

**QUESTION 1**

i. Effective Rate of tax in the U.K.:

$$= \frac{300}{3000} \times \frac{100}{1}$$

$$= 10\%$$

ii. Effective Rate of Tax in Ghana:

	GHS
Salary in Ghana	45,000
Add: Gross Interest	<u>3,000</u>
	48,000
Less 5% s/s (5/100 x 45,000/1)	<u>2,250</u>
Chargeable Income	<u>45,750</u>

Tax at 2009 rates = GH¢10,555.50

$$\text{Effective Rate} = \frac{10,555.50 \times 100}{48,000}$$

$$= 21.99\%$$

iii. The Ghana rate is higher than the U.K. rate

∴ Tax charged in Ghana	= GHS 10,555.50
<u>Less: Tax credit relief</u>	= <u>300.00</u>
Net Tax Payable	= GHS <u>10,255.50</u>

Ghana has double taxation agreements with the following countries: France, Italy, Belgium, South Africa, Germany, U.K. Netherlands, and Switzerland.

**QUESTION 2**

(a)

	<b>Dividends Inclusive</b>	
	GHS	GHS
General Business:		
Gross Premium Received		68,100
Less: Premium Returned	3,600	
Reinsurance Premiums paid	<u>8,000</u>	<u>11,600</u>
Net Insurance		56,500
Deduct:		
Reserve for unexpired risk ( 40% of 56,500)	22,600	
Less : Reserve for previous year	<u>34,000</u>	<u>11,400</u>
		67,900

Deduct : Claims paid	24,600	
Less: Re-insurance recoveries	<u>16,000</u>	<u>8,600</u>
		59,300
Deduct: Commission to agents	480	
General Admin Expenses	<u>10,896</u>	<u>11,376</u>
		47,924
	GHS	GHS
Add: Dividends Received	18,400	
Interest on Treasury Bills	<u>32,000</u>	<u>50,400</u>
		98,324
Less : Capital Allowance		<u>25,474</u>
<b>TAXABLE INCOME</b>		<u><b>72,850</b></u>

(b)  
Life Insurance

	GHS	GHS
Investment Income		
Dividend	18,400	
Interest	<u>32,000</u>	50,400
Less: General Admin. Expenses	10,896	
Commission to Agents	<u>480</u>	<u>11,376</u>
<b>TAXABLE INCOME</b>		<u><b>39,024</b></u>

**QUESTION 2**

**SAKATO INSURANCE CO. LTD YEAR OF  
ASSESSMENT FOR THE YEAR ENDED -2009**

	<b>Dividends Excluded</b>	
	GHS	GHS
General Business:		
Gross Premiums Received		68,100
Less: Premiums Returned	3,600	
Re-insurance Premium Paid	<u>8,000</u>	<u>11,600</u>
		56,500
Deduct: Reserve for unexpired risk (40%)	22,600	
Less : Reserve for previous year	<u>34,000</u>	<u>11,400</u>
		67,900
Deduct: Claims Paid	24,600	
Less : Reinsurance Recoveries	<u>16,000</u>	<u>8,600</u>
		<u>59,300</u>

Deduct : Commission to Agents	480	
General Admin Expenses	<u>10,896</u>	11,376
		47,924
Add: Interest on Treasury Bills		<u>32,000</u>
		79,924
Less :Capital Allowance		<u>25,474</u>
<b>TAXABLE INCOME</b>		<u><u>54,450</u></u>

**LIFE INSURANCE**

	GHS	GHS
Investment Income		
Interest		32,000
Less :		
General Admin Expenses	10,896	
Commission to Agents	<u>480</u>	<u>11,376</u>
<b>TAXABLE INCOME</b>		<u><u>20,624</u></u>

**QUESTION 3**

**1 SHIPPING OPERATIONS**

	GHS
Proceeds from passengers	1,100,000
Proceeds from mail and goods	<u>210,000</u>
Total chargeable Income	<u>1,310,000</u>
Tax at 10%	<b>131,000</b>

**2. SERENE HOTEL**

Net Income = GHS 500,000

Tax at 20% (Non-Resident) = GHS 100,000

**3. Explanations**

- a. In determining the chargeable income for assessment in cases of air transport, shipping, or telecommunication services in Ghana for non-residents, only the gross receipts for:
  - i. the carriage of passengers who embark or
  - ii. mail, livestock or goods which are embarked are taken into account;
  - iii. transshipment is not taken into account;

- iv. no depreciation, expenses and capital allowances are also taken into account;
  - v. no tax credits are granted.
- b. The tax rate is 10%.
- c. Where the commissioner is satisfied that an equivalent exemption is granted by that person's (Mr. Bolt) country of residence no tax is charged.
- d. The income from Hotel Serene is also assessed separately and at the non-resident rate since Mr. Bolt is a non-resident.

#### QUESTION 4

(a)

The Customs, Excise and Preventive Services (Management) Law, 1993 (PNDC Law 330) provides generally that the transaction value of an item is to be used for customs purposes.

Transaction value means the price actually paid or payable for goods when sold in the country of origin for export into Ghana and adjusted by adding to the price other associated costs. E.g. Transportation, insurance, loading or unloading, royalties and license fees, commissions and brokerage except buying commissions:

The cost of containers which are treated as being one for customs purposes with goods in question; and the cost of packaging whether for labour or materials.

Where the transaction value cannot be obtained, the following may be considered:

- i. the transportation value of similar goods sold for export into Ghana and exported at or about the same time as the goods being valued;
- ii. where the imported or identical or similar imported goods are sold in the country in the condition as imported, the unit price at which the goods are sold;
- iii. computed value i.e. cost or value of materials etc employed in producing the imported goods plus an amount of profit and expenses associated with producing such goods;
- iv. where there is no other means of determining the transaction value, the commissioner's value or 'fall back' system is applied.

(b)

Goods and services that are exempt are not subject to tax because VAT is not charged on the sale of exempt supplies. This implies that no credit may be allowed to any business making exempt

sales for the VAT paid on purchases or expenses. The business can however recover these input taxes by including it in the cost of production and distribution.

Examples:-

- i. Animals, livestock and poultry;
- ii. Goods for the disabled;
- iii. Educational items/ services;
- iv. Medical supplies, services and pharmaceuticals;
- v. Transportation;
- vi. Agricultural inputs;
- vii. Fishing equipment;
- viii. Water;
- ix. Electricity
- x. Printed matter
- xi. Crude oil hydrocarbon products;
- xii. Postal services;
- xiii. Machinery (specified);
- xiv. Transfer of going concern; etc

**QUESTION 5**

Year of Assessment..... 2007  
 Basis Period (1/10/2007-31/12/2007)

	GHS	GHS
Salary (3/12 x 72,000)		18,000
Expatriate Allowance		6,000
Risk Allowance		3,000
Professional Allowance		<u>3,000</u>
		30,000
<b>Benefits:</b>		
Accommodation	-	
Vehicle	1,050	
Cook	1,200	
Househelp	<u>1,200</u>	<u>3,450</u>
<b>CHARGEABLE INCOME</b>		<u><u>33,450</u></u>

Year of Assessment.....2008

Basis Period (1/1/2008-31/12/2008)

	GHS	GHS
Salary		72,000
Expatriate Allowance		24,000
Risk Allowance		12,000
Professional Allowance		<u>12,000</u>
		120,000
Benefits :		
Accommodation	-	
Vehicle	4,200	
Cook	4,800	
Househelp	<u>4,800</u>	<u>13,800</u>
<b>CHARGEABLE INCOME</b>		<u><b>133,800</b></u>

Comments:-

- i. In the year 2007, Jones Hardle will be assessed using the non-resident rates of tax.
- ii. He will not be taxed on the salaries of the watchman and garden boy since they are protecting the property of the employer.
- iii. Accommodation element is not applicable since Jones Hardle is staying at the farm.
- iv. Profits from the experimental farm are exempt from tax since it is a farming enterprise in its first year.