

## QUESTION 1

Pinkrah, a Ghanaian resident in USA resettled in Ghana in 2005. He purchased a house at Tuba in Accra for GH¢200,000. In January 2012, he decided to sell the house to Kojo Arthur a business man for a consideration of GH¢750,000. Pinkrah incurred the following costs before selling the property.

- {i} Renovation of the entire house at the cost of GH¢100,000.
- {ii} Advertising, Consultancy and Legal fees of 10% of the selling price.
- {iii} Pinkrah used 60% of the gross amount realized to acquire a new house at New Bortianor in November, 2012.

### Required:

As a tax Consultant, advise Pinkrah on the following issues in relation to Capital Gains Tax under the Internal Revenue Act, 2000 (Act, 592) as amended.

- {i} What constitutes a Chargeable Asset?  
(5 marks)
  - {ii} Exemptions from chargeable assets, if any.  
(5 marks)
  - {iii} The procedure for filing a Return.  
(5marks)
  - {iv} The amount of tax payable by Pinkrah  
(10 marks)
- (Total: 25 marks)

## QUESTION 2

- {a} With reference to CEPS (Management) Law, 1993, outline the basis for determining the Customs Value of imported goods in Ghana.  
(5 marks)
- {b} The Board of Directors of GHUMCO Ltd of China at its meeting on 21<sup>st</sup> December, 2013 decided to incorporate a subsidiary in Ghana by the end of March, 2013 to manufacture paper packaging materials mainly for export to Europe. More than 90% of raw materials required for production would be procured on the Ghanaian market and over 95% of production would be exported.

The President of GHUMCO Ltd. consulted Yaw as a Tax Consultant to brief him on the Value Added Tax refund process as it could affect the subsidiary he intended to incorporate in Ghana.

**Required:**

- {i} Outline the conditions that would entitle the proposed subsidiary to Value Added Tax refund. (6 marks)
  - {ii} Describe the procedures for Value Added Tax refund. (4 marks)
- (Total: 15 marks)

**QUESTION 3**

Jonas Kpalito has been operating a trading business “Go Slow” for several years in Ninko township in the Greater Accra region. He presented the following statements for the year ended 31<sup>st</sup> December, 2012.

	<b>GH¢’000</b>	<b>GH¢’000</b>
Sales		540,000
Cost of Sales		<u>200,000</u>
Gross Profit		340,000
Discount received		<u>4,000</u>
		344,000
Less:		
Management Salaries	54,000	
Repairs	48,000	
Entertainment	12,000	
Donations	10,000	
Legal Fees	11,500	
Unrealised Exchange Loss	24,000	
Bad Debts	24,200	
Loss on Sale of Equipment	6,000	
Depreciation	47,000	
Medical Expenses	64,000	
Sundry Expenses	72,000	
Advertising	15,000	
Rent	80,000	
Interest on Loan	<u>18,000</u>	
		<u>485,700</u>
Net Profit (Loss)		<u>(141,700)</u>

The following additional information is available to you:

{a} Repairs: This is made up as follows:

	<b>GH¢'000</b>
- Fixing of new security doors	20,000
- Replacing terrazzo with marbles	15,000
- Normal repairs	13,000

{b} Rent: This was in respect of a building part of which was used for the business. It has been agreed with the Commissioner that the business is occupying 80% of the floor space.

{c} Management Salaries: This is made up as follows:

	<b>GH¢'000</b>
- Kpalito	40,000
- Senior staff	12,000
- Kpalito's first son	2,000

{d} Entertainment: This was in connection with an end of year party organized for members of staff and customers of the firm.

{e} Medical expenses: An amount of GH¢18,000 was spent on the dependants of members of staff. The rest represent the medical bills of Kpalita's family.

{f} **Bad Debt** **GH¢'000**

- Special provisions	2,000
- General provisions	10,000
- Actual Debts Written-off	12,200

{g} Interest on loans is in connection with uncollectible staff loans written-off. The staff concerned are no longer in the employment of the firm.

{h} There were no financial documents evidencing an amount of GH¢64,000 included in Sundry expenses.

{i} Assume Capital allowance of GH¢134,000.

{j} Analysis of sales:

	<b>%</b>
- Accra	45
- Export	40
- Ninko and its environs	15

**Required:**

- 1] Determine the chargeable income for the 2013 year of assessment. (15 marks)
- 2] Calculate the tax liability of Jonas Kpalito for the 2013 year of assessment. (5 marks)
- (Total: 20 marks)

**QUESTION 4**

Afiemo, a Ghanaian resident abroad for many years returned home finally on 10<sup>th</sup> September, 2010. He brought a substantial amount of money which he intends to invest in any of the following activities:

- i} Agriculture
- ii} Manufacturing
- iii} Real Estates

**Required:**

Explain to him the income tax implications and incentive packages available for each of the above sectors of the economy and further advise him on the type of business entity to establish.

(15 marks)

**QUESTIONS 5**

- {a} Taxation is said to be used as a tool of fiscal policy. Explain how this is possible in relation to taxation and unemployment. (10 marks)
- {b} You are the tax consultant to the President of Ghana. There have been various discussions on an earlier visit to the Ghana Revenue Authority to file his periodical tax returns. Some commentators have argued that as long as a taxpayer is consistent in paying taxes or is exempted from paying taxes in Ghana, there is no need for such a person to furnish a return to Ghana Revenue Service.

**Required:**

Discuss the relevance of the arguments put forward by the commentators.

(6 marks)

- {c} The Commissioner General of the Ghana Revenue Authority may, by a notice published in the Gazette, specify persons who are subject to payment of tax by installment under self-assessment rules.

**Required:**

Outline the information which a person subject to self-assessment is required to furnish the Commissioner.

(9 marks)

(Total: 25 marks)