

**SOLUTION 1**

a. Outline of approach

i. Furnish the commissioner with a return containing the following information:-

- The description and location of the property sold
- The cost base of the asset immediately prior to the realisation and how the cost base was for construction
- The consideration received by Abudu from the realization
- The computation of any capital gain and tax payable together with a cheque in settlement
- The full name and address of the new owner of the property, and
- Any other information the Commissioner may require.

ii. Computation of Capital Gain

	GHC	GHC
Consideration received		75,000
Less: cost of construction	38,000	
Cost of fence wall & gate	<u>8,000</u>	<u>46,000</u>
Capital Gain		29,000
Exempt Amount		<u>50</u>
Chargeable gain		<u>28,950</u>
 Tax at 15%		 <b>4,342.50</b>

**b. The Commissioner General may raise an assessment:-**

- i. Where a taxable person fails to submit his tax return on due date.
  - ii. Where the Commissioner General has grounds to believe that the return is incorrect.
  - iii. Where any lawful tax has not been paid or
  - iv. Based on any information available to him.
- The assessment shall be in writing to the taxable person and payable within 21 days of the date of the notice. However, where the Commissioner General accepts information or a return which he finds as valid, her may withdraw or amend the assessment. An amended assessment is payable within 14 days.
  - An additional return or alteration for the original return may be made by a written application to the Commissioner General not later than three months of the submission of the original return stating in detail the grounds upon which the application is made.

- The Commissioner General shall not raise an assessment after a period of three years unless fraud has determined by law.

## SOLUTION 2

The expected revenue inflows are:

- i. Royalties
- ii. Carried Interest
- iii. Additional Carried Interest
- iv. Additional Oil Entitlement
- v. Surface Rentals
- vi. Corporate Tax
- vii. Technology Allowance
- viii. Training Allowance

- Royalties:-This is the payment expected from the extraction of oil or gas from the sea. It is a percentage of the value of the output. It thus does not depend on the profitability of the operations of the contractor.
- Carried Interest:-Is the percentage of the Government of Ghana's holding in an oil field. It is 10% for which the government does not pay anything yet is entitled to in respect of revenue.
- Additional Carried Interest:-Refers to the revenue that can accrue to the government if it is able to take up more stakes in the production. Here government would have to pay for such additional interest.
- Additional Oil Entitlement:-Refers to the revenue inflow to government from excess profit made by the contractor where the actual rate of returns to the contractor exceeds the targeted rate of return. It is receivable by the government in oil.
- Surface Rentals:-are the inflows to government by way of payment for the oil blocks for exploration.
- Corporate Tax:-payable for operations in the sector is at the rate of 35%. The revenue there from accrues to the government.
- Technology Allowance:-is a onetime payment to the government, received by the GNPC to enable them acquires the needed technology and equipment so they can increase their participation in oil and gas production.
- Training Allowance:-is a payment to government to assist in training more Ghanaians to take up positions in the oil and gas industry.

**SOLUTION 3**

1. The appropriate method to be used in determining the customs duty is the Ad valorem method.

2. Computation of Import Duty Payable

Ad Valerom	\$	Rate	GHC
Purchase price	45,000	1.5250	68,625
Carriage in China	200	1.5250	305
Cost	45,200		68,930
Freight	1,500	1.5250	2,288
Insurance			<u>1,200</u>
Cost Insurance Freight (CIF)	<u>46,700</u>		<u>72,418</u>
Import Duty (20% of CIF)			14,484
VAT (12½% of CIF + I/D)			10,863
NHIL (2½% of CIF + I/D)			2,173
Special Rate (5% of CIF)			<u>3,621</u>
Total duty payable			<b><u>31,140</u></b>

Computation of Net VAT Payable

Output	Value - GHC	VAT paid - GHC	Amount Allowed- GHC
Ghana	90,000	13,500	13,500
Togo	45,000	-	-
Egypt Embassy	10,000	-	-
	145,000		
Input			
Purchases	90,523	13,036	13,036
Carriage Inwards	1,800	270	270
Overheads	2,750	227	<u>227</u>
			<u>13,533</u>

Net Refund **33**

**Note:** Candidates should not be marked down for assuming that carriage inwards is VAT exempt as the assumption will accord with the Commissioner's Administrative directives. Net refund of **GHC3.3** should be marked correct.

## **SOLUTION 4**

### **Administrative Directives**

Administrative directives supplement the general provisions of the Act. They are meant to address matters requiring further interpretation, explanation, guidance, procedural matters or advice to aid compliance to the tax laws. They take the form of:

- i. Practice notes
- ii. Private rulings
- iii. Regulations
- iv. Forms and notices
- v. Service of notices and documents
- vi. Access to books, records and computers

- **Practice Notes**

These are meant to achieve consistency in the administration of the tax laws and to provide guidance to persons affected by the Act as well as officers of the service. The Commissioner issues the practice notes setting out his interpretation of the provisions of the Act. This enables taxpayers to know his views on a case and therefore impact positively in the practice of taxation. A practice note is therefore binding on the Commissioner until revoked but not on person affected by the Act.

- **Private Rulings**

A taxpayer may apply for a private ruling setting out all aspects of a transaction in detail. The Commissioner, upon a study of the case, may state his position or ruling in the matter. Private rulings are very important for cases which are not clear in law. The purpose therefore, is to enable the taxpayer to understand the situation and to enable him to plan his business, be able to self-assess, project his income for tax purposes and generally to determine the outcome of his decisions in advance. The ruling is binding on the Commissioner and respect to the application of the law at that time and the taxpayer with regard to the transaction.

- **Regulations**

The Minister Responsible for finance is mandated to make regulations under Act 592 by means of Legislative Instruments. The regulations are meant to relate to matters authorised or prescribed under the Act 592 amending the schedules of the various chapters or monthly amounts set out in the Act, or the better carrying into effect of the purposes of the Act.

From the above, there will be no need for every change in the Act to pass through Parliament. It is binding on both the Commissioner and the taxpayer.

Forms and Notices

All taxpayers are required under the Internal Revenue Act, 2000 (Act 592) to submit returns and other information to the Commissioner of Internal Service. To provide guidance and achieve consistency in the submission of these requirements, the Commissioner may specify the form of these returns, claims, notices, statements and other documents. This facilitates speedy examination of these documents as well as educating the taxpayer as to what is exactly required of him, his rights and obligations under the tax laws. It also enhances greater co-operation and understanding between the tax administrator and the taxpayers.

- Service of Notices and other Documents

Since nobody wants to pay taxes, service of notices and other documents relating to tax would be very difficult. If not impossible, if no administrative directives are provided. These administrative directives therefore serve to establish a linkage between the tax office and the taxpayer. They are therefore framed to have a very wide coverage to ensure that the taxpayer does not have any excuses to dodge service of notices and document and consequently evade taxes. The coverage extends to direct personal service, postage both ordinary and registered and to all places where the taxpayer may be found or contacted. This helps to impact favourably in the practice of taxation.

- Access to books, records and computers

The practice of taxation involves identifying the taxpayer, imposing the tax, collecting the tax and paying the tax so collected into the Consolidated Fund. In this process, it is anticipated that only the right amount of tax due will be collected. To achieve this, there is the need to have access to all relevant books, records and information for scrutiny to arrive at the required results. Act 592 therefore provides the necessary administrative directives to enable the Commissioner or an officer authorised in writing by him to have full and complete access to these documents thereby playing a very crucial role in the practice of taxation.

NB: There Are Several Other Administrative Directives

## SOLUTION 5

	GHC	GHC
Net profit as per a/cs		6,700
<u>Deduct:</u> Profit on sale of fixed assets	48,500	
Dividend received	<u>3,100</u>	<u>51,600</u>
		(44,900)
 <u>Add:</u>	 108,000	
Depreciation	4,200	
Permanent signboard	14,200	
Cost of installation of machines	21,500	
Cost of standby generators	20,500	
Entertainment (opening of factory)	13,500	
Legal expenses (formation)	<u>6,400</u>	<u>188,300</u>
Adjusted profit		<u>143,400</u>

Computation of Tax

			GHC
<u>2009</u>	<u>(1/2/09-30/9/09)</u>	<u>(8/20 x 143,400)</u>	57,360
	Less C/Allce		<u>56,701</u>
	Chargeable Income		<u>659</u>
<u>2010</u>	<u>(1/10/09 – 30/9/10)</u>	<u>(12/20 x 143,400)</u>	86,040
	Less C/Allce	94,706	
	Utilised	<u>86,040</u>	<u>86,040</u>
	c/f	<u>8,666</u>	
	Chargeable Income		<u>NIL</u>

CAPITAL ALLOWANCE COMPUTATION

YEARS OF ASSESSMENT	CLASS 2 (30%)	CLASS 4 (20%)	CLASS 5 (10%)	TOTALS
<u>2009</u>				
<u>1/2/09 – 30/9/09)</u>				
B/F	40,000	192,500	350,200	<u>56,701</u>
D/Allce	<u>7,956</u>	<u>25,526</u>	<u>23,219</u>	
C/F	32,044	166,974	326,981	
<u>2010</u>				
<u>(1/10/09 – 30/9/10)</u>				
Adds	<u>36,000</u>	<u>41,000</u>	<u>-</u>	
	68,044	207,974	326,981	
D/Allce	<u>20,413</u>	<u>41,595</u>	<u>32,698</u>	<u>94,706</u>
C/F 2011	<u>47,631</u>	<u>166,379</u>	<u>294,283</u>	