

INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)



**MAY 2011 EXAMINATIONS
(PROFESSIONAL)**

PART 4

**ADVANCED TAXATION & FISCAL POLICY
(Paper 4.4)**

Attempt ALL Questions

TIME ALLOWED:

Reading & Planning	-	15 Minutes
Workings	-	3 Hours

QUESTION 1

Kwesi Orlando has been the Director of Operations of Fine Arts Limited since July 2004 on a consolidated salary of GHS45,000 per annum. He contributes 5% of his salary to the Social Security Scheme.

In his returns for the year of assessment 2009, he declared gross interest of GHS3,000 from his investments in the United Kingdom. Tax deducted was GHS300.

Required:

- a. Compute Mr. Orlando's net tax liability in Ghana. ***(16 arks)***
- b. Apart from the United Kingdom, mention the other countries with which Ghana has double taxation agreements. ***(4 marks)***

(Total: 20 marks)

Rates of Tax:

240	free		
240	...	...	5%
1,200	...	...	10%
7,920	...	...	17.5%
Exceeding 9,600	...	...	25%

QUESTION 2

Sakato Insurance Company Limited has been in business for several years making accounts to 31st March each year.

Below are extracts from the accounts for the year ended 31st March, 2009.

	GHS
Gross premiums received	68,100
General administrative expenses	10,896
Commissions to agents	480
Claims settled and paid	24,600
Re-insurance recoveries	16,000
Re-insurance premiums paid	8,000
Premiums returned	3,600
Dividends received	18,400
Interest on Treasury bills	32,000
Capital allowance claimed	25,474

Notes

1. Reserve for unexpired risk is at 40%
2. Reserve for the previous year is GHS34,000
3. The company undertakes general Insurance business

Required:

- (a) Determine the taxable income of the company.
(15 marks)
 - (b) What would be the company's taxable income if it were in Life Insurance?
(5 marks)
- (Total: 20 marks)**

QUESTION 3

Mr. Reginald Bolt, a non-resident ship operator submitted the following accounts for the year ended September 30, 2009.

	GHS	GHS
Proceeds from passengers who embark		1,100,000
Proceeds from mail, goods embarked		210,000
Proceeds from transshipment		290,000
Proceeds from Hotel Serene (Net)		<u>500,000</u>
		2,100,000

Less Expenses:

Salaries and wages	320,000	
Bank charges	2,500	
Audit fees	1,000	
Administrative expenses	128,000	
Depreciation	<u>46,000</u>	<u>497,500</u>
Net profit		<u>1,602,500</u>

Note: Capital allowance available to the shipping operations is GHS272,000.

Required:

- i. Compute the tax payable by Mr. Bolt; and (10 marks)
- ii. Explain fully your computation. (10 marks)

(Total: 20 marks)

QUESTION 4

- a. Kwashie Ocran, a trader operating at the Accra Business Centre, intends to import some goods from the United Kingdom for resale.

Required:

Advise Mr. Ocran on how goods imported into the country are valued for customs purposes. (10 marks)

- b. “Businesses that make only exempt supplies cannot register for VAT”.

Required:

Comment on the statement above, giving any **five (5)** examples of goods or services that are exempt. (10 marks)

(Total: 20 marks)

QUESTION 5

Jones Handle was seconded to Ghana from the Soil Scientists Institute in Britain as a consultant agronomist to Fadama Farms Limited for a period of 15 months (fifteen months) commencing from 1st October, 2007.

His conditions of service were as follows:

	GHS
i. Salary	72,000 p.a.
ii. Expatriate allowance	24,000 p.a.
iii. Risk allowance	12,000 p.a.
iv. Professional allowance	12,000 p.a.

In addition, he was provided with a furnished bungalow and a chauffeur-driven Toyota Pick-up vehicle at the farm. He was also provided with a cook, househelp, security man and a garden assistant all of whom were paid GHS400 each a month.

He does not contribute to the Social Security Scheme.

Jones Handle, in his own free time, set up an experimental farm producing snails. This proved to be very lucrative as it was a delicacy in the area. For the year ended 31st December, 2008 he earned GHS28,000.

Required:

(a) Determine his chargeable income, if any, during his stay in the country, stating the basis periods and the relevant years of assessment.

(14 marks)

(b) Produce the related notes guiding your determination.

(6marks)

(Total: 20 marks)