

APRIL 2022 PROFESSIONAL EXAMINATIONS
PRINCIPLES OF TAXATION (PAPER 2.6)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

EXAMINER'S GENERAL COMMENTS

The number of candidates who passed the Principles of Taxation paper was 37% of the candidates who wrote the paper. This was below November 2021 of which 39% of the candidates passed. Thus, there was a dip in the performance of the candidates. The dip in performance of the candidates was surprising because the level of difficulty of the questions for this diet was below the November, 2021 diet. Candidates have been learning the principles of Taxation by focusing on past questions instead of the syllabus and the law. Questions were set to test the candidates' understanding of the principles and laws of taxation. There were general understanding of the questions and more also the questions included instructions to candidates that were specific and clear. Most of the Candidates performed excellently probably because the instructions and requirements in the questions were clear enough. Candidates are advised, however, to read and pay more attention to the tax laws and principles. This is so because the Principles of Taxation is built on general knowledge on how the tax laws and principles are to work and more significantly how the law and principles are to be explained and applied.

STANDARD OF THE PAPER

The standard of the questions was excellent for level two of the examination structure. All the questions did reflect the Principles of Taxation syllabus of which the candidates were expected to have a fair knowledge to pass. However, some questions were allocated more marks than they deserve, thus favouring some candidates who studied those areas. Notwithstanding, the questions fairly covered the entire syllabus and the expectations were that any average student who wrote the paper should be in the position to pass.

PERFORMANCE OF CANDIDATES

Generally, the performance of the candidates was *very good* and the expectations of the Examiner from the candidates were *largely* met. Questions were of good standard with respect to the level. Instructions were clear as to what the candidates were to do. Any candidate who could not pass cannot blame anyone but himself or herself for lack of preparation and understanding of the syllabus. Approximately, 37% of the candidates passed the paper and this is good enough because this is a paper meant to test students understanding on *principles*.

The reasons for the good performance could be as follows:

- Most candidates now understand and can apply the principles of taxation very well.
- The instructions in most of the questions were clear and thus unambiguous.
- Also, candidates did very well because of the question five. This question was well answered with most of the candidates scoring 18/20.
- Candidates who passed did not have much problems stating the principles in taxation. It is expected that this trend will continue.

- There is evidence that some of the candidates are having good tuition. However, some of the candidates did not show any evidence of good understanding of the basics of taxation. It could be there is still self-tuition.
- Those candidates who did not perform well do not understand the computation of capital allowance, fiscal policies, capital gains, and Value Added Tax. These areas of taxation were examined prominently and it seems most of the candidates have little knowledge on these issues.

NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES

It is evident that most of the candidates had excellent understanding of the syllabus and the subject. This was demonstrated in the answering of the questions. Candidates have been learning only certain parts of the syllabus. This was evident with some candidates scoring high marks in certain question and almost nothing in other questions.

It is also clear that most of the candidates received very good tuition on the subject. Most of the answers provided were very good. Lecturers should pay attention to the law and the basic principles of taxation. It seems some Lecturers do not follow the changes in the law.

The manner most of the candidates presented their answers was very good. This makes the marking and scoring not so difficult. Candidates should pay attention to presentation style going forward.

Most of the candidates had excellent handwriting. This makes marking easy and facilitates understanding of candidates.

The understanding of the topics in the syllabus was good. Most of the candidates had an excellent understanding of the topics in the syllabus. Even those who could not pass, had fairly good marks, ranging between 30%-40%.

It seems some of the candidates did not pay attention to certain topics. Probably, thinking those topics were not so important. Such topics are: Ghana National Pension Scheme, Tax Administration, capital allowances, and Value-Added Taxation. If candidates had given more attention to these topics, the pass rate would have been more than 50%.

This paper is meant to build students' understanding of Taxation before they take up the Advanced Taxation at the final level. It is therefore, expected that candidates will learn everything and not to pick and choose what they want to learn. Tuition providers should also pay equal attention to all the topics and not to ignore some considered to be minor and unimportant.

QUESTION ONE

- a) Explain the taxation principles of the following:
- i) Resident individual, and
 - ii) Non-resident person **(5 marks)**
- b) The development agenda of a developing country like Ghana can only be brought to reality through the availability of funds. The two (2) main sources of government revenue are taxation and debt. In spite of the fact that taxation remains the most reliable source of government revenue for government plans, projects and programmes, it is said to be limited in its role and function in the economy.

Required:

Justify the use of public debt as an alternative to taxation. **(5 marks)**

- c) You have been offered an appointment by Bumu Manufacturing Company (BMC) as Tax Manager responsible for preparing and filing tax returns on behalf of the company. BMC files its returns with the Osu Medium Taxpayers Office of the Ghana Revenue Authority. The company's Tax Identification Number is C0000261178. The company prepares account to 31 December each year.

BMC estimated its chargeable income for 2019 year of assessment as GH¢3,000,000. Subsequently, the company secured a Government contract and anticipates in the third (3rd) quarter that its chargeable income would be GH¢4,500,000.

Additional Information:

Tax paid on account:	GH¢
1 st quarter	100,000
2 nd quarter	120,000
3 rd quarter	200,000

Required:

Compute the taxes payable for BMC for each quarter. **(10 marks)**

(Total: 20 marks)

QUESTION TWO

- a) Meeting the threshold is a requirement for VAT registration. Others may come under voluntary registration. However, certain activities must be registered despite the above rules.

Required:

Describe activities under VAT, which do not require meeting the threshold rule before registration is done. **(9 marks)**

- b) What constitutes supply of services under the VAT Act 870 (Act 2013)? **(4 marks)**
- c) What is Compulsory Registration under the types of VAT registration? **(2 marks)**

d) Mrs. Akoto has been engaged by Madane Ltd as the Marketing manager for 30 years on an annual salary of GH¢ 20,000.

The following information relates to Mrs. Akoto:

- i) Throughout her working life, she earned her best salaries from Madane Ltd.
- ii) She has 408 months' contribution to her credit.
- iii) She retired on 31 March, 2020 at the age of 60.

Required:

Compute her monthly pension entitlement.

(5 marks)

(Total: 20 marks)

QUESTION THREE

a) Explain the *tax treatment* for Overtime Allowance Payment and Bonus Payment.

(6 marks)

b) Maame Agyeiwaa is a junior staff member of KayDee Ltd. Her monthly basic salary is GH¢800. She was paid an overtime allowance totalling GH¢100 during the month of January, 2021. In the month of February, 2021, Maame Agyeiwaa was paid overtime allowance totalling GH¢500.

Required:

i) Compute her tax liability on the overtime allowance for the month of January, 2021.

(2 marks)

ii) Compute her tax liability on the overtime allowance payments for the month of February, 2021.

(3 marks)

c) Bawa is a junior staff member of Blinks Ltd. Her monthly basic salary is GH¢2,000. She was paid an overtime allowance totalling GH¢500 during the month of February, 2021.

Required:

What is the tax implication of the overtime allowance paid?

(3 marks)

d) Eunice Danso works with Gyidi Ltd and earn an annual basic salary of GH¢50,000. She was paid a bonus of GH¢6,000 in 2021.

Required:

Determine the tax liability on the bonus.

(3 marks)

e) Bisa works with Kaydei Ltd and earn an annual basic salary of GH¢140,000. He was paid a bonus of GH¢45,000 in 2021.

Required:

Determine the tax liability on the bonus.

(3 marks)

(Total: 20 marks)

QUESTION FOUR

The following extract relates to the financial data of Therry Ltd, a company resident in Ghana with a basis period from January to December each year. Therry Ltd has submitted its tax returns to GRA for the 2020 year of assessment.

	Notes	GH¢	GH¢
Sales			30,060,000
Cost of sales			<u>(23,250,600)</u>
Gross Profit			6,809,400
Other Income			<u>240,000</u>
			7,049,400
Less Expenses			
Administrative, selling and Distribution (x & xi)		310,000	
Depreciation		2,440,000	
Staff Costs		220,000	
Advertisement & Publicity		60,500	
Directors Fees		250,000	
Repairs and Improvement of Equipment (iii)		200,000	
Donations (ii)		200,000	
Penalty and fines		50,000	
Interest charges (i)		895,500	
Subscriptions – newspapers		<u>1,780</u>	
			<u>(4,627,780)</u>
Net profit			<u>2,421,620</u>
Tax charged @ 25%			605,405

The following additional information is available to you:

- i) **Interest Charges:**
- | | GH¢ |
|--|-----------------------|
| Interest on Loan for MD's personal housing project | 500,000 |
| Foreign exchange loss on loan | 320,500 |
| Bank charges | <u>75,000</u> |
| | <u>895,500</u> |
- ii) **Donations:**
- | | GH¢ |
|---|-----------------------|
| Osu Children Home | 10,000 |
| Pastor (Azigi Church) | 30,000 |
| Labone Senior High School | 20,000 |
| National Disaster Management Organisation | 50,000 |
| Political Parties Fund Raising | <u>90,000</u> |
| | <u>200,000</u> |
- iii) An amount of GH¢200,000 disclosed in the accounts was paid for repairs and improvements of an old machine bought three years ago. It is hoped that the performance of the machine will be enhanced after the improvements.
- iv) Creditors of the company agreed to cancel an amount of GH¢120,000 standing as part of the credit balance as incentive to the company. This has not been taken into account by the company in its tax returns to GRA.

- v) An amount of GH¢300,000 being cost price of goods were issued to a related party outside Ghana at cost. The margin on the goods waived was sighted as GH¢40,000 in a correspondence with the related party.
- vi) Tax paid on account was GH¢20,000.
- vii) The company booked capital allowance unutilised certified by GRA from 2019 year of assessment as GH¢300,000.
- viii) Capital allowance agreed with GRA after taking into account all relevant issues was GH¢1,050,000 for 2020 year of assessment.
- ix) The machine (Pool 3 asset) had a written down value of GH¢4,000,000 as at 1 January, 2020.
- x) An allowable bad debt included in the selling and distribution expenses for 2019 amounted to GH¢100,000. The company recovered the amount in 2020 but no transaction was recorded in 2020.
- xi) Therry Ltd disposed off one of its capital assets for GH¢250,000 to the Managing Director. It cost the company GH¢300,000 to acquire the asset some years ago. An investigation revealed that the market value of the asset at the time of the sale was GH¢350,000. The company has already included the loss of the sale of the asset in administration expenses.

Required:

Determine the tax payable for 2020 year of assessment.

(Total:20 marks)

QUESTION FIVE

- a) Although the scope of withholding tax covers employment, business and investment income, not every income is subject to withholding tax in accordance with Income Tax Act, 2015 (Act 896) as amended.

Required:

Explain **FOUR (4)** of these withholding tax exemptions.

(10 marks)

- b) A gain made by a person from the *realisation of an asset* is the total amount of consideration received for the sale of the asset less the cost of the asset at the time of realisation.

Required:

When is an asset realised?

(5 marks)

- c) Gift means a receipt without consideration or for inadequate consideration.

Required:

Explain how an individual who receives a gift in relation to employment, business, investment or otherwise will be taxed.

(5 marks)

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a)

Resident Individual

Resident individual is a tax on global income or world-wide income. It does not matter whether the income is brought into the country or not. This is based on integrity and exchange of information instrument.

(2.5 marks)

Non-resident person

Is taxed on income accrued in Ghana and derived from Ghana that is income that has a source in Ghana. Income brought into or received in Ghana is not taxed in Ghana.

(2.5 marks)

b) The following are the arguments in favour of the use of public debt as an alternative to taxation:

- Public debt enables government to facilitate growth take-offs by investing in a critical mass of infrastructural projects and social sectors of the economy where taxation capacity may be limited. Public Debt for financing fruitful investment produces supplementary, creative capability in the financial system which or else would not have been achieved.
- Tax becomes a disincentive after a certain point. Taxation beyond a certain limit tends to affect economic activity adversely owing to its disincentive effect. It does not have any unfavourable repercussions on economic activity by being disincentive, partly because of its voluntary nature and partly because of expectation of expectation of return and repayment.
- Public debt supports tax smoothing. Public debt facilitates tax smoothing and counter-cyclical fiscal policies, essential for reducing output volatility.
- Helps align cost with benefits. It permits an equitable alignment of benefits and costs for long-gestation projects by shifting taxation away from current generations.
- When debt is applied well, it improves the standard of living Public debt can improve the standard of living of the citizenry of a country whilst Taxation increase the cost of living of citizens. This is because public debt allows the government to build new roads and bridges, improve education and job training and provide pensions. This enables citizens to spend more now, instead of saving for retirement, which further boosting economic growth.
- Public debt attracts foreign investments. Public debt is a safe way for foreigners to invest in a country's growth by buying government bonds. This is much safer than foreign direct investment. For example, about 95% of the \$2.5billion bond issued by government of Ghana in 2017 was subscribed by foreigners.
- In emergency situations. When Ghana first recorded the two (2) COVID 19 cases, we immediately applied for a loan to combat the COVID pandemic. The World Bank provided \$100 million to Ghana to assist the country in tackling the COVID-

19 pandemic. This \$100 million was made available to the government and the people of Ghana as short, medium and long-term support.

(Any 5 points @ 1 mark each = 5 marks)

c) Taxes payable for BMC for each quarter

$$\text{Instalment Payments} = \frac{A - B}{C}$$

Where

A = Tax payable (Annual tax payable), B = All withholding up to the end of the respective quarter + any other taxes paid in respect of that annual tax payable, C = the number quarters remaining

1st Instalment

$$A = 25\% \times \text{GH}\text{c}3,000,000 = \text{GH}\text{c}750,000$$

$$B = 100,000$$

$$C = 4$$

$$\text{Instalment payment} = (750,000 - 100,000)/4 = \text{GH}\text{c}162,500$$

2nd Instalment

$$A = \text{GH}\text{c}750,000$$

$$B = 100,000 + 120,000 + 162,500 = 382,500$$

$$C = 3$$

$$\text{Instalment payment} = (750,000 - 382,500)/3 = \text{GH}\text{c}122,500$$

3rd Instalment

$$A = 25\% \times \text{GH}\text{c}4,500,000 = 1,125,000$$

$$B = 100,000 + 162,500 + 120,000 + 122,500 + 200,000 = 705,000$$

$$C = 2$$

$$\text{Instalment payment} = (1,125,000 - 705,000)/2 = \text{GH}\text{c}210,000$$

4th Instalment

$$A = \text{GH}\text{c}1,125,000$$

$$B = 705,000 + 210,000 = 915,000$$

$$C = 1$$

$$\text{Instalment payment} = (1,125,000 - 915,000)/1 = \text{GH}\text{c}210,000$$

(Marks are evenly spread = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question one assessed candidates on The Ghanaian Tax Systems, Fiscal Policy and Tax Administration. Candidates were examined on topics such as: residents and non-residents, the use of public debt as an alternative to taxation, computation of taxes by instalment. These questions were supposed to be familiar to candidates. The marks allocated were also fair for the efforts needed to answer the questions.

QUESTION TWO

- a) Despite Threshold Rule - Section 11 of the VAT ACT, 2013 (ACT 870), the following are exceptions to the threshold rules regarding registration of persons for VAT:
- **A National, Regional, Local or other Authority or Body:** which carries on any taxable activity shall apply for registration within thirty days after the date the national, regional, local or other authority or body commences a taxable activity.
 - **An Auctioneer:** An auctioneer shall apply for registration within thirty days after the date on which that person becomes an auctioneer or
 - **A Promoter of public entertainment:** A promoter of public entertainment, shall apply for registration at least 48 hours before the commencement of the public entertainment if, within any period of twelve or less months that includes the date of the public entertainment to which the application relates, the total value of taxable supplies of the promoter or the licensee or proprietor is reasonably expected to exceed ten thousand cedis.

(9 marks)

b) Supply of Service

This means any supply which is not a supply of goods or money and in the nature of and includes the following:

- The performance of services for another person;
- The making available of a facility or advantage; or
- Tolerating a situation or refraining from doing an activity.

(4 marks)

c) Compulsory Registration

A person who is required to register or has met all the registration requirements but fails to apply for registration, shall be registered compulsorily by the Commissioner General. This is an enforcement measure by the Commissioner-General.

(2 marks)

d) Computation of Mrs. Akoto monthly pension entitlement:

Best 36 months (3 years) average salary * Pension right

Determination of best 3 years average salary:

Best 3 years average salary => $(20,000 \times 3) / 3 = 20,000$

Determination of pension right:

$$37.5\% + (408 \text{ months} - 180 \text{ months}) * 0.09375 = 58.88\%$$

$$\text{Annual pension entitlement} = 20,000 * 58.88\% = 11,776$$

$$\begin{aligned} \text{Monthly pension entitlement} &= 11,776 / 12 \\ &= \text{GH¢ } 981.33 \end{aligned}$$

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question two examined candidates on Value Added Tax. The questions were straightforward dealing with basic principles governing VAT. Consistently for the past sittings, the candidates' performance has been poor, probably because most of the candidates have not grasped the laws and principles governing the VAT withholding mechanisms.

QUESTION THREE**a) Overtime**

Where an employer makes a payment for overtime work to a qualifying junior employee during a year of assessment, and the payment is up to 50% of the basic salary of the employee for the month, the employer is required to withhold tax at the rate of 5% from the payment. Any excess above the 50% is taxed at 10%.

A junior employee is the one whose annual salary does not exceed eighteen thousand currency points (GH¢18,000.00).

(3 marks)

Bonus Payment

Where an employer pays a bonus to an employee during a year of assessment and the sum of the payment during the year:

1. Does not exceed 15% of the annual basic salary of the employee, the employer is required withhold tax from the gross amount of the payment at the rate of 5%
2. Exceeds 15% of the annual basic salary of the employee, the employer shall:
 - a. add any excess above the 15% payments to the employment income of the employee for the year, and
 - b. withhold tax from the payment in accordance with the income tax rates for resident individuals (i.e. the graduated rates)

Tax withheld under overtime and bonus is a final tax on the overtime or bonus payment and the payment shall not be included in calculating income derived by the employee from that employment.

Where an employer makes a payment for overtime to an employee who is not a qualifying junior employee, the payment would be included in calculating the income of that employee from the employment and taxed at the graduated rates. (3 marks)

b) Maame Agyeiwaa

i) % of overtime to basic salary

$$100/800 \times 100 = 12.5\%$$

This does not exceed 50% of basic salary.

$$\text{Tax payable: } 5\% \times \text{GH}\text{c}100 = \text{Gh}\text{c}5.00$$

(2 marks)

ii) % of overtime to basic salary

$$500/800 \times 100 = 62.50\%$$

Tax payable:		GHc
50% x GHc800 =	GHc400 x 5%	20.00
Excess 500 – 400 =	GHc100 x 10%	<u>10.00</u>
		<u>30.00</u>

(3 marks)

c) Bawa

Although Bawa is a junior staff member, she is not a qualifying junior staff because her monthly basis salary is GHc2,000 which exceeds the maximum unit of $\text{GH}\text{c}18,000/2 = \text{GH}\text{c}1,500$. Therefore, her entire amount of overtime payment made shall be considered as part of the taxable income.

	GHc
Basic Salary	2,000
Overtime allowance	<u>500</u>
	<u>2,500</u>

The entire amount of GHc2,500 would be taxed as graduated rates. (3 marks)

d) Eunice Danso

Bonus as a percentage of basic salary

$$= \frac{6,000}{50,000} \times 100 = \underline{12\%}$$

The annual bonus paid is less than 15% of annual basic salary therefore the bonus of GHc6,000 will be taxed at 5%.

$$\text{Tax on Bonus } 5\% \times 6,000 = \text{GH}\text{c}300.00 \quad (3 \text{ marks})$$

e) Bisa

Bonus as a percentage of basic salary

$$= \frac{45,000}{140,000} \times 100 = 32.14\%$$

Bonus is more than 15% of annual basic salary therefore part of the bonus will be taxed at 5% and the excess will be taxed at graduated rate.

Tax on Bonus:			
15% x GH¢140,000	=	GH¢ 21,000 x 5%	= GH¢ 1,050.00
Total Bonus		<u>45,000</u>	
Added to other income		<u>24,000</u>	(3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question three tested candidates understanding on Taxation of Individuals and specifically on employment income. The details given to the candidates were very clear and any average candidate should be in the position to provide good answers to the questions. The marks were fairly allocated to the questions.

QUESTION FOUR

Therry Ltd

Determination of tax payable for the 2020-year of assessment

Basis period: 01/01/2020 to 31/12/2020

	GH¢	GH¢
Net profit per account		2,421,620
Add:		
Depreciation	2,440,000	
Penalty and fines	50,000	
Donations (30,000 + 90,000)	120,000	
Repairs and improvement	40,000	
Loan interest (MD's House)	500,000	
Other income (creditors)	120,000	
Undisclosed income	40,000	
Bad debts recovered	100,000	
Loss on realisation	50,000	
Gains on realisation	<u>50,000</u>	<u>3,510,000</u>
		5,931,620
Less capital allowance		<u>(1,050,000)</u>
Chargeable income		<u>4,881,620</u>
Tax charged 25%		1,220,405
Less tax paid		<u>(20,000)</u>
Tax payable		<u>1,200,405</u>

Working: repair and improvements

Pool 3

Written down value at 01/01/2020	4,000,000
Depreciation allowance 20%	<u>800,000</u>
Written down value at 31/12/2020	<u>3,200,000</u>

Total repair and improvement cost	200,000
Allowable repair and improvement (5% x 3,200,000)	<u>160,000</u>
Excess to be capitalised or excess disallowed as expense	<u>40,000</u>

Gains or loss on realisation of asset

Consideration received	350,000
Cost of asset	<u>300,000</u>
Gain on realisation added to income	<u>50,000</u>

(Total: 20 marks)

EXAMINER'S COMMENTS

Question four examined the principles and computation of chargeable income of a company. Candidates are expected to have a fair idea on all the principles governing the computation of chargeable income (that is examination of accounts of single companies). The question was meant to test candidates understanding on how to identify transactions that are allowable and those not allowed. Most candidates were able to provide excellent answers and thus earned excellent marks. Some of the candidates were confused with few of the items and lost precious marks. Most candidates ended up scoring low marks as a result of poor presentation of the solution. Majority of the candidates had no idea of how to treat repairs and improvement. This is an area of the syllabus that candidates can easily earn marks if they learn them very well.

QUESTION FIVE

- a) The scope of withholding tax covers employment, business and investment income and as such a resident person is required to withhold tax at a specified rate in accordance with Act 896 when making payment to another person which has a source in Ghana. However, not every income from employment, business and investment is subject to withholding tax.

The following payments are exempted from withholding tax:

- Premium paid to a resident insurance company.
- Payment for sale of goods which constitute trading stock of both the vendor and the purchaser.
- The interest or dividend paid or credited to a holder or member on the investment in an approved unit trust scheme or mutual fund.
- Interest paid to a resident financial institution.
- Payments made to persons specifically exempted from tax
- Income or activity exempted from tax.
- Payments which have been granted exemption from withholding tax by the Commissioner-General.

- Dividend paid by a resident company to another resident company which controls directly or indirectly at least 25% of the voting power in the company paying the dividend. It does not include redeemable shares.
- Cumulative contract sums of supply of goods, service and works not exceeding GH¢ 2,000.

(Any 4 points @ 2.5 marks each = 10 marks)

b) A person who owns an asset realises the asset:

- If that person parts with the ownership of that asset, including when that asset is sold, exchanged, transferred, distributed, redeemed, destroyed, lost, expired or surrendered
- Where the person who owns the asset dies, the assets are said to have been realised immediately before that person died.
- If in the case of an asset that is a debt claim owned by a person other than a financial institution, that person:
 - ✓ reasonably believes that the debt claim will not be satisfied
 - ✓ has taken reasonable steps in pursuing the debt claim; and
 - ✓ has written off the debt claim as a bad debt;
- If the asset is a trading stock, a depreciable asset, a capital asset of the business or the asset is an investment asset and that asset changes its original characteristics.
- When the underlying ownership of the entity changes by more than fifty percent at any time within a period of three years. The assets and liabilities of that entity are said to have been realised immediately before the change occurred.
- When the person who is a resident in Ghana ceases to be resident. The assets owned by that person immediately before that person became non-resident is considered realised.

(5 marks)

c) When an individual receives a gift in relation to employment, business, investment or otherwise, the gift is added to income and taxed. However, an individual who elects for gift to be taxable separately, shall be taxed at the rate of 15% on the total value of taxable gifts received by a person within a year of assessment.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question five was made up of three parts: capital gains and its taxation, withholding taxes, and the gift taxation. This was the best answered question of all the five questions. It seems candidates have now taken much interest in the capital gain tax and withholding taxes. Questions included: withholding tax exemptions, when an asset is realised, and how gifts are treated under the new Act

CONCLUSION

The Examiner would wish to reiterate the following:

- 1) Tuition centres and students should bear in mind that the principles of taxation paper will continue to cover the entire syllabus and therefore, pay attention to the entire syllabus. There should not be any pick and choose attitude towards the syllabus and the examination.
- 2) There is nothing like 'the examination trend'. Students are to be examined on all the topics and therefore, the dynamics of the examination could change but still based on the syllabus.
- 3) Students should pay attention to details when reading. It seems students do not read carefully in between the lines when reading. This was clearly demonstrated in the examination. Answers were not provided in full.
- 4) Students are strongly advised to learn the subject with the syllabus. Students should not learn the subject with questions. This attitude will leave out most of the topics unattended to. The past questions are only a guide as to how the questions are asked.