

SOLUTION 1 (a)

- (i) Chargeable assets under section 97 of Internal Revenue Act is as follows;
- Building of a permanent or temporary nature situated in Ghana
 - Business and business assets, including goodwill of a permanent establishment situated in Ghana.
 - Land situated in Ghana
 - Shares of a resident company
 - Part of or any right or interest in, to or over any of the assets referred to above.

In the case of the chargeable asset for a resident person, any of the chargeable asset stated above wherever situated.

(ii) **Exemptions from capital gain tax in accordance with section 101 of Internal Revenue Act**

- Capital gains of a person up to a total of fifty currency points per year of assessments.
- Capital gains accruing to or derived by a company arising out of merger, amalgamation or organization of the company where there is continuity of underlying ownership in the assets of at least twenty-five (25) percent.
- Capital gains resulting from a transfer of ownership of assets by a person to that person's spouse, child, parent, brother, sister, aunt, uncle, nephew or niece.
- Capital gains resulting from a transfer of ownership of the assets between former spouses as part of divorce settlements or a genuine separation agreement.
- Capital gains where the amount received on realization is within one year of realization, used to acquire a chargeable asset of the same nature (replacement assets).
- Where part only of the amount received on realization is used in the manner referred to in the paragraph above, any part of the capital gains represented by the amount used to acquire the asset less cost base of the assets realized at the time of realization.

Note: Commissioner may extend the period of one year for the purposes of paragraphs (e) and (f) of subsection 1, where having regard to the circumstance of a personal case, it is fair and reasonable to do so.

(iii) Returns and payments in accordance to Section 102

- A person who accrues or derives a capital gain from realization of a chargeable asset shall, thirty days after the realization, furnish the commissioner with a return in writing containing the following information:
- The description and location of the chargeable assets and how the total cost base is calculated.
- The consideration received by the person from the realization.
- The amount of any capital gain, tax payable with respect to the capital gain tax.
- The full name and address of the new owner of the asset.
- Other information prescribed by regulation made under section 114

(iv) Pinkrah Capital Gain Tax

	GH¢	GH¢
Consideration Received		750,000
Less cost base:		
Initial cost	200,000	
Renovation, delivery	100,000	
Consultancy cost (10% x 750,000)	<u>75,000</u>	<u>375,000</u>
		375,000
Less roll-over relief:		
Cost of replacement of assets: (60% of 750, 000)	450,000	
Less cost base	<u>375,000</u>	<u>75,000</u>
Capital gain assessable		300,000
Less exempt amount		<u>50</u>
Capital gains chargeable		<u>299,950</u>
Tax thereon (15% x 299,950)		<u>44,992.50</u>

SOLUTION 2

(a) Determination of customer value of imported goods

This consist of the **transaction value** i.e. the price actually paid or payable for the goods when sold in the country of origin, imported into Ghana by adding other associate costs.

In addition, it may include the following:

- Commission and brokerage except buying commissions.
- The cost of containers
- The cost of package whether for labour materials
- Materials, components, parts and similar items incorporated in the imported goods
- Engineering, development, artwork, design works, plans and sketches undertaken elsewhere other than in the country of importation and necessary for the production of the imported goods.
- Royalties and licence fee
- The cost of transport of the imported goods to the port or place of importation
- Loading, unloading and handling charges with the transport of the imported goods to the port or place of importation.
- The cost of insurance.

(b) (i) Condition that entitled the proposed subsidiary to VAT Tax Refund

- The business must be registered for VAT i.e. registered trade or business
- The business must submit returns for all the months for which it has been in operation
- The business must complete and submit a prescribed VAT claim form for refund of the VAT paid to VAT Service.
- The business must engage in export of 70% or more of its output.
- The input VAT paid should exceed the output VAT paid.
- Retain the tax invoice relating to the accounting period for examination by commissioner.
- The VAT paid should qualify as a deductible input VAT.

(ii) Procedure for VAT refund

- Where a taxable person is entitled to a refund of tax under this Act.
- The refund shall be paid by the Commissioner on an application by the taxable person within 30 days.
- All previous returns have been submitted by the due dates with no tax for any periods outstanding.
- All tax, penalties and interest from previous tax periods have been paid by the due dates.
- Where the conditions specified above have not been fulfilled, the Commissioner shall reject the claim for refund and shall inform the applicant accordingly in writing within 30 days of receipt of the application.

SOLUTION 3

(a) Computation of chargeable income

	GH¢	GH¢
2011 (1/1/11 – 31/12/11)		(141,700)
Net profit (loss)		
Add:		
Security doors	20,000	
Terrazzo with marbles	15,000	
Rent (80% @ 80,000)	64,000	
Management salaries:		
Kpalito	40,000	
Kpalito's son	<u>2,000</u>	42,000
Medical expenses		46,000
Bad debts:		
General provisions	10,000	
Interest on loans	18,000	
Sundry expenses	64,000	
Donations	10,000	
Unrealized exchange loss	24,000	
Loss sale of equipment	6,000	
Depreciation	<u>47,000</u>	
		<u>366,000</u>
Taxable business theme		224,300
Less capital allowance		<u>134,000</u>
Chargeable income		<u>90,300</u>

Computation of tax liability

First	1,200	0%	-
Next	420	5%	21
Next	1,104	10%	110.40
Next	23,196	17.5%	4,059.30
Exceeding	<u>64,380</u>	25%	<u>16,095.00</u>
	<u>90,300</u>		<u>20,285.70</u>

SOLUTION 4

Tax Incentives Packages – Agriculture

Agric enjoys tax holiday of 5 or 10 years depending on the nature of agriculture activity shown below:

- Tree crops like palm nuts, coconut, rubber etc enjoys a tax holiday of 10years from the date of first harvest.
- Cattle – 10 years from date of commencement
- Cash crops, poultry, livestock, fish farming 5 years from commencement date
- Carry forward of losses for 5 years

He can register any business entity to enjoy the above benefits except (v) which is only enjoyed by corporate entities

Tax Incentives Packages for Manufacturing

Manufacturing companies enjoy locational tax incentives specified below:

- Accra – Tema – No tax rebate
- Other regional capital – 25% tax rebate
- Elsewhere – 50% tax rebate
- Export of manufacturing goods enjoy a concessionary tax rate of 8% (non-traditional export)
- Where the company mainly produces for export, it can carry forward losses for 5 years.

To take advantage of (i and ii), he must register as a corporate entity. For (iii), he can register as a business entity.

Tax Incentive Package – Real Estate

- Enjoy a tax holiday of 5 years, the holiday is only for corporate bodies and only where approved by the Ministry of works and housing in relation to low costs housing.
- Entitled to deduct all allowable expenditure incurred in construction of the estate.

- He must therefore register the business as a corporate entity to take advantage of the holiday.

SOLUTION 5

- (a) Government intervention in the management of an economy is allowed through the use of taxation as a fiscal policy tool.

In times of unemployment taxes can be reduced, especially corporate taxes so that companies and other business units can have higher retained earnings which could then be used to expand their business, hence requiring more hands that would lead to employment being created to lessen the unemployment situation.

There could also be tax incentives for businesses that recruit fresh graduates to entice businesses to employ the unemployed as was done in 2002 in Ghana Law still exists.

- (b) A return is a specified form or means for the declaration of income from all sources by taxable persons for the correct assessment of their tax.

Furnishing of returns entails completing the required form attaching signed audited accounts, attaching tax compensation, attaching any other information required to be filed and attaching a cheque in payment of any tax due.

Purposes and Reasons for Filing Returns

- Gives information about one's total income
- Shows individuals circumstance of taxpayers allowing for necessary adjustments in assessing tax liabilities.
- Provides information on others to be brought into the tax net for example landlords, money lenders etc.
- It is a statutory requirements

Cases where returns are not required

- Non- resident person who has no income accruing in or derived from Ghana.
- Where a non-resident has derived income from Ghana and final withholding tax has been paid on it.
- A resident person who has no chargeable income or whose chargeable income for the year is subject to nil rate.

Filing Dates:

- Not more than four (4) months after the company's financial year in case of company.

SOLUTION: ADVANCED TAX MAY, 2014

- Not later than 31st March, in the end of the basis period which ends within the assessment year for all other persons.

Tax extension may be sought from the Commissioner stating the grounds for such need.

Penalty for failure to file returns may be applied by the Commissioner.

- (c) (i) Estimate of chargeable income to be derived by that person for a year of assessment.
- (ii) Tax payable
- (iii) Estimate shall be in the prescribed form
- (iv) Estimate shall be furnished to Commissioner on or before the commencement of basic year
- (v) Revised estimates