

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA  
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA  
PART III EXAMINATIONS - MARCH 2022**

**PREPARING TAX COMPUTATIONS AND RETURNS  
(GHANA VERSION)**

**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. Capital allowance in respect of operating lease may be granted to
  - A. Lessor
  - B. Lessee
  - C. Any applicant
  - D. Any person suffering
  - E. Lender of finance to acquire assets
  
2. Young entrepreneur aged 35 years or younger in a specified sector shall be granted exemption for a period of
  - A. 1 year
  - B. 2 years
  - C. 3 years
  - D. 4 years
  - E. 5 years
  
3. Accounting software may be categorized under which of the Pools for capital allowance?
  - A. Pool 1
  - B. Pool 2
  - C. Pool 3
  - D. Class 4
  - E. Class 5

4. An audit conducted may require additional review of tax liability through the use of
  - A. Self-assessment
  - B. Administrative assessment
  - C. Pre-emptive assessment
  - D. Adjusted assessment
  - E. Analytical assessment
5. A tax return that goes beyond the period of filing is liable to
  - A. Penalty
  - B. Interest
  - C. Additional liability
  - D. Corporate liability
  - E. Both penalty and interest
6. Mortgage interest is limited to qualified persons for how many residential premises?
  - A. One
  - B. Two
  - C. Three
  - D. Four
  - E. Five
7. Who qualifies for mortgage interest as a relief?
  - A. Individuals
  - B. Corporate entity
  - C. Trusts
  - D. Company
  - E. Corporations
8. What returns to shareholders are of a taxable nature?
  - A. Interest
  - B. Principal
  - C. Dividend
  - D. Debt interest
  - E. Equity interest

9. Resident medical doctors who perform secondary employment referred to as **LOCUM** is taxed at the rate of
- A. 5% final
  - B. 5% not final
  - C. 10% final
  - D. 10 not final
  - E. 15% final
10. What is the term given to an arrangement where taxpayers submit their chargeable income and tax payable to the Commissioner-General?
- A. Assessment
  - B. Provisional assessment
  - C. Pre-emptive assessment
  - D. Self-assessment
  - E. Administrative assessment
11. A permissible margin of error allowable in a self-assessment regime is
- A. 10%
  - B. 20%
  - C. 15%
  - D. 25%
  - E. 5%
12. Retailers and wholesalers charge VAT at the rate of
- A. 1%
  - B. 2%
  - C. 3%
  - D. 4%
  - E. 5%
13. Which of the following can claim input VAT?
- A. Retailers and wholesalers
  - B. Manufacturers and wholesalers
  - C. Manufacturers and Retailers
  - D. Manufacturers and service providers
  - E. Wholesalers and service providers

14. Value Added Tax rate is imposed on
- A. Total supplies
  - B. Taxable supplies
  - C. Taxable value
  - D. Total value
  - E. Gross value
15. Casual employees pay tax using the rate of
- A. 5%
  - B. 10%
  - C. 15%
  - D. 20%
  - E. 25%
16. Temporary employees are taxed using
- A. Discriminative tax rates
  - B. Personal Income tax rates
  - C. Individual tax rates
  - D. Corporate tax rate
  - E. Marginal tax rate
17. Trusts which are **NOT** those of incapacitated persons are taxed at the rate of
- A. Individual tax rates
  - B. Corporate tax rates
  - C. Personal income tax rate
  - D. Marginal tax rates
  - E. Discretionary tax rates
18. Trusts of incapacitated persons are taxed using
- A. Individual tax rates
  - B. Corporate tax rates
  - C. Personal income tax rates
  - D. Marginal tax rates
  - E. Discretionary tax rates

19. An employee who contributes an amount from his employment income as premium towards life assurance policy shall be
- A. Taxed on the premium as well
  - B. Exempt on the premium
  - C. Relieved on the premium
  - D. Granted tax holiday
  - E. Exempted from income tax
20. A document that contains taxpayer's information furnished with the Commissioner-General is referred to as
- A. Taxonomy
  - B. Tax returns
  - C. Tax records
  - D. Tax bible
  - E. Tax Koran
21. Which Institution is responsible for registration of Taxpayer Identification Number (TIN)?
- A. Registrar General Department
  - B. Ghana Revenue Authority
  - C. National Identification Authority
  - D. Ministry of Information
  - E. Department of Registration
22. Which of the following persons is required to develop Regulation on **Tax Acts**?
- A. Minister of Finance
  - B. Commissioner-General
  - C. Attorney General and Minister of Justice
  - D. The President
  - E. Chief of Staff
23. When a taxpayer is dissatisfied with a tax decision of the Commissioner-General, the taxpayer is required to petition through a letter of
- A. Protestation
  - B. Objection
  - C. Resentment

- D. Fiat
  - E. Verbal abuse
24. Which of the following assets are not granted capital allowance?
- A. Land and goodwill
  - B. Land and furniture
  - C. Computer and land
  - D. Building and computer software
  - E. Computer and goodwill
25. Which of the following can approve the change in accounting year?
- A. Minister of Finance
  - B. Registrar General
  - C. Commissioner-General
  - D. President-Institute of Chartered Accountants
  - E. Controller and Accountant General
26. Which of the following is responsible for imposition of taxes?
- A. Ghana Revenue Authority
  - B. Parliament of Ghana
  - C. Ministry of Finance
  - D. The Presidency
  - E. Attorney General
27. Under which of the following basis can the Commissioner-General grant tax waiver?
- A. Impossibility of collection
  - B. Show of loyalty
  - C. Business shows stress
  - D. Recommendation by President
  - E. Recommendation by Minister of Finance
28. Income that has nexus to business income is considered as?
- A. Income
  - B. Business income
  - C. Nexus income
  - D. Employment income
  - E. Investment income

29. Realisation of stocks (inventory) should be considered as profits and gains from
- A. Business
  - B. Inventory
  - C. Employment
  - D. Investment
  - E. Gains from realization of capital
30. Which of the Commissioners of the Ghana Revenue Authority is responsible for the protection of Ghana's borders?
- A. Commissioner Domestic Tax Revenue Division
  - B. Commissioner Custom Division
  - C. Commissioner Support Services Division
  - D. Commissioner Special Duties
  - E. Commissioner Staff Welfare

**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. Capital allowance is granted to persons who acquired.....assets
2. Gains from realisation of capital assets by corporate entities are considered as part of their.....income
3. Gifts received by an employee in line of duty are considered part of ..... income
4. Misrepresentations of facts to reduce tax burden is scheme of tax called .....
5. Where income is apportioned among persons to reduce the impact of tax burden is known as .....

6. With direct taxes, the impact and incidence of the tax burden fall on ..
7. When services are considered incidental to supply of goods and goods incidental to the supply of service is a perfect example of .....
8. Which categories of traders do not claim input tax?

**Use the data below to answer questions 9 to 12**

Promise Baaba received the following gifts and wants you to help with the tax computation.

Gifts Received:

	GH¢
Cash from Church Pastor	10,000
Cash from old school friends	20,000
Hamper from employment	5,000
Interest paid from a bank resident in Ghana	1,000
Dividend received from a company he is a shareholder	600

9. Describe the taxability of the gifts of a hamper
10. Calculate taxable gifts
11. Calculate the tax payable on the gifts
12. What rate of tax is applicable to individual on account of gifts?
13. Visits by GRA to ensure that the tax payer is in compliance with the tax laws is called .....
14. Input tax incurred to manufacture exempt supplies shall be .....
15. Bonus payment above 15% of basic salary shall be .....
16. Bonus payment up to 15% of basic salary shall be taxed at the rate of .
17. Exports of non-traditional products shall be taxed at the rate of .....
18. A trader that deals in both taxable and exempt is described as .....
19. Persons that do not meet the threshold for VAT registration but still want to register may apply under .....
20. What is the withholding tax implication when a rice seller buys rice from a rice dealer?



**SECTION B: ATTEMPT ANY FOUR QUESTIONS****(50 MARKS)****QUESTION 1**

The following payments relate to XX Limited for January, 2020

	<b>GH¢</b>
a. Rent -Residential	2,000,000
b. Payment of goods to a resident person	1,000,000
c. Payment in respect of works	5,000,000
d. Payment of dividend to a resident with shareholding of 25%	300,000

**Required:**

- i. What is a withholding tax? **(2½ Marks)**
- ii. Compute the withholding taxes applicable to a-d above. **(10 Marks)**

**(Total 12½ Marks)****QUESTION 2**

- a. Amar Limited is into supply of refrigerators. The following relates to its December 2020 transactions for the purpose of value added tax returns:

	<b>GH¢</b>
(i) Supplies of goods	2,000,000
(ii) Supplies of services	1,500,000
(iii) Goods excluding VAT	512,000,000
(iv) Services excluding VAT	22,000,000

**Required:**

Compute the Value Added Tax (VAT) payable for Amar Limited

**(8½ Marks)**

- b. Why is Tax Clearance Certificate an important document in Tax administration?

**(4 Marks)****(Total 12½ Marks)**

### QUESTION 3

Jojo Bobson is an employee of Lanamdam Limited. The following is the financial benefits from the employers for 2020 year of assessment in respect of Jojo Bobson.

	<b>GH¢</b>
Basic salary	20,000
Overtime allowance	10,000
Fuel and maintenance	5,000
Tips from customers	1,000
Provision from employer with market value	1,000
Clothing allowance	2,000
Part time teaching allowance	1,200

He is not married but has three (3) children. Two (2) are in school at Madina, Accra while the other child is with a brother in Tokyo, Japan schooling with wonderful examination reports. He contributes to social security.

#### **Required:**

Compute the taxable income for Jojo Bobson for the 2020 year of assessment.  
**(Total 12½ Marks)**

### QUESTION 4

The following data relates to Abaah Limited for 2019 year of assessment. The company has been in business for a very long time now.

Purchase of assets: 12 January 2017:

	<b>GH¢</b>
Computers	400,000
Furniture	100,000
Cargo Vehicles	1,200,000
Additional purchases: 1 July 2018	
Land	12,000,000
Land and building	25,000,000
Computers	600,000
4 x 4 Toyota Vehicle	700,000
1 January 2019:	
Proceeds from disposal of computers GH¢120,000	

**Required:**

Compute capital allowance for 2019 year of assessment. **(Total 12½ Marks)**

**QUESTION 5**

- a. Amar works with Abna Company Ltd and on an annual salary of GH¢200,000, He was paid a bonus of GH¢15,000.

**You are required to:**

Determine the tax on the bonus (2 Marks)

- b. State the category of persons that are allowed by the tax laws to carry over their losses for five years. (9 Marks)

- c. What does carry over of loss seek to serve? (1½ Marks)

**(Total 12½ Marks)**

**QUESTION 6**

To encourage young individuals in a certain age bracket to be self-reliant and entrepreneurial, government has put in place some measures in some identified areas. What are the key incentives that have been rolled out to support the young entrepreneur aged 35 years or below?

**(Total 12½ Marks)**

## **SOLUTION TO QUESTIONS**

### **SECTION A: PART 1 MULTIPLE –CHOICE QUESTIONS**

1. A Lessor
2. E.. 5 years
3. A.. Pool 1
4. D.. Adjusted assessment
5. A.. Penalty
6. A.. One
7. A.. Individuals
8. C.. Dividend
9. C.. 10% final
10. D.. Self-assessment
11. A.. 10%
12. C.. 3%
13. D.. Manufacturers and service providers
14. C.. Taxable value
15. A.. 5%
16. C.. Individual tax rates
17. D.. Marginal tax rates
18. A.. Individual tax rates
19. B.. Interest
20. B. Tax returns
21. B.. Ghana Revenue Authority
22. A.. Minister of Finance
23. B.. Objection
24. A.. Land and goodwill
25. C.. Commissioner-General
26. B.. Parliament of Ghana
27. A.. Impossibility of collection
28. B.. Business income
29. A.. Business
30. B.. Commissioner Custom Division

## **SECTION A: PART II ATTEMPT ALL QUESTIONS**

1. Depreciable
2. Business...
3. Employment
4. Tax evasion.....
5. Income splitting arrangement.....
6. Income earner.....
7. Mixed supplies
8. Wholesalers and retailers
9. Will be added to employment income and taxed
10. GH¢30,000
11. GH¢4,500
12. 15%
13. Compliance visit
14. Added to cost.....
15. Employment income.....
16. 5%....
17. 8%.....
18. Partially exempt trader.....
19. Taxed on the premium as well
20. Exempt

**SECTION B: ATTEMPT ANY FOUR QUESTIONS****(50 MARKS)****QUESTION 1****i)****Withholding tax**

Withholding tax is a tax deducted from a payment by a withholding agent when making a payment to a withholder. The withholding agent is required to issue a tax credit certificate to the withholder. Some withholdings are on account and others are final.

**ii)****XX Ltd-Year of Assessment 2020**

Description	Amount	Rate	Tax
	<b>GH¢</b>	<b>%</b>	<b>GH¢</b>
Rent-Resident	2,000,000	8% final	160,000
Goods	1,000,000	3% Not final	30,000
Works	5,000,000	5% Not final	250,000
Dividend	300,000	Exempt	Exempt

## QUESTION 2

a) Amar Ltd

December 2020

Supplies	amount	Calculation	VAT	NHIL	GET/Fund
			GH¢	GH¢	GH¢
Goods	2,000,000	VAT: $12.5/112.5 \times 2,000,000$  NHIL: $2.5/105 \times (2,000,000 - 222,222.22)$	222,222.22	42,328.04	42,328.04
Services	1,500,000	VAT: $12.5/112.5 \times 1,500,000$  NHIL: $2.5/105 \times (1,500,000 - 166,666.67)$	166,666.67	31,746.03	31,746.03
Goods	512,000,000	NHIL: $2.5/100 \times 512,000,000$  VAT: $12.5/100 \times 537,600,000$	67,200,000	12,800,000	12,800,000
Services	22,000,000	NHIL:	2,887,500	550,000	550,000
		<b>Tax Payable</b>	<b>70,476,388.89</b>	<b>13,424,074.07</b>	<b>134,24074.07</b>

b) Tax clearance certificate is a certificate that is issued by the Commissioner-General to certify that the taxpayer whose name is on it has paid all taxes for the current year and the previous two years or has made satisfactory arrangement acceptable to the Commissioner-General to paying same.

The tax clearance certificate serves the following purposes:

- 1)The Commissioner-General shall not permit an importer or any other person to:
  - a. Clear goods in commercial quantities, or
  - b. Clear goods meant for commercial purposes from a port or factory in the country unless the person produces a tax clearance certificate
- 2)In addition, with land registration, tax clearance certificate will be secured to ensure the following:
  - c. The registration of documents to give effect to title to land, or
  - d. A document conferring title to land
- 3)No contract of government shall be awarded without the production of tax clearance certificate by the person bidding for the contract.

### QUESTION 3

**Jojo Bobson**

**Year of Assessment 2020**

<b>Basis Period 1/1/20-31/12/20</b>	<b>GH¢</b>	<b>GH¢</b>
Basic Salary		20,000
Allowance:		
Overtime Allowance	10,000	
Fuel and Maintenance	5,000	
Tips from customers	1,000	
Clothing allowance	<u>2,000</u>	
		<u>18,000</u>
<b>Total Cash emolument</b>		<b>38,000</b>
Add non-cash benefit		
Provision		<u>1,000</u>
Qualifying employment income		38,000



**Deduct Reliefs:**

Social Sec. (5.5%*20,000)	1,100	
Responsibility Relief	1,200	
Children Edu. (600*2)	<u>1,200</u>	
		<u>3,500</u>
<b>Taxable Income</b>		<b>34,500</b>

**QUESTION 4****Abbah Ltd****Computation of Capital Allowance****Y/A 2017****BP:1/1/2017-31/12/17**

	<b>Pool 1</b>	<b>Pool 2</b>	<b>Pool 3</b>	<b>Class1</b>
	<b>40%</b>	<b>30%</b>	<b>20%</b>	<b>10%SLM</b>
	<b>GH¢</b>	<b>GH¢</b>	<b>GH¢</b>	<b>GH¢</b>
<b>Cost</b>	400,000	1,200,000	100,000	
Cap Allowance	160,000	360,000	20,000	
WDV c/d	240,000	840,000	80,000	

**Y/A 2018****BP 1/1/2018-31/12/2018**

WDV b/d	240,000	840,000	80,000	
Addition	600,000	75,000		25,000,000
	840,000	915,000	80,000	25,000,000
Capital allowance	336,000	274,500	16,000	2,500,000
WDV c/d	504,000	640,500	64,000	22,500,000

	<b>Pool 1</b>	<b>Pool 2</b>	<b>Pool 3</b>	<b>Class1</b>
	<b>40%</b>	<b>30%</b>	<b>20%</b>	<b>10%SLM</b>
	<b>GH¢</b>	<b>GH¢</b>	<b>GH¢</b>	<b>GH¢</b>
Y/A 2019				
BP: 1/1/2019-31/12/2019	504,000	640,500	64,000	22,500,000
Proceeds from disposal (120,000)				
	384,000	640,500	64,000	22,500,000
<b>Capital Allowance</b>	153,600	192,150	12,800	2,500,000
				<b>2,858,550</b>
WDV b/f	230,400	448,350	51,200	20,000,000

### QUESTION 5

- a) Annual basic salary GH¢ 200,000  
Annual bonus paid GH¢ 15,000  
Annual bonus as a percentage of annual salary  
 $15,000/200,000 = 7.5\%$   
Annual bonus paid is less than 15% of annual basic salary therefore the bonus of GH¢ 15,000 will be taxed at a concessionary rate of 5%.

Bonus tax  $15,000 \times 5\% = \text{GH¢ } 750$

- b. The following persons may carry over their loss for five (5) years

Manufacturing

Farming

Agro-processing

ICT software development

Tourism registered with Ghana Tourism Authority

Energy and power

Mining and mineral operation

Petroleum operation

c .It is to help them reduce their profits by the amount of the carry-over of loss thereby reduce the taxable income

## **QUESTION 6**

Young entrepreneur aged 35 years and younger and engage in the following business

Agro-processing

Waste processing

Farming

Energy

Manufacturing

Medicinal plant

Horticulture

Tourism and creative arts

ICT

### **Incentives:**

- i. Exemption from tax for the first 5 years
- ii. Carry over of losses for 5 years
- iii. Locational incentive:

Accra/Tema	15%
Regional capitals outside the northern regions	12.5%
Any other area outside the northern regions	10%
Northern regions	5%