Allama Iqbal Open University AIOU BA B.Com solved assignments no 1 Autumn 2025
Code 456 Business Taxation

Q.1 Keeping this in view, define the following terms regarding the Income Tax Ordinance 2001:(20) (a) Capital Asset (b) Total Income (c) Turnover (d) Tax Year (e) Small Company (f) Resident Person (g) Royalty

(a) **Capital Asset**

Under the Income Tax Ordinance 2001, a *capital asset* is defined as property of any kind held by a person, whether or not it is connected with the person's business or profession. It generally includes property such as shares, securities, land, and buildings. However, it does not include stock-in-trade, consumable stores, or raw materials held for business purposes, nor does it include personal-use items such as personal clothes or furniture. For example, if a person buys land as an investment and later sells it at a profit, that land will be considered a capital asset. In contrast, land purchased by a real estate developer for selling plots as part of the business would not be a capital asset because it falls under stock-in-trade. Capital assets are crucial because the gains from their sale are subject to *Capital Gains Tax* under the Ordinance.

(b) **Total Income**

Total income refers to the aggregate income of a person computed under the provisions of the Income Tax Ordinance 2001. It includes income under all heads such as salary, income from business, property, capital gains, and other sources. From this aggregate, allowable deductions, exemptions, and tax credits are subtracted to determine the taxable income. For instance, if a salaried person earns PKR 1,200,000 per year, rents out a house for PKR 400,000, and earns PKR 100,000 from investments, then his gross income is PKR 1,700,000. After deducting applicable exemptions or deductions, the remaining amount becomes total income for taxation. Thus, total income is the basis upon which tax liability is calculated.

(c) **Turnover**

Turnover under the Income Tax Ordinance 2001 refers to the gross receipts of the business during a tax year. It includes the total sales revenue, receipts from services, and other inflows generated from the main operations of a business before deducting any expenses. For example, if a trader sells goods worth PKR 10 million in a year, this entire amount is considered turnover, even if the profit margin is only PKR 1 million. Similarly, for a service provider like a consultancy firm, the total fees received in a year would form the turnover. Turnover is an important measure because tax laws often prescribe minimum tax based on turnover, ensuring that even businesses with low profits contribute a fair share to the tax system.

(d) **Tax Year**
A tax year is the period of twelve months for which income tax is calculated under the Income Tax Ordinance 2001. In Pakistan, the standard tax year is from 1st July to 30th June, and it is named according to the calendar year in which it ends. For example, the period from 1st July 2024 to 30th June 2025 is called the "Tax Year 2025." Businesses or individuals may also have a special tax year approved by the Commissioner of Inland Revenue, which could be aligned with their accounting year. The concept of a tax year ensures uniformity in the assessment, filing, and collection of taxes.

(e) **Small Company**
According to the Income Tax Ordinance 2001, a *small company* is defined as a company that meets certain criteria prescribed in the law. These include: (i) it must be a company registered under the Companies Act, (ii) its paid-up capital plus undistributed reserves should not exceed PKR 50 million, (iii) its employees should not

exceed 250 in number, (iv) its turnover in a year should not exceed PKR 250 million, and (v) it should not be formed by splitting up or reconstruction of an existing business. The recognition of small companies is important because they are taxed at a lower corporate tax rate than larger companies. For example, a small textile manufacturing unit with limited investment and workforce qualifies as a small company and can enjoy favorable tax treatment.

(f) **Resident Person**

A resident person is one who is liable to tax in Pakistan based on residence status rather than nationality. According to the Income Tax Ordinance 2001, for individuals, a person is considered resident if: (i) he is present in Pakistan for 183 days or more in a tax year, (ii) he is present for 120 days in the current tax year and for 365 days in the preceding four years combined, or (iii) he is an employee of the Government of Pakistan posted abroad. For companies and associations of persons, if their control and management are wholly or partly situated in Pakistan during the tax year, they are treated as resident persons. The significance of being a resident is that residents are taxed on their worldwide income, whereas non-residents are only taxed on their Pakistan-source income. For example, if a Pakistani engineer works abroad but remains a tax resident under these rules, his foreign salary may also be taxable in Pakistan.

(g) **Royalty**

Royalty is defined in the Income Tax Ordinance 2001 as any payment received for the use of, or the right to use, any copyright, patent, invention, design, model, secret formula, trademark, or process. It also includes payments for the use of industrial, commercial, or scientific equipment. For example, if a Pakistani publishing company pays an international author for the rights to publish and sell his books in Pakistan, that payment is classified as royalty. Similarly, payments made to a foreign software company for the use of licensed software are also royalties. Royalties are subject to withholding tax, especially when paid to non-residents, as they represent an income stream generated from intellectual property rights.

These definitions under the Income Tax Ordinance 2001 are vital for understanding how Pakistan's tax system classifies income, identifies taxpayers, and determines liabilities. Each concept plays a role in ensuring the proper collection of revenue and the fair treatment of different categories of taxpayers.

Q.2 The Income Tax Ordinance 2001 divides income into five major heads: salary, property, business, capital gains and other sources. Explain the components of business income & its taxation treatment as per the provisions of the Income Tax Ordinance 2001.

Definition of Business Income

Under the Income Tax Ordinance 2001, business income refers to any profits and gains that arise from the conduct of trade, commerce, manufacture, or any other adventure in the nature of trade. It also covers income from professional activities and vocational undertakings. Essentially, any systematic activity carried out with the intention of earning profits falls under business income, regardless of whether it is a large-scale company or a small sole proprietorship. For instance, a textile mill, a consultancy firm, or even a grocery store— all are engaged in business activities that generate business income.

Components of Business Income

The computation of business income is comprehensive and includes several components that ensure all types of receipts linked with business are captured under taxation. The key components are:

1. **Profits from Trading and Manufacturing Activities**
   This includes profits earned from buying and selling goods or from producing and selling manufactured items. For example, a cement factory earns profit by producing cement and selling it in the market; this profit constitutes business income.

2. **Income from Services**
   Any income earned by providing services is also treated as business income. For example, fees earned by engineering firms, IT software companies, or freight forwarding agencies are covered.

3. **Perquisites, Subsidies, and Benefits**
   Any government subsidy, grant, or incentive that directly relates to the business forms part of business income. For instance, subsidies given to exporters or energy subsidies for industrial units are treated as income.

4. **Income from Disposal of Business Assets**
   When a business disposes of its depreciable assets (like machinery or equipment) for a value exceeding its written-down value, the excess is included in

business income. Similarly, insurance claims received against loss of such assets also fall under this category.

5. **Recovery of Previously Allowed Deductions**
   If a business has claimed a deduction in earlier years (such as bad debts written off or expenses) and later recovers that amount, it is considered business income in the year of recovery.

6. **Foreign Business Income**
   For residents, income earned from business operations conducted abroad is also treated as business income, though tax credit for foreign taxes paid may be claimed. For instance, a Pakistani company operating a branch in Dubai must declare its Dubai profits as part of business income in Pakistan.

7. **Partnership Share of Income**
   The share of profit received by a partner from a partnership firm is also included in business income, although adjustments are made to avoid double taxation.

Taxation Treatment of Business Income

The Income Tax Ordinance 2001 provides detailed rules for the taxation of business income. Its treatment can be understood under the following provisions:

1. **Computation of Net Business Income**
   Business income is computed by deducting allowable business expenditures from the gross receipts. Allowable expenses include salaries of employees, rent, utility bills, depreciation on fixed assets, repair costs, interest on business loans, and any other expenses incurred wholly and exclusively for business purposes. For example, if a business earns PKR 10 million in gross receipts but incurs PKR 6 million as expenses, the net taxable income will be PKR 4 million.

2. **Disallowable Expenditures**
   Certain expenses are not allowed as deductions, such as personal expenses, fines and penalties for violation of law, income tax paid, and excessive payments made to associates not at arm's length. These are added back to the income for tax purposes.

3. **Tax Rates Applicable**

   - For **companies**, the corporate tax rate is generally applied (which varies between small companies, public companies, and banking companies). For instance, small companies may enjoy a lower rate compared to large corporations.

  - For **individuals and Associations of Persons (AOPs)**, business income is taxed under the progressive tax slab system. This means higher income attracts higher tax rates.

4. **Minimum Tax on Turnover**
   Even if a business shows low or no profit, a minimum tax is imposed on turnover to prevent tax avoidance. For example, if a company has a turnover of PKR 100 million but declares a net loss, it still has to pay minimum tax on the turnover at the prescribed rate (usually 1.25%).

5. **Tax Credits and Incentives**
   The Ordinance provides certain tax credits to encourage investment and compliance. For example, businesses get credits for investment in machinery, enlistment on the stock exchange, or making donations to approved charitable institutions.

6. **Set-off and Carry-forward of Losses**
   Business losses can be set off against income from other heads (except salary) and carried forward for up

to six years to be adjusted against future business income. For instance, if a business incurs a loss of PKR 2 million in one year, it can deduct this loss from future profits in coming years.

7. **Withholding and Advance Tax**
   Businesses are subject to withholding tax deductions on various payments (like contracts, imports, or services). They are also required to pay advance tax on quarterly income estimates. These taxes are adjustable against the final liability at year-end.

Conclusion
The Income Tax Ordinance 2001 defines business income in a broad and inclusive manner to capture profits from trade, services, assets, subsidies, and other related sources. Its taxation involves computing net profit after deducting allowable expenses, applying progressive or corporate tax rates, ensuring minimum tax on turnover, and providing avenues for tax credits and loss adjustments. This comprehensive treatment ensures equity in the tax system and contributes significantly to Pakistan's revenue base.

Q.3 Calculate the tax liability of Mr. Hakim, a salaried person, from the following records: (Tax rates are given at the end) (20)

To calculate the tax liability, we will compute Mr. Hakim's **gross salary income**, adjust it for allowances and perquisites as per the **Income Tax Ordinance 2001**, then apply deductions, rebates, and finally calculate the tax due under the relevant slab.

Step 1: Calculate Annual Basic Salary

- Monthly salary = Rs. 75,000
- Annual = 75,000 × 12 = **Rs. 900,000**

Step 2: Add Utilities Allowance

- Monthly = Rs. 14,000
- Annual = 14,000 × 12 = **Rs. 168,000**

Step 3: Add Overtime

- Monthly = Rs. 10,000
- Annual = 10,000 × 12 = **Rs. 120,000**

Step 4: Add Medical Allowance

- Monthly = Rs. 4,000
- Annual = 4,000 × 12 = **Rs. 48,000**

*(Note: Medical allowance is exempt up to 10% of basic salary if employer reimburses on actual basis. Here it is an allowance, so **taxable**.)*

Step 5: Add Perquisite (Conveyance Facility – Motor Car for Personal Use)

As per Income Tax Ordinance 2001, when an employer provides a car for **personal use**, the taxable value is **10% of the cost of the vehicle per year**.

- Cost of vehicle = Rs. 2,000,000
- Taxable perquisite = 2,000,000 × 10% = **Rs. 200,000**

Step 6: Add Reimbursement of Medical Expenses

If actual bills are reimbursed, it is **exempt up to 10% of basic salary**.

- 10% of basic salary = 900,000 × 10% = Rs. 90,000 (limit)
- Actual reimbursement = Rs. 14,000 (within limit, so **exempt**).

Step 7: Provident Fund Contribution

- Employer/employee contribution is **not taxable up to 10% of basic salary**.
- Contribution = Rs. 9,000 (below 90,000, so **exempt**).

Step 8: Compute Gross Taxable Income

900,000 (Basic Salary)+168,000 (Utilities)+120,000 (Overtime)+48,000 (Medical Allowance)+200,000 (Car Perquisite)900,000 \ (\text{Basic Salary}) + 168,000 \ (\text{Utilities}) + 120,000 \ (\text{Overtime}) + 48,000 \

(\text{Medical Allowance}) + 200,000 \ (\text{Car Perquisite})

= **Rs. 1,436,000 (Gross Taxable Income)**

Step 9: Deductions from Taxable Income

- **Zakat Paid** = Rs. 10,000 (deductible)
- **Donations to Approved Institution (Hospital)** = Rs. 6,000 (eligible for tax credit, not deduction – will be adjusted later).
- **Shares Purchased in IPO** = Rs. 25,000 (eligible for tax credit, not deduction).

So, Adjusted Taxable Income = **1,426,000**

Step 10: Apply Tax Rates for Tax Year 2023 (Salaried Persons)

(For illustration, applying simplified slabs of Pakistan's **Tax Year 2023** for salaried individuals:)

1. Up to Rs. 600,000 → 0%
2. 600,001 – 1,200,000 → 5% of amount above 600,000

3. 1,200,001 – 2,400,000 → 12.5% of amount above 1,200,000 + Rs. 30,000

Now calculate:

- Taxable Income = Rs. 1,426,000
- First Rs. 600,000 = 0 tax
- Next Rs. 600,000 (up to 1,200,000) = 600,000 × 5% = Rs. 30,000
- Remaining Rs. 226,000 (1,426,000 – 1,200,000) = 226,000 × 12.5% = Rs. 28,250

Total Gross Tax = Rs. 58,250

Step 11: Tax Credits

As per Sections 61 & 62 of Income Tax Ordinance 2001:

1. **Donation to Hospital (Sec. 61):**
    - Lower of (a) actual donation = 6,000 or (b) 30% of taxable income.

- Eligible credit = 6,000 × average tax rate.

2. Average Tax Rate = 58,250 ÷ 1,426,000 = 4.08%
   Tax Credit = 6,000 × 4.08% ≈ **245**

3. **Investment in IPO Shares (Sec. 62):**
   - Lower of (a) actual investment = 25,000 or (b) 20% of taxable income (1,426,000 × 20% = 285,200).
   - Eligible credit = 25,000 × average tax rate = 25,000 × 4.08% ≈ **1,020**

Total Tax Credits = 245 + 1,020 = Rs. 1,265

Step 12: Net Tax Payable

58,250−1,265=56,98558,250 - 1,265 = 56,985

Final Tax Liability = Rs. 56,985 (≈ Rs. 57,000)

Answer: Mr. Hakim's tax liability for the year is **Rs. 56,985 (rounded to Rs. 57,000)**.

Q.4 Describe the concept and taxation treatment of capital gains and income from other sources under the Income Tax Ordinance 2001

Capital Gains under the Income Tax Ordinance 2001

Concept of Capital Gains

Capital gain refers to the profit earned when a **capital asset** is sold for an amount higher than its purchase or cost price. A capital asset includes property of every kind, whether movable or immovable, tangible or intangible, except for stock-in-trade, consumable stores, or personal effects (other than jewelry or precious metals).

For example, if a person purchases land for Rs. 2,000,000 and later sells it for Rs. 2,800,000, the profit of Rs. 800,000 is treated as a **capital gain** under the Income Tax Ordinance 2001.

Taxation Treatment of Capital Gains

The treatment of capital gains depends upon the **nature of the asset**:

1. **Capital Gains on Immovable Property (Land/Building):**

    - Introduced under Section 37(1A).
    - Tax is levied on the gain from disposal of property acquired on or after July 1, 2016.
    - The rate of tax depends upon the **holding period**:
        - If held for less than 1 year → higher rate.
        - If held for 1–4 years → reduced rate.
        - If held beyond 4 years → exempt.
2. **Example:** If Mr. Ali sells a plot after 2 years, he pays reduced tax on the gain.
3. **Capital Gains on Securities (Shares, Bonds, etc.):**
    - Section 37A applies.
    - Securities acquired on or after July 1, 2010 are taxable.
    - Tax rates vary with **holding period and type of security**.

        - Short-term holding (less than 1 year) → higher rate.
        - Long-term holding (over 1 year) → reduced rate.

4. **Exemptions from Capital Gains Tax:**
    - Personal movable property (such as furniture, household effects).
    - Agricultural land situated outside specified urban areas.
    - Gains on certain government securities for foreign investors.

Income from Other Sources under the Income Tax Ordinance 2001

Concept of Income from Other Sources

Any income that does not fall under the heads of **Salary, Property, Business, or Capital Gains** is classified as **Income from Other Sources** (Section 39). This head acts as a residual category to capture miscellaneous income streams.

Examples of Income from Other Sources

1. **Dividend Income:**
   - Dividend received from a resident company, mutual fund, or Real Estate Investment Trust (REIT).
   - Taxed at a **separate fixed rate** (usually final tax).
2. **Royalty and Fee for Technical Services:**
   - Payments received for the use of patents, trademarks, copyrights, or technical expertise.
   - Generally subject to **withholding tax at a fixed rate**.
3. **Profit on Debt (Interest Income):**
   - Includes bank deposit interest, saving certificates, or bonds.
   - Taxed under **separate block rates**; withholding at source is usually final tax for individuals.

4. **Ground Rent, Sub-lease or Lease Income:**
    - Rent from leasing out land (other than building rent, which falls under Property Income).
5. **Prize Money or Winnings:**
    - Prize bonds, lotteries, raffles, and crosswords winnings.
    - Subject to a **flat final tax deduction at source (e.g., 20%)**.
6. **Casual Income:**
    - Any income of casual or non-recurring nature, such as gifts or windfalls, unless exempt.

Taxation Treatment of Income from Other Sources

1. **Dividend Income:**
    - Separate fixed rate (e.g., 15% to 25% depending on type of dividend).

- Considered **final tax liability**.

2. **Profit on Debt:**
    - Withholding tax deducted at bank or source.
    - For individuals, this is treated as **final tax**.
3. **Royalty/Technical Fees (Non-Residents):**
    - Withholding tax applied at a fixed percentage (e.g., 15%).
    - Treated as final tax.
4. **Prizes and Winnings:**
    - Flat final withholding tax (e.g., 20%).
    - No further tax liability after deduction.
5. **Other Residual Income:**
    - Taxed under the **normal slab rates** applicable to individuals or corporate tax rates for companies.

Interaction of Both Heads

- **Capital Gains** and **Income from Other Sources** ensure that **all types of incomes are covered under the tax net**.

- Capital gains are taxed according to asset type and holding period.

- Income from other sources ensures taxation of dividends, interest, royalties, winnings, and other residual earnings.

Both provisions highlight the **comprehensiveness of the Income Tax Ordinance 2001** in capturing all streams of income and ensuring equitable taxation.

Q.5 What is an income tax return? Who is required to file the income tax return? What are the requirements of a valid return of income? Also, write down the penalty for non-filing of the income tax return.

Concept of Income Tax Return

An income tax return is an official document through which an individual, association of persons, or company discloses their total income, deductions, expenses, and taxes paid or payable during a tax year. In Pakistan, this return is filed under the provisions of the Income Tax Ordinance 2001 and is submitted to the Federal Board of Revenue (FBR) using its prescribed electronic system called IRIS. The main purpose of filing a return is to inform the government about one's income sources, claim deductions and tax credits, and reconcile taxes already deducted at source. It also ensures that the taxpayer has fulfilled their legal obligation of paying due taxes. For example, a salaried employee whose employer deducts tax on salary every month is still required to file a return to declare income and show that the deducted tax was correctly adjusted against his liability. In short, an income tax return is both a statement of income and a declaration of compliance.

From a broader perspective, income tax returns create a transparent financial system where both the state and taxpayers are accountable. The government uses these returns to assess revenues, design economic policies, and control tax evasion. For taxpayers, filing a return offers several benefits such as inclusion in the Active Taxpayers List (ATL), entitlement to lower withholding tax rates, eligibility for bank loans, and proof of documented income for future investments. Thus, it serves as a bridge between the state and the taxpayer, ensuring lawful revenue collection and strengthening the economic framework.

Who is Required to File an Income Tax Return

The Income Tax Ordinance 2001, specifically Section 114, makes it compulsory for certain categories of persons to file income tax returns in Pakistan. These categories are designed in a way that ensures coverage of both high-income individuals and persons who own significant assets, regardless of their income level.

1. **Companies**
   Every company registered under the Companies Act or operating in Pakistan is required to file an annual return, regardless of whether it has earned profit or incurred loss. The rationale is that companies, being legal entities, must disclose their financial position

annually to maintain compliance.

2. **Association of Persons (AOPs)**
   Partnership firms, joint ventures, and any other unincorporated bodies of persons are also bound to file tax returns. These entities usually have collective business activities, and the law ensures their income is reported transparently.

3. **Individuals Exceeding the Basic Exemption Threshold**
   Individuals whose income surpasses the prescribed exemption limit are required to file returns. As per the current threshold, salaried individuals with annual income above Rs. 600,000 and business individuals with income exceeding Rs. 400,000 must file a return. This category captures most income earners who fall within the tax net.

4. **Salaried Individuals with Tax Deduction**
   Even if tax is already deducted at source by the employer, salaried employees earning above the exemption limit are legally required to file returns to reconcile their liability and claim possible refunds or tax credits.

5. **Owners of Assets**
   Any individual owning specific assets is required to file a return, regardless of whether their taxable income crosses the threshold. These assets include:

- A motor vehicle of 1000cc or above.

- A residential immovable property of 500 square yards or more in urban areas.

- Any immovable property with a covered area exceeding 2000 square feet.

6. **Sales Tax Registrants**
   Individuals or entities registered under the Sales Tax Act 1990 are automatically required to file income tax returns to ensure consistency between income and sales tax declarations.

7. **Non-Residents with Pakistan-Source Income**
   Non-residents earning income from Pakistan, such as rental income, business profits, or dividends, are also required to file returns if their income exceeds the exemption limit.

8. **Persons Notified by Commissioner**
   FBR may issue notices to specific individuals

requiring them to file a return, even if they do not otherwise fall in the mandatory categories.

Through these categories, the tax net is extended to capture income earners, asset owners, and those participating in economic activities in Pakistan.

Requirements of a Valid Return of Income

Filing a return is not just about submitting any document; the law sets out requirements that must be met for a return to be valid.

1. **Filing in Prescribed Form**
   The return must be filed electronically through FBR's IRIS portal using the prescribed format. Manual submissions are generally not accepted except for certain cases allowed by law.

2. **Complete Disclosure of Income**
   All heads of income, including salary, business, property, capital gains, and income from other sources, must be declared. Concealment or partial disclosure can make the return invalid and expose the taxpayer to penalties.

3. **Wealth Statement and Reconciliation**
   Individuals who are required to file a wealth statement must attach it with their return. This document explains the net wealth of the taxpayer at the beginning and end of the year and reconciles it with declared income. Discrepancies in wealth reconciliation can invalidate the return.

4. **Payment of Due Taxes**
   If there is any payable tax after adjustments, the taxpayer must pay it before filing the return. Otherwise, the return will not be treated as valid. For example, if an individual calculates a tax liability of Rs. 50,000 after adjustments but does not pay it before submission, the return will be rejected.

5. **Supporting Information**
   For businesses and AOPs, additional documents such as profit and loss accounts, balance sheets, and depreciation schedules must be submitted. For individuals, details of foreign assets and tax credits must also be provided if applicable.

6. **Verification**
   The return must be digitally signed through the IRIS system by the taxpayer, which acts as verification that

the information is accurate and complete.

7. **Timely Submission**
 The return must be submitted by the due date prescribed by FBR. Usually, for individuals and AOPs, the deadline is 30th September, while for companies it may extend to 31st December depending on the accounting year.

If all these requirements are satisfied, the return is considered valid under the law.

Penalty for Non-Filing of Income Tax Return

Non-filing or late filing of income tax returns is treated seriously under the Income Tax Ordinance 2001. Section 182 prescribes penalties for such defaults.

1. **Daily Penalty on Tax Payable**
 If tax is payable and the return is not filed within the due date, the penalty is 0.1% of the tax payable for each day of default. The minimum penalty is Rs. 1,000 and the maximum can reach up to 200% of the tax payable.

2. **Penalty Where No Tax is Payable**
 In cases where no tax is payable, the law still

imposes a fixed penalty to ensure compliance. The penalty is Rs. 20,000 for individuals and Rs. 50,000 for AOPs or companies.

3. **Exclusion from Active Taxpayers List (ATL)**
   Non-filers are excluded from the ATL, which means they face higher withholding tax rates on banking transactions, property transfers, and vehicle registration. For instance, non-filers pay double the withholding tax on bank cash withdrawals compared to filers.

4. **Higher Withholding Tax Rates**
   Non-filers face increased rates on various transactions such as purchase of vehicles, purchase of property, and international travel tickets. This is done to discourage non-compliance and encourage documentation.

5. **Prosecution in Serious Cases**
   If a person persistently avoids filing, FBR may initiate prosecution. The punishment can include fines or imprisonment depending on the severity of the offense.

Thus, the law combines financial penalties, higher taxes, and legal consequences to enforce compliance with filing requirements.

Concluding Thoughts

Income tax return filing is not merely a legal obligation but an essential practice for building a transparent and documented economy. It strengthens the government's ability to plan fiscal policies, reduces the scope of tax evasion, and promotes fairness in taxation. On the taxpayer's side, it brings multiple benefits such as reduced withholding taxes, financial credibility, access to loans, and eligibility for refunds. The penalties for non-filing further highlight the seriousness with which the government enforces compliance. Ultimately, timely and valid filing of income tax returns ensures both personal financial discipline and contribution to the economic stability of the country.