

ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PREPARING TAX COMPUTATIONS AND RETURNS PAPER FOR MARCH
2021 DIET
QUESTIONS AND MARKING SCHEME

Time Allowed: 3 Hours

SECTION A: PART 1 MULTIPLE-CHOICE QUESTIONS (30 MARKS)

ATTEMPT ALL QUESTIONS

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions/statements

1. Partnership subject to tax in Ghana when the income is
 - A. A final withholding tax
 - B. Made monthly
 - C. Made quarterly
 - D. Made annually
 - E. Ad-hoc

2. Employees are required to file their annual tax return within..... month(s) after the end of the year.
 - A. One
 - B. Two
 - C. Three
 - D. Four
 - E. Five

3. Withholding tax levied on Value.
 - A. Net
 - B. Gross
 - C. Weighted average
 - D. Simple average
 - E. Inflation adjusted

4. Which of the following is casual workers subject to?
- A. Final withholding tax
 - B. Pay As You Earn Tax
 - C. Corporate Tax
 - D. Personal income tax
 - E. Withholding tax on account
5. A tax regime that allows the tax payer to make a determination of their chargeable income and the tax payable is referred to as
- A. Assessment tax
 - B. Provisional assessment
 - C. Final assessment
 - D. Self-assessment
 - E. Administrative assessment
6. The permissible margin of error allowable in a self-assessment regime is
- A. 5%
 - B. 10%
 - C. 15%
 - D. 20%
 - E. 25%
7. A taxpayer who suffers a withholding tax shall be issued with
- A. Tax Clearance Certificate
 - B. Tax Credit Certificate
 - C. Tax Certificate
 - D. Credit Note
 - E. Debit Note
8. Which body is responsible for the imposition of tax in Ghana?
- A. Ministry of finance
 - B. Ghana Revenue Authority
 - C. The Board of GRA
 - D. Body of Law
 - E. Parliament

9. At what rate are exports of goods taxed under value added tax system?
- A. 0%
 - B. 2.5%
 - C. 5%
 - D. 12.5%
 - E. 17.5%
10. What is the rate of stamp duty payable on capital of a corporate body registered at the Registrar General's Department?
- A. 0.2%
 - B. 0.3%
 - C. 0.4%
 - D. 0.5%
 - E. 0.6%
11. Kwame Amoh who is unemployed and does **NOT** run a business either got GH¢10,000 as a gift for 2020 year of assessment. How much tax is payable on the gift?
- A. 1,292.50
 - B. 1,400.00
 - C. 1,492.50
 - D. 1,500.00
 - E. 1,592.50
12. Which of the following economic activities shall **NOT** be allowed to carry over its losses for five years?
- A. Farming
 - B. Agro-processing
 - C. Manufacturing
 - D. Energy and power
 - E. Commerce
13. What is the rate of capital allowance in respect of Pool 1 of depreciable assets?
- A. 10%
 - B. 20%
 - C. 30%
 - D. 40%

- E. 50%
14. Which of the following may approve a change in the accounting year of a corporate entity?
- A. Commissioner-General
 - B. Registrar General
 - C. Minister of Finance
 - D. Attorney General
 - E. Speaker of Parliament
15. Value Added Tax collected in a particular month shall be paid to Ghana Revenue Authority (GRA) on or before of the following month.
- A. 1st
 - B. 15th
 - C. 30th
 - D. The last day
 - E. 1st day
16. Direct taxes are required to be computed on
- A. Profit
 - B. Capital
 - C. Debt
 - D. Loss
 - E. Unearned income
17. Additional assessment may come about as a result of
- A. Audit
 - B. Request by GIZ
 - C. Request by Competitors
 - D. Request by Parliament
 - E. Request by World Bank
18. The Commissioner-General's directive or guidance to a taxpayer at the request of that taxpayer is referred to as
- A. Practice Notes
 - B. Private Ruling
 - C. Class Rulings

- D. Guidance notes
 - E. Directive
19. An objection to a tax decision of the Commissioner-General must be done within the period **NOT** exceeding..... days.
- A. 20
 - B. 30
 - C. 40
 - D. 50
 - E. 60
20. As per the current arrangement, how many Commissioners provide support to the Commissioner-General of the Ghana Revenue Authority?
- A. 2
 - B. 3
 - C. 4
 - D. 5
 - E. 6
21. Which of the following is **NOT** an example of indirect tax?
- A. Export duty
 - B. Import duty
 - C. Excise duty
 - D. Value added tax
 - E. Pay As You Earn
22. Free zone enterprises are granted exemption for a period **NOT** exceeding?
- A. 5 years
 - B. First 10 years
 - C. 10 years
 - D. First 15 years
 - E. 15 years
23. Gains from realisation of capital asset may be taxed at the rate of
- A. 5%
 - B. 10%

- C. 15%
 - D. 20%
 - E. 25%
24. Vehicles for capital allowance purposes which are not commercial vehicles are restricted to an amount of
- A. GH¢60,000
 - B. GH¢65,000
 - C. GH¢70,000
 - D. GH¢75,000
 - E. GH¢80,000
25. Which of the following does **NOT** fall under the remit of direct taxes?
- A. Pay As You Earn
 - B. Stamp Duty
 - C. Vehicle Income Tax
 - D. Stamp Duty
 - E. Excise tax stamp
26. Which of the following is **NOT** granted capital allowance?
- A. Plant and machinery
 - B. Goodwill
 - C. Building
 - D. Accounting software
 - E. Furniture and fitting
27. How is capital allowance determined by a person treated by the Tax Authority for tax purpose?
- A. Income
 - B. Expense
 - C. Asset
 - D. Liability
 - E. Deferred expenditure
28. At what rate is rental of commercial property taxed?
- A. 5%
 - B. 10%
 - C. 15%

- D. 20%
- E. 25%

29. A period in reference to Government Calendar period is referred to in taxation as

- A. Year of assessment
- B. Basis Period
- C. Accounting Year
- D. Tax Period
- E. Back Duty Period

30. An annual tax return by a taxpayer is submitted to GRA not later than month(s).

- A. 1
- B. 2
- C. 3
- D. 4
- E. 5

SECTION A: PART II ATTEMPT ALL QUESTIONS (20 MARKS)

SHORT ANSWER QUESTIONS

Write the correct answer that best completes each of the following questions/statements

1. Persons that do not meet the threshold for value added tax registration may be registered underregistration
2. Refusal by a person to register and pay taxes constitutes tax
3. An allowance that is granted to a person that acquires a depreciable asset is called.....
4. Value added tax is a tax on expenditure
5. A payment in respect of supplies for which a tax is taken upfront is
6. A withholding tax on dividend unless it is exempt shall be imposed at the rate of.....
7. Misrepresenting facts to pay less tax or not pay tax at all is
8. The impact and incidence of direct taxes fall on theearner

Use the following data to answer questions 9 to 11

The following relates to the records of Apanaway Limited, a resident manufacturer for the month of June 2020:

Goods Invoiced to Bigey enterprise, a wholesaler amounting to GH¢25,000,000

9. The value of VAT is
10. The value of National Health Insurance Levy (NHIL) is
11. The value payable to GRA by way of GET/fund is
12. Frank Genesis has been engaged as a part time teacher. His allowance after tax is GH¢12,000. How much is the tax amount?
13. The tax rate in respect of services rendered by a resident person to another resident person is

14. The penalty for a tax return that is 10 days late in submission is...
15. Kwame Luke intends to establish a grass cutter business. What is the tax payable, if any, for the first 5 years of operation?
16. A provision for bad and doubtful debt is an allowable deduction.
TRUE OR FALSE
17. To use knowledge and understanding of the tax to reduce a person's tax liability is.....
18. Gifts received from clients' of one's employment should be added to income for tax purpose
19. Disposal of land above the cost it was acquired should be treated as.....
20. The rule (test) applicable in the determination of cost to be allowable for tax purpose is.....

QUESTION 1

The following relates to January 2020 transactions:

	GH¢
Total cost of production	120,000,000
Contemplated profit margin	1,200,000

Compute the following:

- a. VAT
- b. NHIL
- c. GET/fund
- d. Withholding Tax if the goods were invoiced to ABC Company, a dealer in retail goods.

(Total 12^{1/2} Marks)

QUESTION 2

	GH¢
Profit before appropriation	2,000,000

The following were deducted in arriving at the profit before appropriation:

	GH¢
Depreciation	20,000
Refreshment	10,000
Computer acquired	110,000
Salary –Partner Abaa	10,000
Interest on loan to Partner Baah	1,000

The following relates to the partners' circumstances:

Marriage: Abaa is married while Baah is not married.

Children in Primary Schools: Abaa has one in primary school in Ghana while, Baah has two children also in primary school in Ghana

Required

Compute the taxable income to be subject to tax **(Total 12¹/₂ Marks)**

QUESTION 3

The records of Bantama Limited a resident person for tax purpose has been prepared ready for validation. Bantama Limited is into buying and selling of assorted projects. In the month of June 2020, payments made in the ledger of Bantama Limited were as follows:

	GH¢
Rental payment	100,000
Goods	200,000
Services	300,000
Works	150,000

The following information is part of the payment records above:

- (i) Rental payment is made up of the following: Commercial property 90% and residential property 10%
- (ii) Goods: 15% was in respect of common stock of the Bantama Limited and a vendor in the same business line.
- (iii) Services: resident person 20%, while non-resident with a permanent establishment is the remainder.
- (iv) Works include a payment of GH¢4,000 as dividend and interest on loan paid to individuals GH¢6,000 that lent to the company with the hope of becoming shareholders in future.

Required

- a. Compute the withholding taxes payable to Ghana Revenue Authority
(10 Marks)
 - b. What is Tax Credit Certificate
(2¹/₂ Marks)
- (Total 12¹/₂ Marks)**

QUESTION 4

- i. What is a tax return? (2¹/₂ Marks)
- ii. Explain **FIVE** purposes a tax return may seek to achieve (10 Marks)

(Total 12¹/₂ Marks)

QUESTION 5

The following is the extract of records of Pajero Limited for 2020 year of assessment:

	GH¢
(i) Written Down Value C/D-2019	20,000
(ii) Purchase of additional Computer	120,000

Additional information

Pajero Limited spent an amount of GH¢30,000 on an upgrade of some computers of Pajero Limited. Its basis period is January to December each year.

Required

- Determine the capital allowance for 2020 year of assessment
- The amount to be capitalised
- The amount to be expensed

(Total 12¹/₂ Marks)

QUESTION 6

Distinguish between “contract of service” and “contract for service”

(Total 12¹/₂ Marks)

SOLUTION TO QUESTIONS

SECTION A: PART 1

MULTIPLE-CHOICE

1. F
2. D
3. B
4. B
5. D
6. B
7. B
8. E
9. A
10. D
11. D
12. E
13. D
14. A.
15. D
16. A
17. A
18. B
19. B
20. B
21. E
22. B
23. C
24. D
25. E
26. B
27. B
28. C
29. B
30. D

SECTION A: PART II SHORT-ANSWER QUESTIONS (SAQ)

1. Voluntary
2. Tax evasion.....
3. Capital allowance.....
4. Consumption...
5. Withholding tax.....
6. 8%.....
7. Tax evasion.....
8. Income
9. GH¢2,777,777.78
10. GH¢529,100.53
11. GH¢529,100.53
12. GH¢1,333.33
13. 7.5%
14. GH¢600
15. 1%...
- 16. FALSE**
17. Tax avoidance..
18. Employment...
19. Gain from realization of capital assets.....
20. Wholly, exclusively and necessarily incurred

SECTION B

QUESTION 1

Doyen Enterprise

January 2020

	GH¢
Cost of production	120,000,000
Margin	<u>1,200,000</u>
	121,200,000
NHIL 2.5%	3,030,000
GET/FUND 2.5%	<u>3,030,000</u>
	127,260,000
VAT 12.5%	<u>15,907,500</u>
	143,167,500
Withholding tax 3%(3%*121,200,000)	<u>3,636,000</u>
Amount payable to Dolyen Enterprise	139,153,500
(Total 12¹/₂ Marks)	

QUESTION 2

Abaah and Baah

Computation of appropriation for 2020 year assessment

Basis period January 1 to December 31, 2020

	GH¢	GH¢
Profit before appropriation		2,000,000
Add non-allowable deduction		
Depreciation	20,000	
Refreshment	10,000	
Computer purchased	110,000	
Salary	10,000	
Interest	5,000	
		<u>145,000</u>
Profit for appropriation		<u>2,145,000</u>
Share of profit		
Abaah 2/5 X 2,145,000	858,000	

Baah 3/5 X 2,145,000

1,287,000

2,145,000

Computation of taxable income

	Abaah	Baah
	GH¢	GH¢
Share of appropriation	858,000	1,287,000
Salary	10,000	
Interest		5,000
	868,000	1,292,000
Less Relief:		
Marriage /Responsibility	1,200	1,200
Children Education	600	1,200
	<u>1,800</u>	<u>2,400</u>
Taxable Income	<u>866,200</u>	<u>1,289,600</u>

(Total 12½ Marks)

QUESTION 3

Bantama Ltd

Computation of Tax Payable

June 2020

		Amount	Rate	Tax	
		GH¢		GH¢	
Rental:	Commercial	90,000	15%	13,500	Final
	Residential	10,000	8%	800	Final
Goods:	Resident	34,000	3%	1,020	Not final
	Non-resident	136,000	20%	27,200	Final
	Exempt	30,000			
Works:	Works	140,000	5%	7,000	Not final
	Dividend	4,000	8%	320	Final
	Interest	6,000	1%	600	Not final

(10 Marks)

Tax Credit Certificate

It is a certificate that is issued to a withholder who has paid taxes by way of withholding taxes. It indicates the name of the withholder, the sum of the contract, the tax withheld and the rate applied and the nature of the withholding tax.

(2½ Marks)

(Total: 12½ Marks)

QUESTION 4

Tax Return

A tax return is an official document from a tax payer furnished with the Commissioner-General intended to give details about the financial activities of that person. A tax return depends on the tax type in issue. Corporate Tax Return, Pay As You Earn Tax Return, Gift Tax Return. Each tax return has its peculiarities. **(2½ Marks)**

Purpose:

- i. It shows the financial activities of the person
- ii. It enables a fair assessment of the taxpayer
- iii. It provides basis of tax refund
- iv. The basis for claiming capital allowance
- v. It provides the basis for carryover of loss
- vi. It provides the basis of deducting expense as a legitimate business expense
- vii. It provides basis for loan acquisition

A student should be able to any explain any five of the points above

(10 Marks)

(Total: 12½ Marks)

QUESTION 5

Pajero Limited

Computation of Capital Allowance

Y/A 2020

Basis Period: 1/1/2020-31/12/2020

	40%	GH¢
WDV b/d		20,000
Addition		120,000
		140,000
Capital Allowance		56,000
Written Down Value		84,000
Amount to be capitalized		
Total Amount incurred		30,000
Amount to be expensed (5%*84,000)		<u>4,200</u>
Amount to be capitalized		25,800

Pajero Limited
Computation of Capital Allowance
Y/A 2020
Basis Period: 1/1/2020-31/12/2020

40%

		GH¢
WDV b/d		20,000
Addition	120,000	
Repairs and Improvement	25,800	145,800
		165,800
Capital Allowance		<u>66,320</u>
Written Down Value		99,480
		(Total: 12¹/₂ Marks)

QUESTION 6

Both are contracts which are legal for a performance of work between persons willing to engage and person will to render service
 (2.5 Marks)

Contract of service	Contract for service
Employee and employer relationship	Principal agent relationship
Tools provided	Tools not provided
Fixed remuneration	Negotiated fees
Paid leave	No paid leave
Terms of employment defined	Terms of contract negotiated
Does not keep profit and does not suffer losses	Suffer losses and keeps profit
Works under supervision	Does not work under supervision

Any 5 points well explained should earn 2 marks each. (10 Marks)

(Total: 12¹/₂ Marks)