

QUESTION 1

(a) **Realization**

A person who owns a chargeable asset is treated as realizing the assets where:-
That person parts with ownership of the assets including where the asset is:

- a. sold, exchanged surrendered or distributed by the owner of the asset, or redeemed, destroyed or lost;
- b. that person begins to use the asset in such a way that it ceases to be a chargeable assets; or
- c. that person is a resident who becomes a non-resident but only with respect to chargeable assets wherever situated.

Note:-

A realization does not include:-

- a. realization by way of gift.
- b. realization involving the disposal of shares in the course of the liquidation of a company.

(b) **Consideration Received - under Capital Gains Tax**

This refers to:

- i. the sum of all amounts received or receivable by a person or an associate in respect of the realization;
- ii. an amount equal to the market value if the chargeable asset is transferred to an associate or in a non-arm's length transactions;
- iii. an amount equal to the market value where a resident person becomes a non-resident.

Where a chargeable asset and one or more other assets are realized in a single transaction and the consideration received for each asset is not specified the total consideration received from the realization is apportioned among the assets in proportion to their market values at the time of transaction.

(c) **Deregistration:-**

Where the commissioner is satisfied that the registered person no longer exists, that person's registration shall be cancelled. A taxable person who ceases business shall apply in writing to the Commissioner for his registration to be cancelled.

In such an event, the taxable person will be required to furnish a return showing details in all materials and other goods in stocks and their value. The taxes due on such goods must then be paid before that person's registration can be cancelled.

(d) Zero-Rated Supply

This refers to the supply of goods and services whose output tax shall be zero. This means that the rate of VAT is 0%.

These supplies are:-

- i. Export of taxable goods and services.
- ii. Goods shipped as stores on vessels and aircraft leaving Ghana.
- iii. Locally manufactured textbooks and exercise books.
- iv. Locally manufactured agricultural machinery and other agricultural implements or tools.

QUESTION 2.

	GHS	GHS
Salary		21,600
Responsibility Allowance		6,000
Overseers Allowance		8,400
Inconvenience Allowance		6,000
Child Education Allowance		<u>1,000</u>
Total Cash Allowance		43,000
 Add		
Rent Element	4,300	
Car Element	<u>3,500</u>	<u>7,800</u>
		50,800
Less Social Security		<u>1,080</u>
		49,720
 Less Reliefs:		
Wife	35	
Children's Education	48	
Aged Mother	<u>25</u>	<u>(108)</u>
		49,612
 Rent:		
Gross	6,000	
Less: 30 % standard Allowance	1,800	4,200
TOTAL CHARGEABLE INCOME		<u><u>53,812</u></u>

- i. Mr. Obimpeh's income has its source in Ghana. He is employed by Data Line Limited in Ghana and paid by the company. He is therefore taxable in Ghana.
- ii. There will no relief for his insurance since it is paid in foreign currency.

QUESTION 3

	GHS	GHS
Net profit as per accounts		22,300
Add Back :		
Salaries and Allowances (Partners)	30,200	
Income Tax	1,600	
Sundry Expenses	700	
Depreciation	<u>2,300</u>	<u>34,800</u>
Adjusted Profit		57,100
Less :		
Capital Allowance		<u>(38,200)</u>
Chargeable Income		<u>18,900</u>
Distribution of Profits:		
	Felix	Julius
Salaries and allowances (1/5/08-31/12/08)	12,600	6,300
Share of Profits		

QUESTION 4

**COMPUTATION OF CHARGEABLE INCOME FOR 2008 ASSESSMENT YEAR
(1/3/08-31/12/2008)**

	GHS	GHS
Net profit per accounts		448,500
Less : Dividends	60,000	
Rent Income	180,000	240,000
		208,500
Add:		
Depreciation	118,000	
Iron gate	1,600	
New Terrazzo	18,000	
Sundry (Subscriptions and Donations)	400	
Formation expenses	2,800	
Acquisition of land	3,600	
Sundry expenses	22,000	166,400
Adjusted Profit		374,000
Less; Capital Allowance		57,500
Chargeable Income		316,250

COMMENTS;

Rent Income is subjected to a final withholding tax of 8% whereas Dividend is also subject to a final withholding tax of 8% hence their exclusion.

Capital Allowance Computation

Assessment Year	Class 1	Class 2	Class 4	Class 5	Total
2008 (10 months)	40%	30%	20%	10%	
Cost	15,000	160,000	30,000	93,000	
Capital allowance	5,000	40,000	5,000	7,750	57,750
Carried Forward	10,000	120,000	25,000	7,750	-

QUESTION 5

(a)

	GHS
Staff of Abola Hotel	500
Manager, Abola Hotel	100
Brother-in-law	<u>100</u>
	700
Less exempt amount	<u>50</u>
Chargeable Gift	<u>650</u>

Tax at 5 % = GHS 32.50

Comments:

- i. The gifts amounting to GHS 780 received as a waiter at Abola Hotel will not be subject to gifts tax. The amount of GHS 780 will be assessed as part of his earnings from his employment at Abola Hotel.
- ii. The gift from his uncle is exempt gift from tax.

QUESTION 5. (B)

	GHS	GHS
Sum Realized (Building)		50,000
Less ; Cost Base	NIL	
5% of 50,000 (Auctioneer)	<u>2,500</u>	<u>2,500</u>
Chargeable Gain		47,500
Less ; Exempt amount		<u>50</u>
Chargeable Gain		<u>47,450</u>

Tax at 5 % = GHS2, 372.50

Comments:-

- i. Since Mr. Mireku inherited the property, there is no cost base.
- ii. The trading stock is not a chargeable asset.
- iii. The pick-up is also not a chargeable asset because it falls under class 2 assets.
- iv. The household furniture and equipment are also not chargeable.