

QUESTION 1

Computation of Chargeable Incomes
Year 2010

	GHC	GHC	Charles GHC	David GHC
Profit declared		41,400		
Less Capital Allowance (b/f)	6,100			
Current year	<u>17,304</u>	<u>23,404</u>		
		17,996		
Less 9 months profit		<u>13,492</u>	13,492	0
3 months profit		4,504	2,686	1,818
Add				
Salaries (3 months)			2,700	1,800
House Allowance			900	600
Risk Allowance			1,350	900
Interest on Capital			<u>1,800</u>	<u>1,200</u>
Chargeable Incomes			<u>22,928</u>	<u>6,3018</u>

Year 2011

Profit declared		60,000		
Less Capital Allowance		<u>21,038</u>		
		38,962	23,377	15,585
Add				
Salaries (3 months)			10,800	7,200
House Allowance			3,600	2,400
Risk Allowance			5,400	3,600
Interest on Capital			<u>7,200</u>	<u>4,800</u>
Chargeable Incomes			<u>50,377</u>	<u>33,585</u>

Capital Allowance

Year of Assess	Pool 1 40%	Pool 2 30%	Pool 4 20%	Total
2010				
Bal. b/f	2,460	18,600	1,200	
Additions	=	<u>35,000</u>	=	
	2,460	53,600	1,200	
Depn. Allowance	<u>984</u>	<u>16,080</u>	<u>240</u>	<u>17,304</u>
Bal. c/f	1,476	37,520	960	
2011				
Additions	=	<u>30,000</u>	=	
	1,476	67,520	960	
Depn. Allowance	<u>590</u>	<u>20,256</u>	<u>192</u>	<u>21,035</u>
Bal. c/f	<u>886</u>	<u>47,264</u>	<u>768</u>	

QUESTION 2

Mr. Charles Baah

	GHC	GHC
Salary (01/04/11 - 31/12/11)		22,500.00
Add		
Risk Allowance	1,800.00	
Inconvenience Allowance	1,800.00	
Responsibility Allowance	4,500.00	
Child Education Allowance	<u>4,500.00</u>	<u>12,600.00</u>
		35,100.00
Benefits		
Vehicle	360.00	
Accommodation	-	
Security	-	
Garden Attendant	-	
Domestic Servant	<u>840.00</u>	<u>1,200.00</u>
		52,500.00
Less Social Security	1,899.50	
Mother	600.00	
Children	200.00	
Marriage	100.00	
Life Assurance	<u>3,000.00</u>	<u>(5,789.50)</u>
		<u>46,710.50</u>
Chargeable Income (01/04/11 – 31/12/11)	(46,710.50 x 9/12)	35,032.88

Comments

1. Mr. Baah is staying at the farm site and is therefore exempted from rent element.
2. The security and garden attendant are there to protect the company's property and therefore Mr. Baah is exempt from tax on their salaries.
3. The domestic servant is serving Mr. Baah and he is therefore liable

QUESTION 3

Capital Allowance

Year	Pick -up Class 2 (30%)	Furn. / Equipment Class 4 (20%)	Garage Class 5 (10%)	Total
2011				
Cost	20,500	6,000	3,300	
Depn. Allowance	<u>6,150</u>	<u>1,200</u>	<u>330</u>	7,680
Bal. c/f	<u>14,350</u>	<u>4,800</u>	<u>2,970</u>	

Tax Computations

	GHC	GHC'
Net Profit as per accounts		17,570
Less		
Rents	10,620	
Dividends	<u>8,500</u>	<u>(19,120)</u>
		(1,550)
Add back		
Legal expenses	1,750	
Repairs / Maintenance	29,800	
Subscriptions / Donations	1,300	
Depreciation	<u>14,600</u>	<u>46,450</u>
Assessable Income		44,900
Add - Rent	10,620	
Less 8% WHT Tax	849.60	
Less Capital Allowance		<u>7,680</u>
Chargeable Income		<u>37,220</u>

QUESTION 4

1. Effective Rate of tax on income from France

$$\frac{720 \times 100}{3,000} = 24\%$$

2. Effective rate – Ghana

	GHC
Salary in Ghana	27,000
Add Gross Interest from France	<u>3,000</u>
	30,000
Less SSF (5.5% x 27,000)	<u>1,485</u>
Chargeable Income	<u>28,515</u>
Tax (2011 rates)	5,653.35
Effective Rate	$\frac{5,653.35 \times 100}{28,515} = 19.83\%$

3. France Rate > Ghana Rate

$$\text{Gross up} = \frac{2,280 \times 100}{80.17} = 2,843.96$$

4. Re-computation

	GHC
Salary in Ghana	27,000.00
Add Gross Interest – France	<u>2,843.96</u>
	29,843.96
Less SSF	<u>1,485.00</u>
Chargeable Income	<u>28,358.96</u>
Tax Credit Relief	
Grossed up (Ghana)	2,843.96
Net Income (France)	<u>2,280.00</u>
	<u>563.96</u>

QUESTION 5

A. Calculation of Tax due

	GHC
Green Grains Ltd	500
Public Relations Dept. (Green Grains)	100
Managing Director	200
Father –in-Law	400
Nyame Ye Social Club	200
Traditional Council	1,000
	2,450
Less tax relief	<u>50</u>
Taxable gifts	<u>2,400</u>
Tax at 10%	<u>240</u>

B.

i. Chargeable Assets

- a) Building of a permanent or temporary nature situated in Ghana.
- b) Business and business assets including goodwill, of permanent establishment situated in Ghana.
- c) Land situated in Ghana.
- d) Shares of a resident company
- e) Part of, or any right or interest into or over any of the assets referred to above.

ii. Exemptions

- a) Capital gains of a person up to a total of 50 currency points per year of assessment.
- b) Capital gains accruing to, or derived by a company arising out of a merger, amalgamation or reorganization of the company, where there is continuity of underlying ownership in the asset of at least 25%.
- c) Capital gains resulting from a transfer of ownership of asset by a person to that person's spouse, parent, brother, sister, aunt, uncle nephew or niece.
- d) Capital gains resulting from a transfer of ownership of asset between former spouses as part of a divorce settlement or a genuine separation agreement.
- e) Capital gains where the amount received on realization is within one year of realization used to acquire a chargeable asset of the same nature (referred to as replacement asset).
- f) Where part only of the amount received on realization is used to acquire a replacement asset, any part of the capital gains represented by the amount used to acquire the replacement asset less the cost base of the asset realized at the time of realization.