 (c) Neither a nor b; (d) Both a and b
119. Any allowance attached to any Honour, Award or Medal awarded to a person by the President of Pakistan shall:
 (a) Be exempt from Tax; (b) Not be exempt from Tax;
 (c) Neither a nor b; (d) Both a and b
120. Any salary received by an individual (not being a citizen of Pakistan):
 (a) Shall not be exempt from Tax (b) Shall be exempt from Tax
 (c) Neither a nor b (d) Either a or b
121. Any salary received by an employee of a foreign government as remuneration for service rendered to such government:
 (a) Shall not be exempt from Tax; (b) Shall be exempt from Tax;
 (c) Neither a nor b (d) Either a or b
122. Any rent or revenue derived by a person from land which is situated in Pakistan and is used for agricultural purposes is called:
 (a) Agricultural Profit (b) Agricultural Gain
 (c) Agricultural Income (d) None
 (e) Both a and b
123. Agricultural income derived by a person shall:
 (a) Not be exempt from tax (b) Be exempt from tax
 (c) None (d) All of these

124. A Company means:
 (a) A company is defined in the Companies Ordinance, 1934
 (b) A body corporate formed by or under any law in force in Pakistan
 (c) A foreign association (d) A modaraba
 (e) None
 (f) All of these (g) Both a and b
 (h) Both c and d
125. A company shall be liable to tax from its shareholders:
 (a) Collectively (b) Separately (c) None (d) Either a or b
126. In determining whether a person's deductions under Section 22, 23, and 24 have been set off against income, the deductions allowed under those Sections shall be taken into account:
 (a) First (b) Last (c) Third (d) None
127. Where, in a tax year, a person sustains a loss under the-head "Income from Business" and a loss under another head of income, the loss under the head "Income from Business" shall be:
 (a) Set off first (b) Set off last (c) Neither a nor b (d) Both a and b
128. Any gain arising on the disposal of shares in a resident Company shall be:
 (a) Foreign-source income (b) Self-earned income:
 (c) Pakistani-source income (d) None
129. An amount shall be foreign-source income to the extent to which it is:
 (a) Pakistani-source income (b) Not Pakistani-source income
 (c) None (d) Both a and b
130. Any expenditure allowed to a person as a deduction shall allowed as a deduction in computing the income of the person chargeable to tax under any other head of income:
 (a) Be (b) Not be (c) Neither nor b (d) Either a or b

GLOSSARY OF TAX TERMS

-A-

Abatement -- A reduction in the assessment of tax, penalty or interest when it is determined the assessment is incorrect

Abuse of Law -- The doctrine which allows the tax authorities to disregard a civil law form used by the taxpayer which has no commercial basis

Accelerated Depreciation -- Method of depreciation under which taxpayers may allocate larger depreciation deductions to the first year or first few years of useful business assets, such as plant and machinery

Accounting Basis -- Method of calculating amounts subject to income tax and VAT. In respect of VAT, tax would be computed as a percentage levy on the excess of sales over purchases. This is a theoretical concept and no country uses it.

Accounting Period -- A period of time used by taxpayer for the determination of tax liability

Accounts Payable -- A list of the debts currently owed by a person or business, mainly for the purchase of services, inventory, and supplies

Accounts Receivable -- A list of the money owed on current account to a creditor, which is kept in the normal course of the creditor's business and represents unsettled claims and transactions

Accounting Records -- All documents and books used in the preparation of the tax return and all financial statements, including general ledger, subsidiary ledgers, sales slips, and invoices.

Accrual Basis (Accrual Method) -- An accounting method whereby income and expense items are included in taxable income or expense as they are earned or incurred, rather than when they are received or paid

Ad Valorem Tax -- A tax on goods or property expressed as a percentage of the sales price or assessed value

Administrative Company -- See: Service company

Administrative Expenses -- Expenses that are not as easily associated with a specific function as are the direct costs of manufacturing and selling. It typically includes expenses of the headquarters office and accounting expenses.

Administrative Office -- Office frequently located in a country other than that of the headquarters office, the parent company or country of operation.

Advance Pricing Arrangement (APA) -- An arrangement that determines, in advance of controlled transactions, an appropriate set of criteria (e.g. method, comparables and appropriate adjustments thereto, critical assumptions as to future events) for the determination of the transfer pricing for those transactions over a fixed period of time. An advance pricing arrangement may be unilateral involving one tax administration and a taxpayer or multilateral involving the agreement of two or more tax administrations.

Advance Ruling -- A letter ruling, which is a written statement, issued to a taxpayer by tax authorities, that interprets and applies the tax law to a specific set of facts

Affiliated Companies -- General term used to describe the relationship between two or more companies linked by a common interest

Affiliation Privilege -- Tax relief or exemption accorded to dividend distributions made by a resident subsidiary company to its parent company which owns a certain minimum percentage of shares, in order to mitigate double taxation of such dividends.

Agency -- A business that provides a particular service to a company (that are outside of the country where the agency is located). Dependent agency constitutes a permanent establishment for the other company and the income achieved through the agency is taxed on the income earned from the country where the agency is located whereas independent agency does not.

Aggregation -- Term used to denote the adding together of the taxpayer's income from all sources in order to determine the applicable tax rate for income tax purposes.

Alien, Tax Treatment Of -- A person who is not a citizen of the country in which he or she lives. In general, most countries do not distinguish between nationals and aliens for tax purposes; rather tax liability is based on residence and/or domicile.

Alienation Of Income -- Term generally used to describe the transfer of the right to receive income from a source while not necessarily transferring the ownership of that source to the same person.

Allocation -- The apportionment or assignment of income or expense for various tax purpose, e.g., between permanent establishments in various jurisdictions

Allowance -- Deduction or exemptions generally made in computing income taxes, inheritance and gift taxes and some forms of sales taxes.

Amortization -- Process of writing off the cost of an intangible asset over its useful life.

Amortization Method -- Method of computing a credit under a VAT regime where investment goods are purchased which have a useful life in the business for a period exceeding one year. The tax embodied in the price paid for the assets may be credited to the trader over a period of years corresponding to the life of the assets.

APA -- See: Advance Pricing Arrangement

Apportionment Method -- One of the methods used to allocate income and expenses between related enterprises using a formula consisted of some factors such as sales, property, or payroll.

Arbitrage -- Process of buying a commodity (which may include currency or securities) and simultaneously selling it in another market in order to profit from price differentials.

Arbitrage, Tax -- Process of entering into a tax motivated transaction (i.e. to obtain profit from the application of tax rules).

Arbitration -- Term used for the determination of a dispute by the judgment of one or more persons, called arbitrators, who are chosen by the parties and who normally do not belong to a normal court of competent jurisdiction

Arm's Length Principle -- The international standard which states that, where conditions between related enterprises are different from those between independent enterprises, profits which have accrued by reason of those conditions may be included in the profits of that enterprise and taxed accordingly

Arm's Length Range -- A term used in transfer pricing to describe a range of values that can be defined for purpose of selecting an appropriate arm's length price from comparable transactions.

Arm's Length Transaction -- A transaction among parties, each of whom acts in his or her own best interest.

Assessment -- Act of computing the tax due

Associated Enterprises -- Generally speaking, enterprises are associated where the same persons participate directly or independently in the management, control or capital of both enterprises, i.e. both enterprises are under common control.

Attribution Rules -- Rules that create ownership by attributing stock to one party even though the shares are legally owned by another party; often called constructive ownership of stock.

Audit -- Examination and verification carried out by an outside agency (such as an accountancy firm or the tax authorities) of a taxpayer's books and accountants and/or the general accuracy of returns and declarations, either as a routine operation, or where evasion is suspected.

Auxiliary Activities -- A fixed place of business through which an enterprise exercises solely an activity which has, for the enterprise, a preparatory or auxiliary character, is, under tax treaties generally, deemed not to be a permanent establishment. The decisive criterion is whether the activity of the fixed place of business in itself forms an essential and significant part of the activity of the enterprise as a whole.

Auxiliary Company -- Company which is part of a group of companies and which supplies auxiliary services to group companies.

Avoidance -- A term that is difficult to define but which is generally used to describe the arrangement of a taxpayer's affairs that is intended to reduce his tax liability and that although the arrangement could be strictly legal it is usually in contradiction with the intent of the law it purports to follow. Cf. evasion

-B-

Back-To-Back Loan -- Method of borrowing between related parties where a loan is channelled through an independent third-party intermediary.

Bad Debt -- Debt which is unlikely to be paid. Bad debts may usually be treated as losses and written off against a reserve for such debts.

Balance Sheet -- Statement of the financial position of a business as of a particular date. The statement will show the business's assets in one column and its liabilities and owner's equity in another column.

Balancing Payment -- A payment, normally from one or more participants to another, to adjust participants' proportionate shares of contributions, that increases the value of the contributions of the payer and decreases the value of the contributions of the payee by the amount of the payment, in the context of CCA (Cost Contribution Arrangements).

Bank Secrecy Provisions -- Provisions which require that a bank refuse to disclose information about its customers to third parties, including the tax authorities.

BAPA -- Bilateral advance pricing arrangement. Also called MAP APA.

Base Company -- Company situated in a low-tax or non-tax country (i.e. tax haven), which is used to shelter income and reduce taxes in the taxpayer's home country. Base companies carry on certain activities on behalf of related companies in high-tax countries (e.g. management services) or are used to channel certain income, such as dividends, interest, royalties and fees.

Base Cost -- Term used in capital gains tax legislation to denote the cost of an asset to an owner.

Bearer Securities -- Stocks, bonds, etc. in which ownership can be transferred from one holder to another without registration of the transaction by the issuing company, that is, title passes with delivery.

Beneficial Owner -- A person who enjoys the real benefits of ownership, even though the title to the property is in another name. Often important in tax treaties, as a resident of a tax treaty partner may be denied the benefits of certain reduced withholding tax rates if the beneficial owner of the dividends etc is resident of a third country.

Beneficiary -- The person who receives or is to receive the benefits resulting from certain acts. In a tax context, the beneficiary is the person entitled to the benefits from trust property or from an insurance policy.

Benefits In Kind -- Term which refers to earnings, usually from employment, other than in cash, as part of compensation for services rendered.

Benefit Test -- In considering whether a company may be allowed to deduct, as an expense, payments made to a related company in a multinational group on account of expenses incurred by that related company in providing intra-group services, tax authorities would refuse a deduction unless a real benefit had been conferred on the company claiming the deduction.

Berry Ratio -- Ratio used to establish an arm's length profit. The Berry ratio is the ratio of a business' gross income to operating costs.

Best Method Rule -- Transfer pricing rule requiring that a taxpayer use the transfer pricing method that results in the most reliable measure of an arm's length price. This rule doesn't prescribe priorities between various methods.

Bilateral Advance Pricing Arrangement (BAPA) APA -- involving two or more tax authorities

Bond -- Interest-bearing debt obligation to a government or entrepreneur. The rate of interest is usually fixed.

Book Value -- The value of individual asset as recorded in the accounting records of a taxpayer, calculated as actual cost less allowances for any depreciation

Brackets -- Term used in connection with graduated system of taxation to refer, for example, to the slabs or slices of taxable income subject to particular rates of income tax.

Branch -- Division, office or other unit of business located at a different location from the main office or headquarters. It is not a separate legal entity.

Branch Profits Tax (BPT) -- See: Branch tax

Branch Tax -- Tax imposed on branches of foreign companies in addition to the normal corporate income tax on the branch's income. This is equivalent to the tax on dividends which would be due if the branch had been a subsidiary (see: subsidiary company) of the foreign company and had distributed its profit as dividends.

Brother-Sister Corporations -- Two or more companies which are owned and controlled by the same shareholders.

Burden Of Proof -- Obligation to persuade a court or other entity of the validity of a factual assertion.

Business Assets -- Assets used for purposes of carrying on a business

"Business Purpose" Test -- Test used as a weapon against tax avoidance schemes. Artificial schemes which create circumstances under which no tax or minimal tax is levied may be disregarded if they do not serve a "business purpose".

Buy-In Payment – A payment made by a new entrant to an already active CCA (Cost Contribution Arrangements) for obtaining an interest in any results of prior CCA activity.

Buy-Out Payment – Compensation that a participant who withdraws from an already active CCA may receive from the remaining participants for an effective transfer of its interests in the results of past CCA activities.

-C-

Capital Assets – All property held for investment by a taxpayer.

Call Option – Contract under which the holder of the option has the right but not the obligation to purchase securities or commodities on or before a specified date for a specified exercise price.

Capital Expenditure – Expenditure on improvement rather than repair. Where expenditure is more closely connected with the business income-earning structure than its income earning capacity, it is capital expenditure.

Capital Gain – A gain on the sale of capital asset.

Capital Tax – A tax based on capital holdings, as opposed to a capital gains tax.

Capitalize – To record capital outlays as additions to asset accounts, not as expenses.

Capital Loss – The loss from the sale of a capital asset.

Captive Bank – Wholly owned subsidiary of a multinational group of companies whose purpose is to provide banking service to the group and those with whom the group deals. A captive bank is generally located in a tax haven in order to avail itself of the low capital requirements and freedom from exchange control.

Captive Insurance Company – Wholly owned subsidiary of a multinational group of companies which exclusively insures or reinsures the risks of companies that belong to the group. A captive insurance company is usually established in a low-tax country. Whether premiums paid to captive insurance companies are recognized as business expenses depends on the country in question.

Carryback – See: Carryover

Carryforward – See: Carryover

Carryover – A process by which the deductions or credits of one taxable year that cannot be used to reduce tax liability in that year are applied against a tax liability in subsequent years (carryforward) or previous years (carryback).

Cash Basis (Cash Method) – The accounting method which recognizes income and deductions when money is received or paid.

CCA – See: Cost Contribution Arrangements

Central Management And Control – Where the central management and control is located is a test for establishing the place of residence of a company. Broadly speaking, it refers to the highest level of control of the business of a company.

Centre Of Vital Interest – This is one of the criteria used to resolve the problem of dual residence of individuals. It refers to the place where the taxpayer's personal and economic relationships are closer.

CFC – See: Controlled foreign company

Cherry Picking – Term used in the USA in R&D arrangements to prevent a contracting party from selecting or funding only the technologies that are successfully developed, i.e. "cherry picking". In transfer pricing context, it often describes a situation where a tax authority tries to impose a TP

adjustment on a taxpayer based on a few of "cherry picked" related party transactions of other comparable companies with an intention to maximize its adjustment.

Clf Value – The value of imported goods which includes cost, insurance and freight.

Civil Law – Systems of law based primarily on statutes or codes rather than judicial decisions. Examples are the French and German systems.

Close (Closely Held) Company – Company which is owned or controlled by a single shareholder or closely knit group of shareholders.

Commensurate With Income Standard – See: Super royalty provision

Commercial Intangible – An intangible that is used in commercial activities such as the production of a good or the provision of a service, as well as an intangible right that is itself a business asset transferred to customers or used in the operation of business.

Commodities Futures – Contracts, traded on recognized futures markets, in which sellers promise to deliver a given commodity by a certain date at a predetermined price.

Commodity Tax – Tax based on a selective number of commodities.

Common Law – The body of law developed by the judiciary in systems based on English law and which is followed under the doctrine of precedent, i.e. past judicial decisions on similar cases. Much of it is now incorporated in statute. Also this term is used to describe a system ultimately based on English legal systems, as opposed to civil law systems.

Common Stock – The ordinary stock of a corporation. An equity or ownership interest in a corporation. The holder of common stock usually has a vote in deciding company affairs. Common stock is usually last in priority when profits or assets are distributed.

Company – Often used to mean a separate legal entity (a corporation) organized to perform an activity, business or industrial enterprise. Sometimes it has a broader meaning to mean individual or collective enterprises seeking profit.

Comparability Analysis – Comparison of controlled transaction conditions with conditions prevailing in transactions between independent enterprises (uncontrolled transactions). Controlled and uncontrolled transactions are comparable if none of the differences between the transactions could materially affect the factor being examined in the methodology (e.g. price or margin), or if reasonably accurate adjustments can be made to eliminate the material effects of any such differences.

Comparable Profit Method (CPM) – Under US regulations CPM is a method to determine an arm's length consideration for transfers of intangible property. If the reported operating income of the tested party is not within a certain range, an adjustment will be made. In effect this method requires a comparison of the operating income that results from the consideration actually charged in a controlled transfer with the operating income of similar taxpayers that are uncontrolled.

Comparable Uncontrolled Price (CUP) Method – A transfer pricing method that compares the price for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction in comparable circumstances.

Comparable Uncontrolled Transaction (CUT) Method – A transfer pricing methodology used in the US, which determines an arm's length royalty rate for an intangible by reference to uncontrolled transfers of comparable intangible property under comparable circumstances.

Compensating Adjustment – An adjustment in which the taxpayer reports a transfer price for tax purposes that is, in the taxpayer's opinion, an arm's length price for a controlled transaction, even though this price differs from the amount actually charged between the associated enterprises. This adjustment would be made before the tax return is filed.

Compensation – Direct and indirect monetary and non-monetary rewards to employees.

Compensatory Stock Options – Options offered to employees as partial compensation for their services.

Competent Authority (CA) – Forum to resolve disputes arising from the application and/or interpretation of a double tax treaty. Both treaty countries appoint a representative (frequently the Ministry of Finance or its authorized representative) as the CA to assist aggrieved taxpayers by acting as the official liaison with the foreign CA. The CA is generally indicated in the definitions sections of tax treaties.

Compliance – See: Tax compliance

Conduit Approach – A method whereby income or deductions flow through to another party

Conduit Company – Company set up in connection with a tax avoidance scheme, whereby income is paid by a company to the conduit and then redistributed by that company to its shareholders as dividends, interest, royalties, etc.

Consideration – Anything of value, including property, given in return for a promise or performance by another party to form a contract

Consolidated Tax Return – A combined tax return in the name of the parent company filed by companies organized as a group.

Consortium – Association of business enterprises, whether individuals, partnerships or companies, operating together on a temporary basis for some specific venture.

Constructive Dividend – A variety of payments whether in cash or in kind made by companies to shareholders or associated persons, which are not expressed as dividends, may nevertheless be regarded by the tax law as distributions of profits and treated for tax purposes as if they were dividends.

Constructive Ownership – A taxpayer may be considered to own property or stock which he only indirectly owns.

Consumption Tax – Tax generally intended to fall on the ultimate consumption of goods and services.

Contract Manufacturer – A manufacturer, in most cases, located in a low-cost jurisdiction, which has a license to use an intangible property developed by its parent company. The manufacturer uses the intangible property to produce tangible property which is then resold to the parent for distribution to ultimate customers.

Contribution Analysis – Where the profit-split method is applied in transfer pricing cases, a contribution analysis requires that the combined profit be divided between associated enterprises based upon the relative value of the functions performed by each of the associated enterprises participating in the controlled transaction.

Control – The capacity of one person to ensure that another person acts in accordance with the first person's wishes, or the exercise of that capacity. The exercise of control by one person over another could enable individuals and corporations to avoid or reduce their tax liability. A company is usually regarded as controlling another company if it holds more than 50% of the latter company's voting shares. However, the definitions vary according to country and situation.

Controlled Foreign Companies (CFC) – Companies, usually located in low tax jurisdictions, that are controlled by a resident shareholder. CFC legislation is usually designed to combat the sheltering of profits in companies resident in low- or no-tax jurisdictions. An essential feature of such regimes is that they attribute a proportion of the income sheltered in such companies to the shareholder resident

in the country concerned. Generally, only certain types of income fall within the scope of CFC legislation, i.e. passive income such as dividends, interest and royalties.

Controlled Transaction – Transactions between two enterprises that are associated enterprises with respect to each other.

Controlling Interest – Ownership of more than 50% of a corporation's voting shares.

Cooperative Society – In general, cooperative societies are founded to reduce the purchase price or increase the sales price of certain products for the benefit of their members or to serve the interest of their members in some other way, among small traders, farmers, consumers, etc.

Coordination Centre – Enterprise whose only purpose is to coordinate the activities of affiliated companies, to do research or to carry out support activities for the benefit of such corporations.

Copyright – Exclusive right granted to authors and artists to publish, use and exploit their literary or artistic works.

Corporate Income Tax – Income tax on the income of companies

Corporate Veil – As a corporation is a separate legal entity, and shareholders have an interest in the company rather than in its assets, the corporate veil is used to describe the inability to look behind the legal entity and attribute the actions assets, debts and liabilities of a company to those standing behind it, notably the shareholders. Courts may sometimes be able to "pierce" (look through) the corporate veil to make an attribution to the underlying person or persons.

Corporation – In technical terms, it means a legal entity generally chartered by a relevant government and separate and distinct from the persons who own it. However it is now commonly used as another way of referring to a company. (See: Company)

Corporation Shopping – Term sometimes used in addition to treaty shopping to denote the use of tax treaty provisions by interposing a company instead of a different form of association for which tax relief would not been available.

Corresponding Adjustment – An adjustment to the tax liability of the associated enterprise in a second jurisdiction made by the tax administration of that jurisdiction, corresponding to a primary adjustment made by the tax administration in a first tax jurisdiction, so that the allocation of profits by the two jurisdictions is consistent.

Cost – Purchase price paid for property or the value of the exchange for which property is given.

Cost Contribution Arrangement (CCA) – A CCA is a framework agreed among enterprises to share the costs and risks of developing, producing, or obtaining assets, services, or rights, and to determine the nature and extent of the interests of each participant in the result of the activity of developing, producing, or obtaining those assets, services, or rights.

Cost Funding – Contribution of an affiliate company to the general research and development (R&D) costs of another affiliate or group member, in proportion to its turnover or some other criterion.

Cost Of Goods Sold (COGS) – A figure representing the cost of buying raw materials and producing finished goods. Included are clear-cut factors, such as direct factory labour, as well as others that are less clear-cut, such as overhead

Cost-Plus Mark-Up – A mark up that is measured by reference to margins computed after the direct and indirect costs incurred by a supplier of property or services in a transaction

Cost-Plus Method – A transfer pricing method using the costs incurred by the supplier of property (or services) in a controlled transaction. An appropriate cost plus mark up is added to this cost, to make an appropriate profit in light of the functions performed (taking into account assets used and

risks assumed) and the market conditions. What is arrived at after adding the cost plus mark up to the above costs may be regarded as an arm's length price of the original controlled transaction.

Cost-Sharing Agreement -- See: Cost-contribution agreement

CPM -- See: Comparable profit method

Credit, Foreign Tax -- A method of relieving international double taxation. If income received from abroad is subject to tax in the recipient's country, any foreign tax on that income may be credited against the domestic tax on that income. The theory is that this means foreign and domestic earnings of an entity will as far as possible be similarly taxed, although usually the credit allowed is limited to the amount of domestic tax, with no carry over if tax is higher abroad.

Credit, Tax -- Allowance of deduction from or a direct offset against the amount of tax due as opposed to an offset against income.

Credit, Underlying (Indirect) Tax -- In relation to a dividend, credit for underlying tax is credit for the tax levied on the profits of the company out of which the dividends have been paid. Such relief may be given either under a tax treaty or in accordance with unilateral provisions.

Credit, Withholding Tax -- Various kinds of income (such as dividends, interest, royalties) are taxed at source by requiring the payer to deduct tax and account for it to the tax authorities (abroad). The taxpayer recipient is entitled to credit the tax withheld at source against his final tax liabilities determined by (domestic) tax law of the country in which he is resident.

Credit Method -- See: Credit, foreign tax

Creditor -- A person who extended credit and to whom money is owed; a lender

Cup Method -- Comparable uncontrolled price method

Current Assets -- The cash, accounts receivable, inventory, and other assets that are likely to be converted into cash, sold, exchanged, or expensed in the normal course of business, usually within a year.

Customs Duties -- Taxes on goods imported into a country

-D-

Damages -- The amount received (other than worker's compensation) through prosecution of a legal suit or action based on tort or tort-type rights, or through a settlement agreement entered into in lieu of such prosecution.

Death Duties -- Taxes imposed on the transfer of property on account of a person's death.

Debenture -- Interest-bearing bond which is not secured by any specific property, usually issued by a corporation or government to the general public

Debt Capital -- Funds obtained through various types of loan which normally comprehends debentures and bonds bearing fixed interest.

Debt Dumping -- Transferring a bad debt to a group company located in a higher-tax rate country in order to write off the debt in that country.

Debt/Equity Ratio -- Relationship of total debt of a company to its ordinary share capital. If a corporate debt is disproportionately high in comparison with its equity, the debt may be recharacterised as equity, resulting in a disallowance of the interest deduction and taxation of the funds as dividends.

Debt Instrument -- A written promise to repay a debt, such as a bill, bond, banker's acceptance, note, certificate of deposit, or commercial paper.

Debtor -- A person who owes money; a borrower

Deduction At Source -- See: Withholding tax

Deductions -- Deduction denotes, in an income tax context, an item which is subtracted (deducted) in arriving at, and which therefore reduces, taxable income.

Deemed Interest -- If a member of a multinational enterprise (MNE) receives an interest-free loan from an affiliated company, the tax authorities of the lender's country may readjust the lender's profits by adding an amount equal to the interest which would have been payable on the loan had it been made at arm's length.

Deep Discount Bond -- See: Zero coupon bond

Default -- The failure of a debtor to make timely payments of interest and principal amounts as they come due or to meet some other provision of a bond, mortgage, lease, or other contract.

Deferral Of Tax -- The postponement of tax payments from the current year to a later year. A number of countries have introduced legislation to counter the kind of tax avoidance whereby a taxpayer obtains a deferral of tax which is not intended by law. Ex) CFC legislation

Deferred Income -- Term used to describe income which will be realized at a future date, thus delaying any tax liability.

Deficiency -- The excess of a taxpayer's correct tax liability for the taxable year over the amount of taxes previously paid for that year. A US concept

Delinquency -- Tax which is in default (i.e. due but not yet paid) is often referred to as a "delinquent" tax in North American parlance.

Delivery -- Transfer of goods or an interest in goods from one person to another.

Demand Loan -- A loan payable on request by the creditor rather than on a specific date.

DE Minimis -- Phrase used in connection with circumstances in which the full rigour of the tax law is not enforced because, in particular, of the small amount or minor breach which may be involved, particularly in the context of under-assessed or underpaid tax which are not pursued on "de minimis" grounds.

Dependent Agent -- See: Agency

Dependent Personal Services -- The OECD model tax treaty provides rules for the treatment of salaries, wages and other similar remuneration (i.e. employment income) under the heading "dependent personal services". As a general rule, with some exceptions, the right to tax income from dependent personal services is allocated to the country where the employment activities are exercised.

Depletion -- Deductible expense which reflects the decrease of a natural resource due to extraction of the resource.

Depreciation -- An accounting technique in which the cost of an asset is allocated over its useful life.

Derivative Financial Instruments -- Also known as derivatives. These are financial instruments whose values are linked to or depend on the value of a primary (underlying) asset, e.g. debt assets, liabilities and equity securities, commodities or currency. The primary types of derivatives include forward contracts, futures, options and swaps.

Destination Principle -- Principle under a VAT regime which mandates that VAT on goods be paid in the country where the purchaser is resident (i.e. the country of consumption) at the rate that would have applied had the goods been purchased from a domestic supplier.

Direct Charge Method A -- method of charging directly for specific intra-group services on a clearly identified basis.

Direct Cost – Cost identified with a particular transaction, such as raw materials, components and goods, wages and other processing expenses.

Direct Investment – Description often given to a substantial investment in the shares of a company.

Directive – An official order or instruction. In EU context, it means one of the legal instruments issued by the competent institutions of the European Union. A directive is addressed to the Member States requiring them to make such changes to their domestic legislation as necessary to satisfy a provision of one of the EC treaties.

Direct Method Of Allocation Of Costs – Allocation method where the parent company or group service centre of a multinational enterprise providing central management and other services charges each member of the group directly for individual services rendered.

Direct Tax – Direct taxes are taxes imposed on income, capital gains and net worth. Gift tax, death duties and property tax are also considered direct taxes.

Discount – Amount by which the face value of a debt obligation exceeds its issue or selling price.

Disolution Of Corporation – The termination of the legal existence of a corporation.

Distribution – A payout of cash or property from a corporation to a shareholder.

Dividends – A payment by a corporation to shareholders, which is taxable income of shareholders. Most corporations receive no deduction for it.

Documentation – Official documents that are used to prove that something is true or correct.

Domestic Corporation – Corporation which is organized or has its place of effective management in a country.

Domicile – A person's domicile in English common law is his permanent home, the place to which he always intends to return. Residence is the place where an individual lives for a certain period of time, while domicile is the place where an individual makes his permanent home.

Domicile, Fiscal – Term sometimes used to mean the same as residence. Fiscal domicile does not necessarily have the same meaning as domicile.

Double Dipping – Term used to indicate the possibility for dual resident companies to deduct the same expenses in two jurisdictions.

Double Taxation, Domestic And International – Domestic double taxation arises when comparable taxes are imposed within a federal state by sovereign tax jurisdictions of equal rank. International double taxation arises when comparable taxes are imposed in two or more states on the same taxpayer in respect of the same taxable income or capital, e.g. where income is taxable in the source country and in the country of residence of the recipient of such income.

Double Taxation, Economic And Juridical – Double taxation is juridical when the same person is taxed twice on the same income by more than one state. Double taxation is economic if more than one person is taxed on the same item.

Double Taxation Treaty – See: Tax treaty

DTA – Double tax agreement. See Tax treaty.

Dual Residence – Person or company resident in two or more countries under the law of those countries, because the two countries adopt different definitions of residence.

Duty – Customs duties (sometimes called a tariff) levied on imported products.

Duty-Free Zone – Zone usually located next to an international port or airport where imported goods may be unloaded, stored and reshipped without payment of customs duties or other types of indirect taxes, provided the goods are not imported.

Earned Income – Income or compensation derived from personal services in an employment, trade, business, profession or vocation. (cf. investment income)

Earnings & Profits (E&P) – A term referring to the economic capacity of a corporation to make a distribution to shareholders that is not a return of capital. Such a distribution would constitute a taxable dividend to the shareholder to the extent of current and accumulated earnings and profit under US tax law.

Earnings Before Taxes – Sales revenue less cost of sales, operating expenses, and interest, before taxes have been paid.

Earnings Stripping – Practice of reducing the taxable income of a corporation by paying excessive amounts of interest to related third parties.

Economic Double Taxation – See: Double taxation, economic and juridical

Eco Tax – See: Environmental tax

Effectively Connected Income (ECI) – Non-resident alien individuals and foreign corporations engaged in trade or business within the US are subject to US income tax on income, from sources both within and outside the US, which is "effectively connected" with the conduct of the trade or business within the US. Income is effectively connected if it is derived from assets which are used in or held for use in the US, and the activities of the US business were a material factor in the realization of the income.

Effective Tax Rate – The rate at which a taxpayer would be taxed if his tax liability were taxed at a constant rate rather than progressively. This rate is computed by determining what percentage the taxpayer's tax liability is of his total taxable income.

Employee Profit Sharing – System under which the employees of an enterprise are entitled by employment contract or by law to a share in the profits made by the enterprise.

Employee Stock Option – An opportunity for employees to purchase stock (shares) in the company they work for, often at a discount from fair market value. Generally it is provided as an incentive to stay with the employer until the options vest.

Employment Income – Income source of individuals, covering income derived from labour or other current or former dependent personal services such as salaries, wages, bonuses, allowances, compensation for loss of office or employment, pensions and, in some countries, certain social security benefits.

Entertainer – Income of a professional entertainer e.g. a musician, actor or other artiste, or sportsman is, in many cases, treated differently from income of persons carrying on other independent profession.

Entity – In general for tax purposes, an organization, person or party that possesses separate existence. Options include corporations, partnerships, estates and trusts.

Environmental Tax – Tax imposed for environmental reasons, e.g. to provide an incentive to reduce certain emissions to an optimal level or taxes on environmentally harmful products.

Equal Treatment – General principle of taxation that requires that taxpayers pay an equal amount of tax if their circumstances are equal.

Equitable Interest – An equitable interest in an asset is the interest of the beneficial owner; this may or may not be the same person as the legal owner.

Equity --

1. The extent of a person's beneficial ownership of a particular asset. This is equivalent with the value of the asset minus the liability to which the asset is subject.

2. Paid-in capital plus retained earnings in a corporation - stock as opposed to bonds.

3. The ownership interest possessed by shareholders in a corporation - stock as opposed to bonds.

Equity Capital -- A method of financing a business where money is received by the issuance of shares in the enterprise.

Esop -- Employee stock ownership plan

Estate -- Broadly, all that a person owns, whether real property or personal property, for instance, the estate one leaves at death.

Estate Duty/TAX -- See: Death duties

Estimated Assessment -- For income tax purposes, where the records kept, particularly by small traders, are inadequate for a precise calculation of tax due, it may be necessary for the taxable income or profits to be calculated by the tax authorities on the basis of an estimate.

Estoppel -- Rule under which one is precluded and forbidden by law to speak against his own act or deed. If a certain position has been taken, another person has relied on that, and you are aware of that reliance, there is often an estoppel against you arguing the contrary to your original position in a court proceeding.

Eurobond -- International bond issued by a company in a market other than its domestic market. Eurobonds may take the form of loans, debentures or convertible debentures, and maybe designated in any currency.

Eurodollars -- Dollars originally deposited in US banks that are acquired by persons resident outside the United States and held abroad, mainly in Europe. Eurodollars are used by foreign banks as a method of financing loans to other local or foreign banks or to commercial borrowers.

European Commission -- The Commission is the executive institution of the European Union charged with the task of administering all policy within the Union.

European Union -- See: Treaty on European Union

Evasion -- A term that is difficult to define but which is generally used to mean illegal arrangements where liability to tax is hidden or ignored, i.e. the taxpayer pays less tax than he is legally obligated to pay by hiding income or information from the tax authorities.

Examination -- The checking of a taxpayer's tax return, accounts, self-assessment calculations, etc. The process may or may not include an audit of the taxpayer's own books.

Exchange Control -- Restriction of the amount of a particular foreign currency that can be bought or sold

Exchange Of Information -- Most tax treaties contain a provision under which the tax authorities of one country may request the tax authorities of the other country to supply information on a taxpayer. Information may only be used for tax purposes in the receiving country and it must be kept confidential, i.e. it can only be disclosed to the persons or authorities concerned with the assessment or collection of taxes covered by the treaty.

Excise Tax -- A tax imposed on an act, occupation, privilege, manufacture, sale, or consumption.

Exclusions -- Term used to describe income which is exempt, i.e. not included, in the calculation of gross income for tax purposes.

Exemption Method -- See: Foreign tax relief

Exemptions -- Tax laws frequently provide specific exemptions for persons, items or transactions, etc. which would otherwise be taxed. Exemptions may be given for social, economic or other reasons.

Expatriate -- Persons who have left their country and live abroad.

EXPATRIATION Rules -- Rules under which a taxpayer continues to be subject to tax when he relinquishes his residence or his citizenship in order to avoid tax.

Expenses -- Costs that are currently deductible, as opposed to capital expenditures, which may not be currently deducted but must be depreciated or amortized over the useful life of the property.

Export Duty -- Tax levied on exports of basic commodities entering into world trade, such as rubber, copper, palm oil, sisal, tea, cocoa and coffee

Extended Limited Tax Liability -- Principle according to which certain taxpayers (i.e. those subject to individual income tax, net worth tax and succession duty) who leave a tax jurisdiction and move to a low-tax country are subject to taxation in the former country of residence for a certain period of time after the move.

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Factoring -- Financial transaction whereby an enterprise sells its debt-claims to a third party in order to obtain cash (although less than the full amount of the debt). The third party then assumes responsibility for the administration and collection of the debt on the due date for its own account.

Fair Market Value -- The price a willing buyer would pay a willing seller in a transaction on the open market.

Federal Register -- A daily publication by the U.S. government that prints the regulations of the various governmental agencies.

Federal Tax -- In federal states, taxation may exist on two levels: taxation by the federation or confederation, and taxation by the state or provinces.

FEE -- Fees charged by central or local governments can be distinguished from taxes when they are charged as payments for the supply of particular services by the authorities. Fees are usually not considered taxes when listing taxes to be included in a double tax treaty.

Fiduciary -- A person, company, or association holding assets in trust for a beneficiary.

Field Audit -- An examination of a tax return by tax authorities at the taxpayer's place of business.

FIFO -- Method of valuing inventory on the basis of "first in, first out", where goods or materials purchased first are regarded as those which are sold first.

Final Tax -- Under tax treaties the withholding tax charged by the country of source may be limited to a rate lower than the rate which would be charged in other circumstances - this reduced rate is then the final tax in the country of source.

Finance Company -- A company, usually a wholly owned subsidiary, which borrows funds from within or outside a group of companies and lends the funds to affiliates. A finance company is, in many cases, established in a low or no tax jurisdiction.

Finance Lease -- Lease where the lessor is considered only as a financier. The lessee is regarded as the owner of the leased assets. Cf. Operating Lease

Financial Statement -- Report which contains all of the financial information about a company. The report generally consists of a balance sheet, income statement and may include other information as well.

Financial Structure -- The makeup of the right-hand side of a company's balance sheet, which includes all the ways its assets are financed.

First In, First Out (FIFO) -- See: FIFO

Fiscal Domicile -- See: Domicile, fiscal

Fiscal Nullity Doctrine -- Common law doctrine used in the UK in cases of avoidance of tax, whereby certain transactions are ignored for fiscal purposes. Cf. Substance over form doctrine.

Fiscal Policy -- Part of economic policy which relates to taxation and public expenditure.

Fiscal Residence -- See: Residence

Fiscal Transparency -- "Looking through" an entity and attributing profits and losses directly to the entity's members. The profits of certain forms of enterprises are taxed in the hands of the members rather than at the level of the enterprise. Often occurs in the case of a partnership for example.

Fiscal Year -- Any 12-month period which is set for accounting purpose of an enterprise.

Fixed Assets -- Assets that are held by an enterprise either continuously or for a comparatively long period of time, generally more than one year.

Fixed Base -- This term was used in the OECD and UN model tax treaties in the context of independent personal services, but the former Article 14 has been removed from the OECD Model and these issues are now generally dealt with under Article 7, dealing with business profits attributed to permanent establishments. It denotes a centre of activity of a fixed or permanent character from which such services can be carried out such as a physician's consulting room. The fixed base provision attributes the right to tax income from independent personal services to the "other" country (i.e. the source country) if the taxpayer has a fixed base available to him in that country and income is attributable to that fixed base.

Fixed Income -- Income which does not fluctuate over a period of time, such as interest on bonds and debentures, or dividends from preference shares as opposed to dividend income from ordinary shares.

Flag Of Convenience -- The flag of ship is the flag of the country where it is registered. This term is used in international shipping where a ship's country of registration is selected on the basis of country's legal Requirement and tax regime.

Flat Tax -- A tax applied at the same rate to all levels of income. It is often discussed as an alternative to the progressive tax.

Floors -- The lower limits on tax benefits and detriments, e.g. in medical expense. A taxpayer must spend more than the floor for a deduction, and only the amount above the floor is deductible.

Flow-Through Entity -- See Fiscal transparency

Fob Value -- FOB denotes "free on board". FOB value is value of goods excluding carriage, insurance and freight, i.e. roughly speaking, the domestic price in the country of origin.

Force Of Attraction -- Concept under which a permanent establishment is taxed by the country in which it is located not only on the income and property, but also on all income derived by its foreign head office from source in, and all property owned by the foreign head office situated in, the country where the permanent establishment is located. The OECD model treaty does not allow application of it.

Foreign Currency Forward -- See Forward contract. This contract serves the same purpose as a foreign currency futures contract, except that it is not standardized and entered on the informal, interbank market rather than on a formalized commodities exchange.

Foreign Currency Futures -- Exchange traded contract for the delivery of a standardized amount of foreign currency on a specific future date. The price for the foreign currency is agreed on the day the contract is bought or sold. Unlike forward contracts, futures are tradable, reflecting the standardization of contract size, specification and delivery date.

Foreign Currency Option -- Contract with an option to buy/sell foreign currency. See: option.

Foreign Currency Swap -- An agreement under which two or more parties agree to exchange specified amount of two different currencies for a defined period. Over the term of the agreement, the parties exchange fixed or floating rate interest payments in their swapped currencies.

Foreign Exchange Control -- See: Exchange control

Foreign Exchange Tax -- Special tax imposed on transactions involving sales of foreign exchange by domestic banking institutions and authorized exchange brokers.

Foreign-Source Income -- Generally income realized from countries outside the country of residence of the taxpayer.

Foreign Tax Credit (FTC) -- See: Credit, foreign tax

Foreign Tax Relief -- Relief from domestic tax on income from abroad which has already suffered foreign tax. Generally speaking, two approaches are taken to foreign tax relief, i.e. the credit method or the exemption method.

Forfeit -- In a number of countries tax is sometimes levied on an estimated taxable base (forfeit), particularly in respect of the imposition of income tax or turnover tax on small enterprises.

Forms, Tax -- See: Tax form

Formula Apportionment -- See: Unitary tax system

Formulatory Approach -- See: Unitary tax system

Forward Contract -- Contract for the delivery of an amount of asset (e.g. foreign currency, securities, commodities) on a specific future date.

Franchise Taxes -- Nearly all states in the US levy an annual franchise tax on resident and non-resident corporations for the privilege of the right to do business in that state.

Fraud -- Tax fraud is a form of deliberate evasion of tax which is generally punishable under criminal law. The term includes situations in which deliberately false statements are submitted, fake documents are produced, etc.

Fringe Benefits -- Benefits supplementing normal wages or salaries. Fringe benefits may be given in the form of a money allowance, e.g. a holiday bonus or in the form of benefits in kind, e.g. free accommodation. Although most countries tax the benefit of employer-provided automobiles and accommodation, the tax treatment of other fringe benefits varies considerably.

Frivolous Position -- A tax position that is knowingly advanced in bad faith and is patently improper.

Frontier Workers -- For tax purposes, a frontier worker is a person who commutes across a border (e.g. on a daily basis) between his place of residence and his place of employment.

Fronting -- Term used to describe the practice of interposing a third party in a transaction so as to circumvent transfer pricing legislation.

Fruit And Tree Doctrine -- A judicial doctrine that an individual who earns income from property of services may not assign such income to another person for tax purposes.

FTC -- See Foreign tax credit

Functional Analysis -- An analysis of the functions performed (taking into account assets used and risks assumed) by associated enterprises in controlled transactions and by independent enterprises in comparable uncontrolled transactions.

Furniss V. Dawson -- This case is 1984 UK case, decided by the House of Lords, which is generally considered to be a landmark case. It made ineffective tax avoidance schemes which have no commercial purpose other than the avoidance of tax.

Futures Contract -- An agreement between a buyer and seller to exchange particular goods (e.g. securities or commodities) for a particular price at a future date as specified in a standardized contract common to all participants in a market on an organized futures exchange.

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GAAP -- Generally Accepted Accounting Principles are the rules and practices required to be followed in keeping financial records and books of account.

Gain, Capital -- See: Capital gain

Gearing -- Term broadly used in the context of a company's debt/equity ratio. A company is highly geared if the ratio of debt to equity is high. Sometimes referred to as capital gearing or leveraging.

General Partner -- In a partnership, a partner whose liability is not limited. All partners in an ordinary partnership are general partners. A limited partnership must have at least one general partner and at least one limited partner.

General Partnership -- See: Partnership

Generation-Skipping Tax -- Tax imposed to prevent the avoidance of transfer tax (i.e. estate tax and gift tax) over successive generations.

Gift Causa Mortis -- A transfer of property by a person who faces impending death. The donee thereby becomes the owner of the property, but on the condition that the gift is revoked if the donor does not die.

Gift Inter Vivos -- A gratuitous transfer of property made during the transferor's (donor's) lifetime. In many countries the gratuitous transfer of property is subject to a gift tax.

Global Formulary Apportionment Method -- See: Global method

Global Hedging -- A risk-management strategy to balance positions of different business units or with unrelated third parties.

Global Income Tax -- Income tax that aggregate income from all sources at the individual (or family unit) level. The income is then taxed at a single progressive rate.

Global Method -- Under the global method, the profits of each member of a multinational enterprise (MNE) are not calculated on the basis of arm's length dealings, but rather the total profit of the enterprise is allocated to the members of the multinational enterprise on the basis of, for example, the turnover of each member, the expenses incurred by each member or the labour cost of each member.

Global Trading -- Term used to describe transactions carried out by, inter alia, investment banks and securities dealers, involving financial instruments, financial services and financial goods. Also known as 24-hour trading since the transactions are carried out continuously during a day in financial markets worldwide.

Going Concern -- A business which is actually operating, e.g. at the time of takeover. The advantage of taking over a business as a going concern (if it is operating profitably) is usually recognized by a payment for goodwill as well as for other assets.

Going Concern Value -- The element of value that attaches to property as a result of the ability of a trade or business to continue to operate and generate income after a transfer of ownership.

Good Faith -- "Good faith" denotes a state of mind, whereby a person honestly and truly believes that certain facts or circumstances are as he says they are.

Goods And Sales Tax Vat -- style multi-stage sales tax levied on purchases (and lessors). Sellers (and lessors) are generally responsible for collection.

Goodwill -- Intangible asset which consists of the value of the earning capacity, location, marketing organization, reputation, clientele, etc. of a trade or business. Goodwill can be transferred for a consideration to another entrepreneur upon the sale of the business as a going concern.

Gordon Report -- 1981 report submitted to the US Treasury, entitled "Tax Havens and Their Use by United States Taxpayers - An Overview"; it explains the use of US taxpayers make of tax havens, existing anti-abuse measures and proposals for measures to counter such activities.

Grace Period -- The period following the due date of taxes during which legal action for recovery of delinquent taxes will not be instituted and interest will not commence to run.

Graduated Rate -- System where the rate of tax increases on marginal amounts as the amount of taxable income rises. Synonym for progressive rate.

Grandfather Clause -- Clause temporarily preserving legislation which exists at the time a law is modified or a (tax) treaty is concluded (or modified).

Green Card -- Entry document issued by the US immigration and Naturalization Service (INS) that permits foreign nationals to live permanently in the US and undertake employment.

Green Card Test -- A test in the US to determine residence of an alien individual, i.e. an alien is considered resident if at any time during the calendar year he is a lawful permanent resident of the US under the immigration laws.

Gross Income -- Gross receipts, whether in the form of cash or property, of the taxpayer received as compensation for independent personal services, and the gross receipts of the taxpayer derived from a trade, business or services, including interest, dividends, royalties, rentals, fees or otherwise.

Gross Income, Taxes On -- In some countries income taxes are levied on gross income (usually at low rates) without deduction for expenses.

Gross Margin -- Ratio of gross profits to gross revenue.

Gross Profits -- The gross profits from a business transaction are the amount computed by deducting from the gross receipts of the transaction the allocable purchases or production costs of sales, with due adjustment for increases or decreases in inventory or stock-in-trade, but without taking account of other expenses.

Gross Profit Ratio -- Ratio of gross profit to the sales of a business or, alternatively, to the adjusted purchases or "goods consumed" during the accounting period.

Gross Profits Tax -- Tax imposed usually at low rates on the gross receipts of a business.

Gross Up -- Add back the amount of tax which has been paid to the value of property or other income received. The term includes the process by which corporation add credits (e.g. imputation credits or foreign tax credits) received to net income received before calculating their tax liabilities.

Group Service Center -- Term used in the 1984 OECD Report on Transfer Pricing and Multinational Enterprises to denote a special department within a parent company or regional holding company or any other associated enterprise within a multinational enterprise (MNE) providing services to associated enterprises.

Group Treatment -- Term used to describe the tax treatment where the profits and losses of associated companies may be grouped together and, in effect, be treated as the aggregated profits of a single enterprise (sometimes called a "fiscal unity").

Guarantor -- A person who guarantees, endorses, or provides indemnity agreements with respect to debts owed to others.

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Habitual Abode — In the context of the tie-breaker rule of the OECD model tax treaty, habitual abode is one of the criteria used to resolve the problem of dual residence. It refers to the period of time a taxpayer spends in each country.

Hardship Clause — Discretionary power of the tax authorities to mitigate any harsh results of the tax law.

Harmonization Of Tax, Eec Directive — Term usually used to refer to the process of removing fiscal barriers and discrepancies between the tax systems of the various countries comprising the European Union. To this end the EU has issued directives in the area of indirect and direct taxation.

Head Office Expenses — Where an enterprise with its head office in one country operates through a branch or other permanent establishment in another country, some expenses incurred by the head office, e.g. for general management and administrative expenses or the cost of specific services provided to the permanent establishment, may be deducted in computing the taxable profits of the permanent establishment.

Hedging Transaction — Transaction where a person tries to protect himself against price, interest rate or foreign exchange rate fluctuations, for example, by buying or selling commodities or currencies using derivative contracts such as forwards, futures, options and swaps.

Hidden Reserves — Reserves which are not disclosed on the balance sheet of an enterprise, either by overvaluing debts or undervaluing assets.

Hidden Tax — Indirect tax paid by the consumer without his knowledge.

Historical Cost — Amount expended in obtaining an asset at the time of acquisition, i.e. the purchase price and associated costs.

Holding — A decision of a court.

Holding Company — Company whose main purpose is to hold substantial shares of other companies.

Holding Period — The length of time that an investment is owned or expected to be owned.

Homestead — A house and surrounding land owned and used as a dwelling.

Horizontal Equity — Doctrine which holds that similarly situated taxpayers should receive similar tax treatment, e.g. taxpayers who earn the same amount of income or capital should be accorded equal treatment.

House Ways And Means Committee — The committee of the US House of Representatives that introduces most tax provisions.

Hut Tax — Type of poll tax levied on inhabited dwellings or huts generally at an early stage in the development of an economy when it is not feasible to introduce an income tax.

Hybrid Accounting Methods — Term which refers to the situation where a taxpayer used a combination of accounting methods (such as accruals basis accounting or cash basis accounting) for different items of income.

Hybrid Derivative — Financial instrument which has the characteristic of more than one type of instrument, i.e. a swap plus an option.

Hybrid Entity — Entity that is characterized differently in two or more jurisdictions, for example, as entity that is treated as a partnership in one jurisdiction and as a corporation in another.

Hybrid Instrument — See: Hybrid derivative

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IMF — See: International Monetary Fund

Immovable Property — Also known as real property, immovable property comprises land, houses and buildings.

Import Duty — See: Duty

Import — The term "import" means tax and refers particularly to a duty on imported goods and to clarification (by customs) of (imported) goods in order to assess the proper (import) taxes.

Imputation System — System under which at least part of the tax paid by a company on its profits is credited against the tax liability of shareholders in receipt of distributions paid by the company out of those profits.

Imputed Income — The economic benefit a taxpayer obtains through performance of self-provided services or through the use of self-owned property.

Imputed Interest — Implied interest. In a mortgage that states an insufficient interest rate, tax law will impute a higher rate and a lower principal, which will increase taxes on the receipt of payment.

Inbound Transaction — Term which refers to the tax treatment of foreigners doing business and investment in other countries.

Incentive Stock Option (ISO) — An equity-type compensation plan under which qualifying stock options are free of tax at the date of grant and the date of exercise but are taxed when sold. US system.

Incidence Of Tax — The person who bears the tax burden in economic sense, which could be different from the person paying the tax.

Income Property — Often, real estate that is bought for the income it produces.

Income Shifting — Income splitting

Income Splitting — A number of arrangements, the essential feature of which is that income, which would have been taxed at a higher rate in the hands of the person who derived it, is taxed in the hands of another person at a lower rate.

Income Statement — Statement showing the results of a business operation for a particular period of time. The statement will show the business's revenues and expenses.

Income Subject To Tax — All sources of income liable to tax without taking account of tax allowances.

Income Tax Credit — See: Credit, tax

Incorporation — The process by which a company receives a government charter allowing it to operate as a corporation.

Indemnification — Amount of money received by persons or entities as compensation for damages or for losses incurred.

Independent Agent — See: Agency

Independent Contractor — A contractor who is self-employed.

Independent Enterprises — Two enterprises are independent enterprises with respect to each other if they are not associated enterprises with respect to each other.

Independent Personal Services — Services performed by an independent contractor. An independent contractor is hired to do work according to his own methods and is not subject to the control of an employer except as to the result of his work. With the removal of Article 14 from the OECD Model this issue is now dealt with by Article 7 as business profits in most cases.

Index-Linked Adjustment -- Expedient adopted in many commercial transactions to provide a workable solution to some of the problems created by inflation and monetary depreciation. The mechanism is essentially one of adjusting payments, profits, gains, taxable income brackets, tax allowances, etc. by discounting or otherwise modifying them by reference to an accepted index of inflation or other indices.

Indexation -- See: Index-linked adjustment

Indirect-Charge Method -- A method of charging for intra-group services based upon cost allocation and apportionment methods.

Indirect Cost -- Costs that cannot be identified in relation to a particular activity but that, nevertheless, are related to the direct costs (e.g. overhead expenses, costs of supporting departments, and a proper share of research and development (R&D) costs).

Indirect Tax -- Tax imposed on certain transactions, goods or events. Examples include VAT, sales tax, excise duties, stamp duty, services tax, registration duty and transaction tax

Indirect Tax Credit -- See: Credit, underlying (indirect) tax

Information Return -- Declaration made by a person who has economic information about a potential taxpayer, regardless of whether that person is liable for withholding tax.

Inheritance -- Real property or personal property that is received by heirs.

In Kind -- Broadly speaking, a distribution or payment other than in money.

Input Tax -- Term used in connection with VAT to denote the tax embodied in purchases made by a trader or entrepreneur who will usually be able to obtain a credit for the tax that his suppliers have paid on the goods supplied to him which form his "inputs".

Insolvency -- Inability to pay debts when due

Instalment Sale -- Sale for which the consideration is received by way of more than one payment or instalment.

Instrument -- A legal document that records an act or agreement and provides the evidence of that act or agreement. Instruments include contracts, notes, and leases (e.g. a debt instrument).

Insurance Premiums -- The amount paid to an insurance company to cover potential hazards.

Insurance Settlement -- Receipt of proceeds of an insurance policy.

Intangible Property -- Property which has no physical existence but which has a value based on a legal right of the owner, e.g. goodwill, patent, trade mark, copyright, software, inventions, designs, i.e. all manner of intellectual property. Intangible property is usually transferred by way of a licensing agreement, and payments for the intangible are made in the form of royalties.

Integration, Full -- System which provides for retained as well as distributed profits to be included within the framework of an imputation system. All corporate-source income, whether retained or distributed, is taxed at the appropriate marginal rate in the hands of ultimate shareholders.

Intellectual Property -- Literary, dramatic, musical, artistic and scientific works are intellectual property which is protected by copyright, patent, registered design, trade mark, etc.

Intentional Set-Off -- A benefit provided by one associated enterprise to another associated enterprise within the group that is deliberately balanced to some degree by different benefits received from that enterprise in return.

Inter Alia -- Latin for "among other things"

Intercompany Pricing -- See: "Transfer pricing"

Intercompany Transactions -- Transactions between members of an affiliated group filing a consolidated return; gain or loss is deferred until a property is disposed of outside the group.

Intercompany Dividends -- Dividends distributed between two companies (domestic or foreign) arising from a shareholding or participation in the capital of the paying company.

Intermediary Company -- See: Conduit company

Internal Market -- In the context of the European Union, an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured.

Internal Revenue Bulletin (Irb) -- A weekly publication summarizing various IRS administrative rulings.

Internal Revenue Code (IRC) -- Legislation passed by US Congress that specifies what income is to be taxed, how it is to be taxed, and what may be deducted from taxable income.

Internal Revenue Manual (IRM) -- An official compilation of policies, procedures, instructions, and guidelines for the organization, functions, operation, and administration of the Internal Revenue Service. The IRM guidelines do not confer any rights on taxpayers.

Internal Revenue Service (IRS) -- The agency of the US federal government that is responsible for the administration and collection of federal taxes.

International Double Taxation -- See: Double taxation, domestic and international

International Monetary Fund (IMF) -- An international organization established in 1945, headquartered in Washington, DC. The purposes of the IMF are, inter alia, to promote international monetary cooperation, facilitate the expansion and balance growth of international trade and promote stability in foreign exchange.

International Taxation -- Traditionally, international taxation refers to treaty provisions relieving international double taxation. In broader terms, it includes domestic legislation covering foreign income of residents (worldwide income) and domestic income of non-residents.

Intra Group Services -- Services provided by a group company to another affiliated company. The cost of general services such as management, administrative and similar services may be often allocated among the various members of the group without any profit mark-up, whereas services performed in the ordinary course of business are subject to arm's length conditions.

Investment -- The purchase of stocks, bonds, mutual fund shares, real property, an annuity, collectibles, or other assets, with the expectation of obtaining income or capital gains or both in the future.

Investment Allowance -- Allowance with respect to a qualifying depreciable asset. It adds a certain percentage of the asset's initial cost to the full depreciation write-off and is usually given in the year of acquisition or as soon as possible thereafter.

Investment Company -- Corporation whose activities consist exclusively or substantially of making investments (i.e. holding property and collection of income therefrom) and whose buying and selling of shares, securities, real estates or other investment property is only incidental to this purpose.

Investment Deduction -- See: Investment allowance

Investment Goods -- See: Fixed assets

Investment Incentives -- Financial and tax incentives used to attract local or foreign investment capital to certain activities or particular areas in a country.

Investment Income -- Income derived from the investment of capital, whether money or other property, in income-producing assets or in a profit-making venture without active participation in the production of the income or in the affairs of the venture.

Investment Method -- Method used in connection with VAT where an immediate credit is granted against tax for that part of expenditure incurred during the year for acquisition of business assets (such as plant and machinery by a manufacturer) which related to the tax element in the price of such assets.

Investment Reserve -- This system permits eligible taxpayers to set aside part of their profits as a reserve for future investment and deduct from their income the amount of the annual contribution to the reserve.

Invoice Basis -- Method of applying VAT to the price at which the goods or service are invoiced, with a deduction for the tax (if any) charged at previous stages.

Invoice Company -- Term used in the context of transfer pricing to refer to a company established in a low-tax or no-tax jurisdiction for the purpose of shifting profits to that jurisdiction.

IRB -- See: Internal revenue bulletin

IRC -- See: Internal revenue code

IRM -- See: Internal revenue manual

IRS -- See: Internal revenue service

Issued Share Capital -- Shares that have been sold to shareholders by the corporation.

Itemized Deductions -- In the US a deduction as specifically set forth in the Internal Revenue Code. The deductions in this part are individually listed, item by item.

-J-

Jeopardy Assessment -- Tax assessment made where there is some danger of tax being lost.

Joint Return -- A single return made jointly by husband and wife.

Joint-Stock Company -- Company with legal personality and whose capital is divided into shares. The shareholders are generally liable only to the extent of the nominal value of their shares.

Joint Venture -- Term which is loosely used to describe a relationship between parties carrying on an undertaking in common for their individual or common gain. This can be either an incorporated venture or an unincorporated venture.

Junk Bond -- Bonds and debentures issued by companies that have a low credit evaluation (i.e. below investment grade) from a rating agency such as Standard & Poor's or Moody's.

Juridical Double Taxation -- See: Double taxation, economic and juridical

Jurisdiction -- The power, right, or authority to interpret and apply tax laws or decisions.

-K-

Kiddie Tax -- Term used to describe tax levied in the US on the unearned income of a child under 14. The income is taxed at the parent's highest rate of tax.

Know-How -- All undivulged technical information, whether or not capable of being patented, that is necessary for the industrial reproduction of a product or process, i.e. knowing how a product is made or how a particular process works. Payments for know-how may be taxed as royalties in many cases. The distinction from contracts for the provision of services is addressed in the OECD Commentary to Article 12.

-L-

Landed Cost -- Term used in relation to the importation of goods which means the sum total of the cost of the goods concerned, the amount of customs duties levied on those goods and the expense incurred in unloading them.

Last In, First Out -- See: LIFO

Lease -- In general, a lease is a contract in respect of real or personal property, under which the owner of the property grants to another the right to possess, use and enjoy the property for a specified period of time in exchange for periodic payments.

Leaseback -- See: Sale and leaseback

Legal Entity -- Generally, corporations, joint-stock companies and limited liability companies are regarded for tax purposes as having an existence separate from that of their shareholders. Conversely, for tax purposes a partnership is often not regarded as a separate legal entity, its profits being taxed in the hands of the individual partners. What constitutes a legal entity for tax purposes may or may not coincide with what constitutes a legal entity for general law purposes.

Legal Reserve -- Under the civil law of some countries corporations are required to maintain a legal reserve for all needs which may arise in the course of the business. Tax law does not allow a deduction for such a reserve.

Letter-Box Company -- A paper company, shell company or money box company, i.e. a company which has compiled only with the bare essentials for organization and registration in a particular country. The actual commercial activities are carried out in another country.

Letter Ruling -- See: Advance ruling

Level Playing Field -- This term denotes to reduce, by means of tax policy, the differences in the taxation of internationally mobile entities or transactions allowing countries to compete fairly on non-tax factors.

Leveraging -- See: Gearing

Libor -- The London inter-bank offering rate is the rate at which London money banks lend to each other.

License Duties (Or Fee) -- Annual duties payable for the privilege of carrying on a certain trade.

Licensing -- Licensing is an agreement by which a licensor transfers the right to use his technology and/or know-how to a licensee for the production or manufacturing of a product in the licensee's country. Royalties are generally paid for the right to use the technology or know-how.

Lien -- A charge against property, making it security for the payment of a debt, judgment, mortgage, or taxes.

Life Interest -- Assets may be given to a person for his lifetime use or benefit, with the stipulation that after his (the life tenant's) life, the asset will pass to another beneficiary.

Life Tenancy -- Under common law an interest in possession whereby the individual beneficiary is entitled to the income of a trust or settlement until his death.

LIFO -- Method ("last in, first out") of valuing inventory or stock-in-trade whereby the goods or materials purchased last are regarded as those which are sold first.

Limitation On Benefits Provision -- Tax treaty provisions designed to restrict treaty-shopping opportunities by limiting treaty benefits to persons who meet one of several enumerated tests, which may require minimum level qualifications, e.g. local ownership.

Limitations, Statute Of -- See: Statute of limitations

Limited Liability -- Liability of investor which is limited to the extent of his investment

Limited Liability Company (LLC) -- Business form that combines the flexibility and tax advantages of a partnership with the limited liability features of a joint-stock company. An LLC may be taxed as a partnership or a corporation depending on the nature of the status under which it is organized.

Limited (Special) Partner -- See: Limited partnership

Limited Partnership -- Business entity made up of two types of partners: general partners and limited partners, the extent of whose liability depends on their role and contribution to partners. A general partner is involved in the management and day-to-day operation of the partnership and is jointly and severally liable for all obligations of the partnership. A limited partner only makes a financial contribution to the partnership and shares in the profits; he is liable for partnership obligations only to the extent of his investment. Limited partners are usually restricted from taking an active part in the management of the business of the partnership or from allowing their name to be used in the conduct of the business.

Link Structure -- Structure operating as a result of the different rules in various countries for determining the place of residence; it is a means used by dual resident companies to obtain tax relief in two countries.

Liquidation -- A company in liquidation is a company in the process of being dissolved or wound up, and its assets, if any, after payment of its debts, distributed to the shareholders.

Listed Company -- Company whose shares are traded on a recognized stock exchange.

Listed Securities -- See: Quoted securities

LLC -- See: Limited liability company

Loan Capital -- See: Debt capital

Local Tax -- In countries where there is a central or federal government and separate levels of government at state, provincial, county or city levels, taxes levied at the lower levels of government are commonly referred to as "local" taxes.

Location Of Assets -- The location of an asset is relevant to the determination of whether it is within a taxing authority's jurisdiction. Location of immovable property in a country means, in most countries, that the country taxes the income derived therefrom and possibly the value and capital gains realized on alienation, even if the owner is not a resident of that country.

Location Savings -- Term used in the context of transfer pricing to refer to the savings or benefits such as cheaper production or service costs obtained by siting particular manufacturing operations in an offshore jurisdiction.

Long-Term Capital Gains -- In countries where capital gains are subject to special tax treatment, a distinction may be made between capital gains realized after a short period of time and capital gains realized after a longer period of time. Long-term capital gains may be taxed at reduced rates.

Looking Through -- Term typically used when disregarding the separate legal identity, for example, a company, in order to charge tax on a shareholder in respect of his share of the company profits.

Loophole -- Opportunities available in tax law to minimize a taxpayer's tax burdens.

Losses -- The term may broadly be defined as the excess of expenses over revenues for a period, or the excess of the cost of assets over the proceeds when the assets are sold or otherwise disposed of, or abandoned or destroyed.

Loss Relief -- Most income tax laws provide some form of relief for losses incurred, either by carrying over the loss to offset it against profits in previous years (carry-back) or in future years

(carry-forward) or by setting off the loss against other income of the same taxpayer in the year in which the loss was incurred.

Lottery Tax -- Tax on the sale of lots or on the receipt of prizes after the drawing of lots.

Lump-Sum Deductions -- Deduction, often from income, for the computation of taxable income, which does not reflect the factual situation.

Lump-Sum Exempt Amounts -- Fixed sum of income, net worth, etc., below which no tax is due.

Lump-Sum Rates -- In specific cases, income tax (and other taxes) may be levied at a fixed rate instead of the rates usually applicable.

Lump-Sum Taxation -- The tax laws of some countries allow the tax authorities to levy a fixed amount of taxes on income in certain circumstances which deviates from the normal method of applying a rate to income to ascertain taxes payable.

Luxury Taxes -- Indirect ad valorem tax imposed on supplies of specific non-essential and normally expensive commodities that are arbitrarily considered (e.g. toiletries, cosmetics, jewelery, pearls and precious stones and metals, etc.)

-M-

Maintenance Expenses -- 1. Expenses incurred by a taxpayer to provide for his family, former spouse or other relatives. 2. Expenses for the upkeep or preservation of a building or equipment.

Malpractice -- Improper or immoral conduct of a professional in the performance of his duties, done either intentionally or through carelessness or ignorance; commonly applied to accountants, tax preparers, and lawyers to denote negligent or unskilful performance of duties where professional skills are obligatory.

Management, Place Of -- See: Place of management

Management, Place Of Effective -- See: Place of effective management

Management Expenses -- Generally the expenses of management are deductible in arriving at the taxable profits of an enterprise carrying on a trade. In the case of a group of companies it may be important to decide how far the general expenses of management of the group should be charged out to and recovered from the members of the group.

Management Fee -- Broadly, a fee or charge imposed for management and/or administrative services of a parent company or head office.

Management Service -- See: Intra-group services

MAP -- See: Mutual agreement procedure

MAP APA -- See: BAPA

Marginal Rate Of Tax -- Tax rate applicable to the top slice or bracket of a taxpayer's income or other taxable income, where the relevant tax on such items is levied at progressive rates.

Marketable Securities -- See: Quoted securities

Marketing Intangible -- An intangible that is concerned with marketing activities, which aids in the commercial exploitation of a product or service and/or has an important promotional value for the product concerned.

Mark To Market -- Tax and/or accounting convention under which the value of assets/liabilities is adjusted to reflect fair market value of a specific date.

Mark-Up -- An increase in the price of something, especially from the price a trader pays for something to the price he sells it for. In the context of transfer pricing, one method to estimate an arm's length price for transactions between affiliated companies is to increase the supplier's cost by an appropriate profit mark-up (Cost-plus method).

Memorandum Of Understanding (MOU) -- In the context of a tax treaty, a document exchanged between the treaty partners which sets out the understanding of the parties regarding the convention. Usually this does not have treaty status, but the status depends on the document itself.

Merger -- Term generally used to describe a number of operations involving the reorganization of companies.

Mineral Royalties -- Regular payments, usually based on the volume or price of minerals extracted, made by mining enterprises to national states or other owners of mineral resources as consideration for the right to exploit particular mineral resources.

Minimum Tax -- In certain countries corporations are always liable to a certain amount of annual tax, regardless of whether they have realized a profit.

Ministry Of Finance (MOF) -- Department of government generally responsible for formulating monetary policy, implementing the tax laws, collecting revenue, etc.

Mixer Company -- Term used to designate an intermediate holding company the purpose of which is to "mix" income from various foreign sources in order to maximize the benefit of foreign tax credits. The mixer company receives income both from countries with a higher tax rate than that of the destination country and from countries with a lower tax rate, which it then pays out as a dividend. This structure has the effect of averaging out the rate of foreign tax paid.

MNC -- Abbreviation for multinational corporation

MNE -- Abbreviation for multinational enterprises

Model Tax Conventions (Treaties) -- A model tax treaty is designed to streamline and achieve uniformity in the allocation of taxing right between countries in cross-border situations. Model tax treaties developed by OECD and UN are widely used and a number of countries have their own model treaties.

Mortgage -- A written instrument that creates a lien upon real estate as security for the payment of a specified debt.

Mortgage Tax -- Tax on mortgages usually in the form of a stamp duty levied on the mortgage document.

Motive Test -- Test often found in tax rules which are designed to prevent tax avoidance. For example, the rules may provide that certain consequences will follow if the sole, main or principal purpose of certain transaction is the reduction of tax.

Mou -- See: Memorandum of Understanding

Multinational Enterprises (MNE) -- Company or group of companies with business establishments in two or more countries.

Multiple Captives -- Company which has more than one captive insurance company.

Multi-Stage Tax System -- Indirect tax charged on the same goods at successive stages of production and distribution.

Mutual Agreement Procedure (MAP) -- A means through which tax administrations consult to resolve disputes regarding the application of double tax conventions. This procedure, described and authorized by Article 25 of the OECD Model Tax Convention, can be used to eliminate double taxation that could arise from a transfer pricing adjustment.

Mutual Assistance -- "Mutual assistance" in the context of tax treaties is that one of the contracting states will collect taxes due to the other contracting state. See optional Article 27 of the OECD Model.

Mutual Fund -- A type of regulated investment company that raises money from shareholders and invests it in stocks, bonds, options, commodities, or money market securities. Or portfolio of securities held by an investment company on behalf of investors.

-N-

Nationality Principle -- The nationality of a taxpayer may affect the manner in which he is taxed and the nature of his tax burden, but comprehensive income tax treaties commonly provide that foreign taxpayers should not suffer discriminatory taxation by reason of their nationality.

Negative Income Tax -- A proposed system of providing financial aid to poverty-level individuals and families, using the mechanisms already in place to collect income taxes. Low-income person or family would receive a direct subsidy, called a negative income tax.

Negligence -- A lack of due care or failure to do what a reasonable and ordinarily prudent person would do under the given circumstances.

Net Income -- Net income is gross income less deductible income-related expenses. Many countries levy income tax on this basis.

Net Operating Loss -- Amounts by which business expenses exceed income in a tax year. A trader's operating losses constitute broadly the excess of his operating expenditure over receipts from his operations.

Net Profit -- Difference between receipts from business transactions and deductible business expenses, subject to any adjustments for tax purposes.

Net Profit Margin -- Ratio of operating profits to gross income (or revenue)

Net Wealth Tax -- See: Net worth tax

Net Working Capital -- Current assets less current liabilities.

Net Worth Tax -- Many European countries impose the net worth tax in the context of property taxation. The taxable base for resident taxpayers is normally the taxpayer's worldwide net worth, i.e. total assets less liabilities along with deductions and exemptions specially allowed by tax laws.

NEXUS Link -- Often a requirement in tax law for determination of taxability or deductibility. For example, expenses are deductible if they have a "nexus" with gross income. In US, the taxable income of a multistate corporation may be apportioned to a specific state only if the corporation has a sufficient nexus in the state.

Nominal Capital -- Amount of capital that is defined as such in the articles of incorporation. Usually, a certain minimum amount of nominal capital is required to establish a legal entity.

Nominal Value -- See: Par value

Nominative Securities -- See: Registered securities

Non-Discrimination -- Tax treaties frequently contain a "non-discrimination" article which stipulates that citizens or nationals of one country resident in the other country may not be subjected to local taxation which is different from or more burdensome than the tax to which citizens and nationals of the host country are subjected under the same circumstances (including as to residency).

Non-Qualified Stock Option -- A stock option that does not meet the incentive stock option requirement under US tax law. The spread is taxed as ordinary income.

Non-Recourse Debt – A debt for which an individual has no personal liability. For example, a lender may take the property pledged as collateral to satisfy a debt, but has no recourse to other assets of the borrower.

Non-Resident – Broadly speaking, a person who spends most of the calendar year outside his country of domicile. Non-residents are usually taxed on income derived from sources within the taxing jurisdiction whereas residents may be taxed on worldwide income.

Non-Resident Alien – A non-resident individual who is not a citizen or national of the taxing jurisdiction.

Notice Of Assessment – The written decision of the tax authorities after a review of a taxpayer's return, whereby the amount of taxable income is determined and the amount of tax due is calculated.

Notice Of Deficiency – See: Deficiency

-O-

Oecd – The OECD (Organization for Economic Co-operation and Development) is a multilateral organization comprised of 30 countries, which are mostly Western European countries and other industrialized countries including US and Japan. Founded in 1961, the OECD provides a forum for representatives of countries to discuss and attempt to coordinate economic and social policies. It has an especially significant role in international tax matters. Its website is www.oecd.org.

OECD Model Tax Treaty – See: Model tax treaty

Offence, Tax – Tax offences may be specified in the tax laws covering matters such as late filing, late payment, failure to declare taxable income or transactions, and negligent or fraudulent misstatements in tax declarations.

Office – For purpose of the application of a tax treaty, the office of an enterprise normally forms a permanent establishment if the business of that enterprise is wholly or partly carried on through that office.

Office Audit – An examination at a tax authority's office, generally of an uncomplicated tax matter.

Offshore Bank – Offshore banking business basically consists of borrowing in foreign currencies for non-resident depositors outside the country and relending the foreign currencies to other non-residents. A number of countries have special regime for the taxation of offshore banks.

Offshore Company – Term usually applied to a company registered in a country (often a tax haven) other than the country or countries in which it carries on its business activities. An offshore (or non-resident owned) company is commonly used for captive insurance, marketing abroad, international shipping and tax shelter schemes.

OID – See: Original issue discount

Ombudsman – A member of the US IRS Commissioner's immediate staff who directs the IRS's Problem Resolution Program

"On Call" Services – Services provided by a parent company or a group service centre, which are available at any time for members of an MNE group.

One Hundred And Eighty-Three (183) Days' Rule – Presence in a country for 183 days or more in any 12-month period may have tax consequences, particularly in respect of an individual's residence for tax purposes or for the taxation of employment income (although other tests must also be met).

Onshore Company – Term sometimes used to denote the converse of offshore company.

Oath Of Proof – The burden and responsibility of proving an assertion. Widely adopted in tax law, for example, where the taxpayer has the basic responsibility of declaring his taxable income or transactions.

Operating Lease – Lease where the lessor is regarded as the owner of the leased asset for tax purposes. Cf. Finance Lease

Option – Derivative financial instrument consisting of a firm agreement granting one party the right but not the obligation to buy or sell commodities, securities or currencies at a specified future date at a specified price.

Option To Be Taxed – In the VAT context, a VAT exempt entrepreneur sometimes can claim to be subject to VAT, the advantage being that to be entitled to his input tax against his output tax.

Ordinary Shares – Ordinary shares (also known as common stock) are generally shares with an equal par value and bear equal rights and obligations such as the right to participate in the management of the company by voting at the shareholders' meeting and the right to receive dividends. The rights of ordinary shareholders to receive dividends are generally subordinate to the rights of bond holders and preference shareholders.

Original Issue Discount (OID) – A discount from par value at the time a bond is issued. The most extreme version of an OID is a zero-coupon bond, which is originally sold far below par value and pays no interest until it matures.

Origin Principle – Principle under a VAT regime where goods are taxed in the country where they are produced, i.e. they are taxed on the basis of their place of production or origin.

Other Income – Income not otherwise mentioned in a tax treaty is frequently dealt with in a separate article, entitled "other income".

Outbound Transaction – Term which refers to the tax treatment of a country's residents (and perhaps citizens) doing business and investing abroad.

Output Tax – Term used in connection with VAT to denote the tax payable on the sales of goods or services by those who are subject to the tax and in contrast to the input tax for which a credit will be available.

Overhead Expenses – The general expenses of a business as opposed to the direct cost of producing a good or service. "Overhead costs" is a term which may, in tax matters, also be used for costs incurred by the head office of a concern for the benefit of branches or subsidiaries.

Overseas – In the United Kingdom the term "overseas" is generally used instead of "foreign" because "foreign" cannot be applied to commonwealth countries or to territories which are British possessions, such as the British Virgin Islands, the Isle of Man and the Channel Islands.

-P-

Paid-In Capital – The capital received by a corporation from investors for stock, as distinguished from capital generated by earnings or donated.

Paper Company – See: Letter-box company

Parent Company – Company with a substantial participation in the share capital of another company, called the subsidiary.

Participation Exemption – See: Affiliation privilege

Partner – A member of partnership

Partnership — Association of two or more person (individuals or companies) formed for the purpose of making a profit. A partnership can be a general partnership or a limited partnership depending on the extent of each party's liability. A general partnership is characterized by the unlimited liability of the general partners for partnership debts. Also see: Limited partnership.

Some countries treat a partnership as a separate taxpayer and may subject it to tax on its income and losses as a corporation. Other countries do not consider a partnership to be a separate legal entity and the partnership is treated as tax transparent, with each individual partner being taxed on his share of the profits according to his interest in the partnership. Taxation of partnerships is addressed in the Commentary to Article I of the OECD Model.

Par Value — Assigned value printed on a share certificate. Face value.

Passive Income — Income in respect of which, broadly speaking, the recipient does not participate in the business activity giving rise to the income, e.g. dividends, interest, rental income, royalties, etc.

Pass-Through Entity — A nontaxable entity such as a partnership. Generally, the income or expense is passed to the underlying owner.

Patent — Form of intellectual property. The inventor of a new article or process usually registers his invention with a government department which confers on him the sole right (known as a patent right) to use the invention for a limited period of time.

Patron — A person who does business with a cooperative, but is not necessarily a member.

Patronage Dividend — A payment to a patron of a cooperative.

Payroll Tax — Tax charged on an employer's payroll (i.e. gross salaries, wages and other remunerations) paid to his employee without regard to their domicile, family status or other individual circumstances.

PE — See: Permanent establishment

Penalties — Administrative penalties are imposed for tax offences, such as failure to make a timely return or payment, negligence, and making a false return or statement. They take the form of additions to the tax and are assessed as part of the tax. Criminal penalties, on the other hand, are enforceable only by prosecution. A prison sentence may be imposed for serious tax fraud.

Per Capita — Latin for "for each person"

Per Diem — Latin for "by the day"; referring to daily allowance, usually for travel, entertainment, employee compensation, or miscellaneous out-of-pocket expenses incurred while conducting a business transaction.

Permanent Establishment (PE) — Term used in double taxation agreement (although it may also be used in national tax legislation) to refer to a situation where a non-resident entrepreneur is taxable in a country; that is, an enterprise in one country will not be liable to the income tax of the other country unless it has a "permanent establishment" through which it conducts business in that other country. Even if it has a PE, the income to be taxed will only be to the extent that it is 'attributable' to the PE.

Personal Allowances — Personal allowances are granted to individuals as deductions from income in computing their taxable income. There is usually a deduction for the individual himself, spouse, children and other dependents.

Personal Holding Company — Company, the shares of which are principally owned by or attributed to the taxpayer, and which is set up to receive his investment income.

Personal Property — Things movable, as distinguished from real property or things attached to the realty; also called "personalty".

Personal Service Corporation — A corporation that provides personal services; for example, a management consulting firm.

Piercing the Corporate Veil — A written application addressed to a court or judge, seeking to have a corporation treated as a cause for judicial action.

Phantom Stock Plan — A deferred-compensation plan that uses the employer's stock as a measuring rod for determining the value of the compensation payment. Hypothetical shares are allocated to the employee, and accrued appreciation and/or dividends to the hypothetical employee.

Piercing the Corporate Veil — The process of imposing liability for corporate activity, in disregard of the corporate entity, on a person or entity other than the offending corporation itself; a US legal doctrine.

Place Of Effective Management — Place of effective management is the test suggested in the tie-breaker rule of the OECD model tax treaty to determine the residence of a company where under the domestic laws of both contracting states the company is resident in both of them. The test determines that in such cases the company would, for treaty purposes, be resident in the state in which its place of effective management is situated.

Place Of Management — For purposes of the application of a tax treaty, the place of management of an enterprise normally forms a permanent establishment. The term "place of management" as such is not defined in the OECD model tax treaty, but may be defined in national tax law.

Pool Basis — Collective basis for the purpose of depreciation of business assets falling within the same category. For example, all depreciable assets of a similar kind are effectively treated as a single asset for depreciation purposes.

Portfolio Interest — Category of interest that may be paid from US sources free of withholding tax provided certain requirements are met. The portfolio interest exemption does not apply to bank loans made in the ordinary course of business.

Portfolio Investment — A portfolio investment in a company would be a holding of shares amounting to a small portion of the total shares of the company, e.g. less than 10%. Portfolio investors may receive different tax relief or other treatment in respect of their dividends under tax treaties from those accorded to other direct investors.

Possessions of U.S. — In general, any US island, cay or reef that is not part of any of the 50 states. For tax purposes, possessions include Puerto Rico, the Virgin Islands, the Marshall Islands, the Federated States of Micronesia, American Samoa, Guam, the Canal Zone, Mariana Islands, Johnson Island, and Wake Island.

Power of Attorney — Instrument in writing by which one person, as principal, appoints another as his agent and confers upon him the authority to perform certain specified acts or kinds of acts on behalf of the principal.

Precedent — The doctrine of precedent in Anglo-American legal system obliges courts to adhere to principles enunciated in previously decided cases when making adjudications in cases involving the same material facts and legal issues.

Preference Shares — Shares which carry a right to a prior and usually fixed dividend, ahead of dividends paid to ordinary shareholders.

Preferred Stock — See: Preference shares

Premium -- In the context of a derivative financial instrument, a premium is the amount a purchaser pays for an option. In the context of a bond or other debt instrument, it is the amount paid in excess of the face amount.

Premium at The Issue of Shares -- Excess of issue value over par value in issuing corporate shares. It is a contribution to capital and not taxed as profits.

Preparatory Activities -- See: Auxiliary activities

Presumptive Taxation -- Concept of taxation according to which income tax is based on "average" income instead of actual income.

Pre-Tax Profits -- Profit after deducting depreciation, costs, etc., but before deducting taxes.

Price Increase Reserve -- Reserve to take account of expected increase in prices of goods, raw materials, etc. which must be replaced in the course of business.

Primary Adjustment -- An adjustment that a tax administration in a first jurisdiction makes to a company's taxable profits as a result of applying the arm's length principle to transactions involving an associated enterprise in a second tax jurisdiction.

Principal Amount -- The face value of an obligation, such as a bond or a loan, which must be repaid at maturity, as separate from the interest.

Principal Place Of Business -- The place where a person does business most of time.

Private Ruling -- Ruling granted by the tax authorities to a single taxpayer, usually with respect to a single transaction or series of transactions. Normally the ruling can be relied upon only by the taxpayer to whom it is issued, not by other taxpayers, and is binding upon the tax authority provided all relevant facts have been disclosed.

Privileged Tax Regime -- Euphemism for the tax regime of a tax haven.

Privilege (Diplomatic) -- Under the general rules of international law or under the provisions of special agreements, diplomatic agents and consular officers are in most cases exempt from tax in the state to which they are seconded. Many tax treaties include a clause that the right to tax income arising from outside the state is reserved to the sending state.

Professional Services -- Services independently performed by members of the liberal professions (i.e. physicians, lawyers, accountants, etc.) and other activities of an independent character.

Profit -- Broadly, the excess of revenue over expenditure.

Profit And Loss Statement -- Income statement

Profit Mark-Up -- Method to find an arm's length price, by taking the vendor's cost and adding an appropriate profit mark-up.

Profit Method -- Method used in transfer pricing cases that looks at the profits arising from controlled transactions of one or more of the associated enterprises participating in such transactions.

Profit Ratio -- Term used to denote the ratio of profits of an enterprise to its capital or net worth, and sometimes used as a basis for taxation.

Profit Shifting -- Allocation of income and expenses between related corporations or branches of the same legal entity (e.g. by using transfer pricing) in order to reduce the overall tax liability of the group or corporation.

Profit Split Method -- Transfer pricing method that allocates the combined operating income or loss from a transaction among the separate parties by determining the relative value of each party's contribution to such overall profits or loss.

Profits Tax -- Tax imposed on business profits in addition to ordinary income tax or as distinct from income tax imposed on other forms of income.

Progression -- The rates of individual income tax are usually progressive, i.e. an increasing proportion of income must be paid in tax as the income increases.

Property Tax -- Group of taxes imposed on property owned by individuals and businesses based on the assessed value of each property.

Proprietorship -- An unincorporated business owned by a single person. The individual proprietor has the right to all the profits from the business and also the responsibility for all its liabilities.

Pro Rata -- Latin for "proportionally"

Pro Rata Rule -- Under most VAT systems, a credit for part of the input tax is allowed for VAT previously paid on goods and services when they are used in taxable and exempt (without credit) transactions and total transactions occurring during a calendar year.

Protocol -- Signed document containing the points on which agreement has been reached by the negotiating parties preliminary to a final treaty. For tax purposes, a protocol is signed and ratified by the parties in addition to an existing tax treaty. The protocol may be signed simultaneously with the tax treaty or later, and it clarifies, implements or modifies treaty provisions.

Provisional Assessment -- Assessment of tax made before it is possible to make a final assessment which is often based on, for example, estimated figure or the previous year's figures.

Publicly Held Corporation -- A corporation that has a class of common stock registered on a national stock exchange; a US concept.

Publicly Traded Limited Partnership (PTLP) -- Partnership in the US that is listed and traded on an established stock exchange or a secondary market. With some exceptions, PTLPs are taxed in the US as corporations rather than partnerships.

Put Option -- Contract under which the holder of the option has a right but not an obligation to sell securities or commodities, including foreign currencies, for a specified price during a specified period.

-Q-

Quarantining -- In the context of the foreign tax credit system, this term denotes the separate calculation of the foreign tax payable on all foreign income of a particular category which may be credited against the domestic tax payable on that category of foreign income.

Quoted Securities -- This term denotes the securities which have been admitted to an official stock exchange and are traded therein through sale, purchase or other disposal.

-R-

Ramsay Case -- The Ramsay case (W.I. Ramsay Ltd. v. IRC, Eilbeck (Inspector of Taxes) v. Rawling), decided by the UK House of Lords in 1981, involved complicated tax avoidance scheme which were marketed in the UK in the 1970s. The case established that a series of transactions with the purpose of tax avoidance, which ultimately cancelled each other out, could be ignored for tax purposes.

Rates -- Local tax levied in Ireland and previously the UK. Rates are levied on the occupiers of real property on the basis of the annual rental value of the property.

Ratification -- The formal legislative consent or acceptance required by the constitution or domestic law of a country before a treaty to which it is a party can come into effect.

Realization — A legal concept referring to a time when rights have become legally receivable or obligations have become legally payable.

Realized Gain/Loss — Actual gain/loss realized from the disposal of an asset.

Real Property (Real Estate) — Land and everything more or less attached to it. Also referred to as "Realty".

Rebate — Term which in certain countries is synonymous with a tax credit.

Reciprocity Principle — The principle of give-and-take operates in a variety of tax contexts (particularly in the case of tax treaties) where an exchange of tax privileges between countries is desired. Reciprocity is a basis for relieving a taxpayer under domestic law, e.g. relief is granted for foreign tax if the other country gives corresponding or equivalent relief.

Recourse — The ability of a lender to claim money from a borrower in default, in addition to the property pledged as collateral.

Recovery Of Tax — From the taxpayer's point of view, this may mean a refund of tax. From the tax authorities' point of view, it may mean the collection of tax which is in arrears.

Redemption — The acquisition by a corporation of its own stock in exchange for property, without regard to whether the redeemed stock is cancelled, retired, or held as treasury stock.

Reduced Rates — In many countries the ordinary rates of tax charged under various tax laws may be reduced in particular situations. For example, under tax treaties, reduced withholding tax rates often apply to dividends, interest and royalties.

Refund (Of Tax) — Tax repaid to a taxpayer.

Registered Security — A nominative (or registered) security is a security in respect of which the owner's name is recorded in a register by the issuing company and the registered owner is the person entitled to all relevant rights.

Registration Duty — Fixed or variable duty levied on documents which relate to the transfer of ownership or the right to use movable or immovable property, the formation or any change of status of a company, etc.

Regulated Investment Company (RIC) — Company, also known as a mutual fund, formed under US law to make diversified investment with funds provided by investors who receive dividends and capital gains realized by RIC.

Reimbursement — The payment of an employee or another party for incurred expenses or losses.

REINSURANCE — Transfer by a primary insurer to another insurer of all or part of any risk it has accepted in a contract of insurance. A number of countries have adopted special regimes to deal with cross-border reinsurance.

Remuneration — Employment income and fringe benefits received by an employee for services rendered.

Repatriation — Individuals and legal entities investing their capital in a foreign country in order to derive income from such capital may wish to transfer this capital or income back to their home country, i.e. to repatriate it. Repatriation also takes place when expatriate employees working in a foreign country want to send income to their home country.

Resale Price Margin — Gross margin measured by reference to the price at which goods purchased from another party are resold to independent enterprises.

Resale Price Method — Method used in transfer pricing between affiliated companies, under which an arm's length price is ascertained by deducting a normal profit margin from the resale price at which a buyer of inventory assets resells these assets to an unrelated party.

Research And Development (R&D) — Any systematic or intensive study carried out in the manufacturing and industrial field, the results of which are to be used for the production or improvement of products and processes.

Reserves — Funds made to fulfil future costs or expenditures. There are legal reserves which may be required by company law and may be necessary before dividends are distributed.

Residence — Residence is a basis for the imposition of taxation. Usually a resident taxpayer is taxed on a wider range of income or other taxable items than a non-resident. Residence in a state is a criteria for invoking a tax treaty of that state, and residence for treaty purposes involves considering the domestic law of residence for tax purposes, and then the requirements in Article 4 of the OECD Model, especially in the case of tiebreaker tests in cases of dual residence.

Residence Principle Of Taxation — Principle according to which residents of a country are subject to tax on their worldwide income and non-residents are only subject to tax on domestic-source income.

Resident — A person who is liable for tax in a country or state because of domicile, residence, place of management, or other similar criterion.

Resident Alien — A person is said to be a resident alien of a country if he resides in that country but is a citizen of another country.

Residual Analysis — An analysis used in the profit split method which divides the combined profit from the controlled transactions under examination in two stages. In the first stage, each participant is allocated sufficient profit to provide it with a basic return appropriate for the type of transactions in which it is engaged. Ordinarily this basic return would be determined by reference to the market returns achieved for similar types of transactions by independent enterprises. Thus, the basic return would generally not account for the return that would be generated by any unique and valuable assets possessed by the participants. In the second stage, any residual profit (or loss) remaining after the first stage division would be allocated among the parties based on an analysis of the facts and circumstances that might indicate how this residual would have been divided between independent enterprises.

Restricted Stock Plan — A stock option plan under which the transferred stock option is subject to restrictions regarding transferability and to substantial risk of forfeiture. Restricted stock is includable in the gross income of the employee in the first taxable year in which the rights become transferable or no longer subject to forfeiture.

Retail Sales Tax — Single-stage tax on the sale of goods to ultimate consumers, whether by retailers or other traders.

Retained Earnings — The portion of a corporation's after-tax profits that is not distributed to the shareholders, but rather is reinvested in the business.

Retroactive Effect — The effect of tax law provision towards the past, which is allowed only to the advantage of a taxpayer.

Return — Declaration of income, sales and other details made by or on behalf of the taxpayer. Forms are often provided by the tax authorities for this purpose.

Return Of Capital — A distribution that is not paid out of the earnings and profits of a corporation. Rather, it is a return of the shareholder's investment in the stock of the company.

Revenue Neutrality — Constraints on tax reform that it should not change revenues available to government in any significant way.

Revenue Procedure (Rev. Proc.) — An official published statement by the IRS of US administrative and administration aspects of the tax laws.

Ring Fence — Theoretical enclosure established by tax legislation around certain profits, losses, transactions or groups of transactions in order to isolate them for tax purposes.

Rollover Relief — Relief by means of which liability to capital gains tax is deferred. The essential feature of roll-over relief is that a gain which would otherwise have arisen on the occurrence of a taxable event for capital gains tax purposes is deferred, or rolled over, until there is a subsequent disposal of the asset concerned.

Round Trip Transaction — Potential transfer pricing abuse where intangible property is developed by a parent company which licenses it to a related party manufacturer located in a low-tax jurisdiction. The manufactured goods are resold to the parent for distribution to ultimate consumers.

Royalties — Payments of any kind received as consideration for the use of, or the right to use, intellectual property, such as a copyright, patent, trade mark, design or model, plan, secret formula or process.

Ruling — Decisions or opinions of the tax authorities in respect of actual fact situations which come before it as part of an assessment procedure or in response to taxpayer questions.

-S-

Safe Harbour — Where tax authorities give general guidelines on the interpretation of tax laws, these may state that transactions falling within a certain range will be accepted by the tax authorities without further questions.

Sale And Leaseback — In a sale and leaseback transaction, the owner of property will sell it to a buyer who then leases it back to the original owner. This method is sometimes used to release the value of capital assets for use in a business.

Sales Tax — Tax imposed as a percentage of the price of goods (and sometimes services). The tax is generally paid by the buyer but the seller is responsible for collecting and remitting the tax to the tax authorities.

Salvage Value — Value of tangible depreciable property when it is retired from service.

Schedular Tax System — Tax system in which income from different sources is taxed separately (i.e. under a different "schedule"); thus, separate tax assessments are made on industrial and commercial profits, wages and salaries, income from securities and shares, income from land, etc.

S Corporation — See: Small business corporation

Secondary Adjustment — An adjustment that arises from imposing tax on a secondary transaction.

Secondary Transaction — A constructive transaction that some countries will assert under their domestic legislation after having proposed a primary adjustment in order to make the actual allocation of profits consistent with the primary adjustment. Secondary transactions may take the form of constructive dividends, constructive equity contributions, or constructive loans.

Second-Tier Subsidiary — A taxable entity controlled by another taxable entity that is in turn controlled by a third entity.

Secret Comparable — A term used in the transfer pricing context. It denotes a comparable whose data is not disclosed to the public or the taxpayer but known only to the tax authority which is making the transfer pricing adjustment.

Section 482 — The part of the US income tax code that gives the IRS the power to adjust, distribute, apportion, or allocate gross income, deductions, credits, or allowances in order to prevent evasion of taxes or to clearly reflect income (often between controlled taxpayers); in short, US transfer pricing rule provision.

Section 482 White Paper — Study of intercompany pricing transactions made by the Office of International Tax Counsel at the US Treasury Department which presented a new methodology to govern transactions involving the sale, licensing or transfer of intangible property, published in 1988.

Securities — Documents providing evidence of a share in the capital of a company (e.g. share certificate), or the indebtedness of some person to the holder (e.g. government or corporate bonds) or similar legal rights.

Self-Assessment — System under which the taxpayer is required to declare the basis of his assessment (e.g. taxable income), to submit a calculation of the tax due and, usually, to accompany his calculation with payment of the amount he regards as due. The role of tax authorities is to check (perhaps in random cases) that the taxpayer has correctly disclosed his income.

Self-Employed — Referring to persons who work for themselves and are not employed by another. The owner-operator of a sole proprietorship or a partner is considered self-employed.

Senate Finance Committee — A committee of the US Senate that hears proposed new tax laws.

Separate Assessment — See: Separate taxation

Separate Taxation — Separate taxation is a method of taxing a married couple on the basis of their joint income. It is mandatory in some countries and optional in others. Upon exercising an option for separate taxation, a husband and wife are treated as separate individuals for the purpose of computing income tax.

Service Company — Company within a multinational group of companies which generally provides support services, such as administration, sales information, post-sales service or market research, for the operating divisions of the group.

Service Fee — A fee for the rendering of services is generally regarded as income from business activities or, in the case of a liberal profession, as income from independent personal services.

Severance Payments — Payment made as a result of the termination of any office or employment of a person.

Sham Transaction — A transaction without substance, which will be ignored for tax purposes.

Shareholder Activity — An activity which is performed by a member of an MNE group (usually the parent company or a regional holding company) solely because of its ownership interest in one or more other group members, i.e. in its capacity as shareholder.

Shareholders' Equity — The total assets minus total liabilities of a corporation, also called stockholders' equity or net worth.

Share (Stock) Options For Employees — Some companies grant directors and employees an option to acquire at a future date shares or stock in the company at a predetermined price. It gives an employee the opportunity to benefit from the future success of the company when the market value of the shares increases over the predetermined option acquisition price.

Shell Company — A company set up by fraudulent operators as a front to conceal tax evasion schemes.

Shifting Of Profits -- See: Profit shifting

Shifting An Incidence Of Taxation -- Determination of the economic entity that actually ends up paying a particular tax. In the case of indirect taxation tax is normally intended to fall upon consumption and be borne by consumers, so that entrepreneur who pays the tax on his supplies of goods and services in general passes on the tax, or "shifts" it "forward" to the consumer by adjusting his prices appropriately. Such taxes are said to be shifted "backward" in the case that entrepreneurs are forced to absorb some of new or increased tax.

Short-Term Capital Gains -- Capital gain derived from the disposal of assets which have been held for a comparatively short period of time.

Simultaneous Tax Examination -- A simultaneous tax examination, as defined in Part A of the OECD Model Agreement for the Undertaking of Simultaneous Tax Examinations, means an "arrangement between two or more parties to examine simultaneously and independently, each on its own territory, the tax affairs of (a) taxpayer(s) in which they have a common or related interest with a view to exchanging any relevant information which they so obtain".

Single Entity Approach -- Method of taxing a legal entity that conducts its business through a permanent establishment rather than through a subsidiary company. Under the single entity approach, a head office and a permanent establishment are treated as one taxpayer for tax purposes, even though they may be considered separate entities for purposes of accounting or commercial law.

Single Taxpayer -- A person who is not married on the last day of the tax year.

Sister Corporation -- See: Brother-sister corporation

Situs Rule -- Provision of tax law setting out the factors which determine where a particular asset is situated or deemed to be situated for tax purposes.

Six Months' Rule -- See: One hundred and eighty-three (183) days' rule

Small Business Corporation -- Under US tax law, this term refers to a domestic corporation which does not have more than 35 individual shareholders, all of whom are US citizens or residents and which does not have more than one class of stock. Also known as an "S corporation", this form permits income at the corporate level to be taxed only once at the shareholder level.

Small Business Relief -- Term used to denote tax concessions which are available only to or principally to small businesses.

Small Traders, Special Tax Regime For -- In many countries small traders are subject to a special tax regime, particularly in respect of VAT, in which exemption, lower tax burden or lower administrative burden are granted.

Soak-Up Tax -- Tax or levy which is conditioned on the availability of a foreign tax credit in another country.

Social Security Contributions -- Charges levied on employees, employers or self-employed or on all persons subject to individual income tax to cover the cost of providing future social security payments.

Sole Proprietorship -- Ownership of all of the assets of an unincorporated business by a single individual. The individual owner is personally liable for all debts of the business.

Source Of Income -- The place (or country) where a particular item of income is deemed to originate or where it is deemed to be generated. National rules vary, depending on which concept of source is used.

Source Principle Of Taxation -- Principle for the taxation of international income flows according to which a country consider as taxable income those income arising within its jurisdiction regardless

of the residence of the taxpayer, i.e. residents and non-residents are taxed on income derived from the country.

Source Rule -- Provision in the national law of a country or in a tax treaty which defined the concept of source for a particular type of income.

Speculative Gains -- Gains from the disposal of capital assets which were originally acquired with a view to selling them for more than the cost of acquisition.

Spin-Off -- A type of corporate reorganization by which the shares of a new corporation (or the subsidiary company) are distributed to the original shareholders (or the parent's shareholders) without these shareholders surrendering any of their stock in the original (or parent) corporation.

Split-Off -- A type of corporate reorganization by which the shares of a new corporation (or the subsidiary company) are distributed to the original shareholders (or the parent's shareholders) with these shareholders surrendering part of their stock in the original (or parent) corporation.

Split-Up -- Under a split-up the shareholders of a parent company surrender all their stock in liquidation of that company and in return receive new shares in corporation which the parent controlled or created immediately before the distribution.

Spread -- Can be used in many contexts to denote the margins on financial transactions. For example, the spread of an option is the difference between the fair market value of stock at the exercise date and the option price.

Stamp Duties -- Duty levied upon the issue of official documents such as passports, deeds, contracts for the transfer of ownership, etc. Usually, stamp duties are "levied" by way of a stamp being fixed to the document in question. Stamp tax

Statute Of Limitations -- A statute limiting the period within which a specific legal action may be taken, such as the collection of tax, appeal from a decision of the tax authorities or lower court, etc.

Stock -- Any shares representing ownership in any corporation or certificates or ownership interest in any corporation.

Stock Dividends -- Dividend distribution by a company to its shareholders in the form of additional shares in the company.

Stock Exchange Turnover Tax -- Tax levied on the sale of securities on the stock exchange market.

Stock Option -- (1). The right to purchase or sell a stock at a specified price within a stated period (2). Employee stock option

Stripped Bond -- Bond or debenture from which the interest coupons have been removed and sold separately.

Subpart F -- Term which refers to those sections of the US tax code which provide for the taxation of US shareholders of controlled foreign corporations (CFC) in order to prevent the tax-free accumulation of earnings outside the US.

Subpoena -- Latin for "under penalty"; a writ issued under the authority of a court to compel the appearance of a witness or of documents for a tax judicial proceeding.

Subsidiary Company -- Company effectively controlled by another company (i.e. the parent company). A variety of criteria, including share ownership ratio, may be employed to determine whether one company is a subsidiary of another company for tax purposes.

Substance Over Form Doctrine -- Doctrine which allows the tax authorities to ignore the legal form of an arrangement and to look to its actual substance in order to prevent artificial structures from being used for tax avoidance purposes.

Substantial Presence Test -- Test used to determine residence status based on the number of days, months, etc. of physical presence within a country.

Super Royalty Provision -- The US Income Tax Reform Act of 1986 provides that royalties for the transfer (by sale, license or otherwise) of intangible property to related foreign companies, which have been determined at the time of the transfer on an arm's length basis, may be adjusted in future years by the IRS if they are not commensurate with the income attributable to that intangible. This is called the super royalty provision.

Supplemental Assessment -- Determination of tax liabilities at the discretion of the tax authorities if an original assessment is incomplete or incorrect in any material respect.

Surcharge -- Additional amount which is calculated on and added to the normal charge or levy. In other words, the base on which a surcharge is assessed is the normal or basic amount due. Surtax

Swap -- Derivative financial instrument in which two parties agree to exchange payments calculated by reference to a notional principal amount. In the classic interest rate swap agreement two parties contract to exchange interest payments based on the same amount of indebtedness of the same maturity and with the same payment dates; one party provides fixed interest rate payments in return for variable rate payments from the other party and vice versa.

Syndicate -- A group of individuals who have formed a joint venture to undertake a project that the participants would be unable or unwilling to pursue alone.

-T-

Tangible Property -- Property with a physical form, e.g. personal property, real property as distinguished from intangible property.

Tariff -- In general the term "tariff" refers to a list (schedule) or system of levies (taxes, duties, charges) imposed by countries on foreign trade transactions (especially importations).

Tax -- The OECD working definition of a tax is a compulsory unrequited payment to the government.

Taxable Base -- The thing or amount on which the tax rate is applied, e.g. corporate income, personal income, real property.

Taxable Event -- Term used to define an occurrence which affects the liability of a person to tax.

Taxable Period -- Taxes are levied by reference to a period of time called the "taxable period". Tax year

Taxable Year -- The period (usually 12 months) during which the tax liability of an individual or entity is calculated.

Tax Agent -- Term which refers to a tax adviser who assists the taxpayer in fulfilling his obligations under the legislation.

Tax Avoidance -- See: Avoidance

Taxation At Source -- See: Withholding tax

Tax Authorities -- The body responsible for administering the tax laws of a particular country or regional or local authority.

Tax Base -- Taxable base

Tax Basis -- Term used in the US to refer to an amount that represents the taxpayer's investment in an asset.

Tax Bill -- Draft law on a tax matter which, after approval by the government of a country, is submitted to the Parliament for debate.

Tax Burden -- For public finance purposes the tax burden, or tax ratio, in a country is computed by taking the total tax payments for a particular fiscal year as a fraction or percentage of the Gross National Product (GNP) or national income for that year.

Tax Clearance Certificate -- Document issued to a taxpayer by the tax authorities certifying that the taxpayer has either paid all taxes due or that he is not liable to any taxes. In certain countries a tax clearance certificate must be produced before a person can leave the country.

Tax Compliance -- Degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner.

Tax Deposit Certificate -- Certificate available for purchase in US to taxpayers liable to income or corporate tax, etc. Liability to taxes may be paid by cashing in the deposit certificate. Interest is credited on the deposit by the Inland Revenue.

Tax Credit -- See: Credit, tax

Tax Declaration -- See: Return

Tax Equality -- See: Horizontal equity, Vertical equity

Tax Evasion -- See: Evasion

Tax Exile -- Generally speaking, a natural or legal person who severs all ties which make him fiscally resident in a particular country and moves to another jurisdiction for tax reasons.

Tax Expenditure -- This term denotes special preferences provided in income tax laws which depart from the normal tax structure and which are designed to favour a particular industry, activity or class of taxpayer.

Tax Foreclosure -- The process of enforcing a lien against property for non-payment of delinquent property taxes.

Tax Form -- It is usual to design special forms for taxpayers to declare their taxable income, sales, etc. for tax purposes. Forms are designed to facilitate the task of the tax authorities in assessing and collecting tax, and will usually draw the taxpayer's attention to any relief he may claim, etc. as well as to his statutory duty to make accurate declarations and the penalties that may be imposed if his declaration is incomplete or false.

Tax-Free Zone -- Area within the territory of a country in which customs duties and other types of indirect taxes are not applied.

Tax Haven -- Tax haven in the "classical" sense refers to a country which imposes a low or no tax, and is used by corporations to avoid tax which otherwise would be payable in a high-tax country. According to OECD report, tax havens have the following key characteristics; No or only nominal taxes; Lack of effective exchange of information; Lack of transparency in the operation of the legislative, legal or administrative provisions.

Tax Holiday -- Fiscal policy measure often found in developing countries. A tax holiday offers a period of exemption from income tax for new industries in order to develop or diversify domestic industries.

Tax Home -- A taxpayer's regular place of business or post of duty, regardless of where the taxpayer a family home.

Tax Information Exchange Agreement (TIES) -- Agreement which allows governments to share tax and other information with a view to combating tax evasion, drug trafficking, etc.

Tax Law, Sources Of -- The main domestic sources of tax law are primary legislation, such as acts or laws, and secondary legislation such as regulation, decisions, circulars, orders, etc. The main international sources of tax law are bilateral or multilateral treaties, and one important source for the interpretation of treaties is the OECD model tax treaty and the accompanying commentary. Another model is UN model.

Tax On Tax -- The charging of tax on tax-inclusive prices.

Taxpayer Identification Number -- In some countries taxpayers are given an identification number which must be used when filing a tax return and assessing taxes and for all other correspondence between the taxpayer and the tax authorities.

Tax Planning -- Arrangement of a person's business and/or private affairs in order to minimize tax liability.

Tax Relief -- Generic term to describe all methods used to reduce tax liability without regard to the particular way it is accomplished.

Tax Return -- See: Return

Tax Secrecy -- Obligation usually imposed on tax officials not to reveal particulars about the identity and personal circumstances of taxpayers, or about any of the various aspects governing their tax liability, except in certain strictly limited circumstances.

Tax Shelter -- (1) An opportunity to use, quite legitimately, a relief or exemption from tax to pay less tax than one might otherwise have to pay in respect of similar activities, or the deferment of tax. (2) The polite term usually given to a contrived scheme to avoid or reduce a liability to taxation.

Tax Sparing Credit -- Term used to denote a special form of double taxation relief in tax treaties with developing countries. Where a country grants tax incentives to encourage foreign investment and that company is a resident of another country with which a tax treaty has been concluded, the other country may give a credit against its own tax for the tax which the company would have paid if the tax had not been "spared (i.e. given up)" under the provisions of the tax incentives.

Tax Threshold -- Level (of income, capital, sales, etc.) at which tax commences to be levied.

Tax Treaty -- An agreement between two (or more) countries for the avoidance of double taxation. A tax treaty may be titled a Convention, Treaty or Agreement.

Tax Unit -- Term used in the context of personal income tax, where taxation may be imposed by reference to separate individuals or to a group of individuals treated as one unit.

Temporary Importation -- Many countries allow temporary importation without levying customs duties and turnover tax on items which are to be within their borders for only a short time.

Territoriality Principle -- Term used to connote the principle of levying tax only within the territorial jurisdiction of a sovereign tax authority or country, which is adopted by some countries. Residents are not taxed on any foreign-source income.

Thin Capitalisation -- A company is said to be "thinly capitalised" when its equity capital is small in comparison to its debt capital.

Thin Corporation -- A corporation whose capital is supplied primarily by shareholder loans rather than stock investment.

Three-Factor Apportionment Formula -- A formula used by most US states to apportion total federal business income for out-of-state entities in order to determine the tax due a particular state. The formula equally weights the payroll factor, property factor, and sales factor.

Tiea -- See: Tax information Exchange Agreement

Tiebreaker Rule -- Tax treaty provision designed to prevent an individual from being deemed resident, for purpose of the treaty, in both treaty countries. Generally a multi-step procedure will be provided to resolve the problem of dual residence, usually the place of a permanent home available being the first criterion.

Tort -- A private and civil wrong or injury, other than breach of contract, for which a court will provide a remedy in the form of an action for damages.

Trade -- A business, profession, or occupation. A trade often implies a skilled handicraft, which is pursued on a continuing basis, such as carpentry.

Trade Intangible -- A commercial intangible other than a marketing intangible.

Trademark -- Legally registered name, word, symbol or design which identifies the goods or services of a particular manufacturer, business or company.

Trade Or Business -- A regular and continuous activity undertaken for a profit, other than that of an investor trading in securities.

Traditional Transaction Methods -- The comparable uncontrolled price method, the resale price method, and the cost plus method.

Transactional Net Margin Method -- A transactional profit method that examines the net profit margin relative to an appropriate base (e.g. costs, sales, assets) that a taxpayer realizes from a controlled transaction (or transactions that it is appropriate to aggregate under the principles of OECD TP guideline Chapter I).

Transactional Profit Method -- A transfer pricing method that examines the profits that arise from particular controlled transactions of one or more of the associated enterprises participating in those transactions.

Transaction Taxes -- Tax that uses a specific type of transaction as its object, e.g. sales tax, immovable property transfer tax, etc.

Transfer Pricing -- A transfer price is the price charged by a company for goods, services or intangible property to a subsidiary or other related company. Abusive transfer pricing occurs when income and expenses are improperly allocated for the purpose of reducing taxable income.

Transfer Pricing Adjustment -- Adjustment made by the tax authorities after making a determination that a transfer price in a controlled transaction between associated enterprises is incorrect or where an allocation of profits fails to conform to the arm's length principle.

Transfer Tax -- Tax levied on the transfer of goods and rights, e.g. purchase and/or sale of securities and immovable property.

Transportation Tax -- Tax levied on vehicles, ships and aircraft using public highways, rivers, and airports maintained by the government.

Treaty On European Union (EU) -- The treaty on European Union was signed on 7 February 1992 and entered into force on 1 November 1993. This treaty creates a single economic and monetary union (EMU). The main characteristics of this union will be a single currency and a more federal political structure. By virtue of the Union Treaty, the former European Economic Community has been extended with additional goals and powers in order to become a single market in a European Union. The member states of the EU are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. On May 2nd 2004, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia newly joined the EU.

Treaty Override -- Term broadly used to refer to the subsequent enactment of legislation which conflicts with prior treaty obligations. As a general rule, the provisions of a tax treaty implemented domestically prevail over other domestic legislation. However, in some countries the relations is governed by the "last in time" rule.

Treaty Shopping -- An analysis of tax treaty provisions to structure an international transaction or operation so as to take advantage of a particular tax treaty. The term is normally applied to a situation where a person not resident of either the treaty countries establishes an entity in one of the treaty countries in order to obtain treaty benefits.

Trust -- A trust is a legal arrangement whereby the owner of property (i.e. settlor) transfers ownership to a person(s) (i.e. trustee) who is to hold and control the property according to the owner's instructions, for the benefit of a designated person or persons (i.e. the beneficiaries). Legal title to the trust property is vested in the trustee, while equitable title belongs to the beneficiaries.

Trustee -- See: Trust

Turnkey Contract -- Broadly, a contract to construct a complete project; for example, a factory, plant or installation, from the bare site to the stage where the user only need to "turn the key" to put the project to immediate use.

Turnover -- Volume of business of an enterprise as set forth in the profit and loss account. It is usually measured by reference to the gross receipts, or gross amounts due, from the sale of goods or services, etc. supplied by the entity.

Turnover Tax -- General term used to refer to the different forms of consumption and sales taxes.

-U-

Uncontrolled Transaction -- Transaction between independent and unrelated enterprises.

Under-Capitalisation -- See: Thin capitalisation

Underlying Tax -- Tax which is charged on corporate income out of which dividends are paid, but which does not appear as a direct deduction or withholding from the dividend itself.

Underlying Tax Credit -- See: Credit, underlying tax

Undistributed Profits Tax -- Annual tax imposed, in addition to the normal corporate income tax, on the undistributed portion of the profits or surplus of a corporation.

Undue Hardship -- A substantial financial loss that would result to a taxpayer from making payment on the due date of the amount of taxes with respect to which the extension is desired. Undue hardship is a condition precedent to the granting of an extension of time to make a tax payment.

Unearned Income -- Term used to describe investment income such as dividends, interest and royalties.

Unilateral Relief -- Granting of relief from the effects of international double taxation on the basis of domestic legislation rather than the provisions of a tax treaty.

Unimproved Property -- Land that has received no development, construction, or site preparation (i.e. raw land).

Unitary Tax System -- Under a unitary tax system, the profits of the various branches of an enterprise or the various corporations of a group are calculated as if the entire group is a unity. A formula is used to apportion the net income of the whole group to the various parts of the group. Usually a combination of property, payroll, turnover, capital invested, manufacturing costs, etc. are formula factors.

Unlimited Liability -- Liability of an investor which extends to the full extent of his personal assets, as in the case of a sole proprietor or general partner.

Upstream Dividend -- Dividends flowing from a subsidiary company to its parent company.

Useful Life -- Period during which it is estimated that a depreciable asset will provide useful service to the business in which it is used.

Use Tax -- Tax on goods which are used within the taxing jurisdiction although the goods were purchased in another jurisdiction

-V-

Valuation Principles -- Tax law principles regarding valuation of business and non-business assets, and inventory.

Value Added Tax (VAT) -- Specific type of turnover tax levied at each stage in the production and distribution process. Although VAT ultimately bears on individual consumption of goods or services, liability for VAT is on the supplier of goods or services. VAT normally utilizes a system of tax credits to place the ultimate and real burden of the tax on the final consumer and to relieve the intermediaries of any final tax cost.

Venture Capital -- Form of capital investment for the establishment of a new business or new product development in an existing business, often in exchange for equity.

Vertical Equity -- Doctrine which holds that differently situated taxpayers should be treated differently, i.e. taxpayers with more income and/or capital should pay more tax.

Vienna Conventions -- There are three multilateral "Vienna Conventions" which are relevant for taxation purposes. Among them, the Convention of 23 May 1969 on the Law of Treaties is particularly related to the interpretation of tax and other treaties. This convention contains generally accepted rules applying to tax treaties, the conclusion of treaties, their observance, application and interpretation, etc.

There are also Vienna Conventions on Diplomatic and Consular Relations, which address taxation and other issues in that context.

Voting Stock -- Shares in a corporation that entitle the shareholder to voting and proxy rights.

-W-

Wage Tax -- levied at source as a withholding on wages; taxes thus withheld are usually offset against final income tax liability (if any).

Wear And Tear -- Decline in value through the ordinary use of an asset. Income tax systems usually allow deductions in calculating the profits of a business using buildings, plant and machinery which are subject to wear and tear in the course of the business.

White Paper -- Government document announcing government policy and practice on a specific issue or issues.

Will -- A legal document that serves as a key vehicle of transfer at death.

Winding Up -- The process of liquidating a corporation.

Withdrawals -- When income or goods are withdrawn from a business by the entrepreneur to his private household (without a consideration), the income or the value of such goods normally constitutes a taxable event in the hands of the recipient for income tax purposes. Similarly, a

withdrawal of goods or services for private use constitutes a taxable transaction for VAT purposes in most countries using such a system.

Withholding Tax -- Tax on income imposed at source, i.e. a third party is charged with the task of deducting the tax from certain kinds of payments and remitting that amount to the government. Withholding taxes are found in practically all tax systems and are widely used in respect of dividends, interest, royalties and similar tax payments. The rates of withholding tax are frequently reduced by tax treaties.

World Wide Income -- Criterion for the income tax liability of a resident company or individual of a certain country. In many countries a resident company or individual is subject to corporate/individual income tax on its worldwide income, subject to double taxation relief.

Working Capital -- Funds invested in a company's cash, accounts receivable, inventory, and other current assets (gross working capital). The term usually refers to net working capital, that is, current asset minus current liabilities.

Written Down Value -- The value of an asset which is depreciable for income tax purposes, determined by deducting from the total cost, including installation, etc. the deduction that have been made for wear and tear or depreciation in previous tax years.

-Z-

Zero Coupon Bond -- Long-term bond on which interest is not payable on a regular basis, but rather upon maturity of the bond. It is sold at a deep discount from its face value.

Zero Rate -- The term is used in relation to VAT, where the rate of tax which is in principle levied but at a rate of 0% so that in effect no tax is payable, but will result in refunds of input tax credits.