

**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**MAY 2006 EXAMINATIONS
(PROFESSIONAL)**

PART 3

**ADVANCED TAX PLANNING & FISCAL POLICY
(Paper 3.4)**

Answer ALL Questions

TIME ALLOWED: 3 HOURS

QUESTION 1

Over the past ten years government has announced various tax incentives to the manufacturing sector to encourage them to move into the hinterland, away from the cities and towns.

These incentives do not appear to be having the desired result.

What incentives are available to the manufacturing and mining companies? Why have the manufacturing companies failed to take advantage of these measures?

(Total: 20 marks)

QUESTION 2

Avoidance of tax is generally regarded as a lawful means of minimising the amount of tax to be paid. For example, Lord Tomlin is quoted as saying that:-

“The subject is entitled to arrange his affairs so as not to attract taxes as far as he can legitimately do”.

However, the Internal Revenue Act, 2000 (Act 592) has enacted a number of anti-avoidance provisions even though the practice is lawful.

Required:

- (i) Explain the rationale behind the anti-avoidance provision. (6 marks)
- (ii) Name any 4 (four) of such provisions. (6 marks)
- (iii) Explain their relevance. (8 marks)

(Total: 20 marks)

QUESTION 3

Address the relevant issues in the following cases.

- (a) Robb Roy is engaged as a Disc Jockey at a popular Nite Club in Accra. His salary is based on 20% of gate proceeds when he is performing. He is paid on monthly basis and he is allowed to verify the gate proceeds.

Is he an employee or a self-employed person?

- (b) Mr Tommy Wayne, the Managing Director of Myself Company Ltd employed his daughter who has completed Senior Secondary School as a Secretary in his office. All that she is supposed to do is to receive visitors politely and

direct them to whoever they want to see. She is paid a salary equivalent to a University graduate in the same establishment.

Is this allowable?

- (c) Royal Bank Ltd acquired some computers to enhance its operations. As a result some personnel were retrenched.

The Bank gave all the affected officers six months notice. John Mensah who was affected received ₵50,000,000 in addition to all his benefits.

Is the amount a taxable receipt?

- (d) Tetteh Bogey qualified as an Insurance Broker in USA in 1970 at the age 25. Later he took an Annuity, which would mature at age 60. He paid all his premiums whilst he worked in the USA. He attained age 60 in 2005, and left for home in Ghana. The Annuity has matured and he receives payment of ₵10,000,000 a month. This is payable until his death.

Is this taxable?

- (e) It is the practice of certain congregations of the Bless Me Church to make special collections for the pastor in charge at the end of the year. This is normally termed appreciation.

Is this amount taxable?

(Total: 20 marks)

QUESTION 4

- (a) Joefio Electronic Ltd manufacturers of DVD players import some components from Korea.

For the month of December 2005, 95,000 pieces of components at \$50 each arrived at the harbour.

Total freight charges was \$2,000. Marine Insurance paid in Ghana was ₵5 million. Handling and Delivery was ₵500,000. Factory Overheads was ₵10,000,000. Profit Margin was 20%.

Find out Import Duty, Input VAT and National Health Insurance Levy

(NHIL) taxes payable.

NOTES

(i)	Import Duty Rate	=	20%	
(ii)	VAT Rate	=	12 ½ %	
(iii)	NHIS Rate	=	2 ½%	
(iv)	\$1	=	¢9,000	(10 marks)

- (b) The Immigration Service has set up a Border Monitoring Unit within the Service. But CEPS has objected to this development arguing that the Immigration Service has no authority.

Examine the CEPS Management Law (PNDC L 330) 1993 and find out whether the CEPS objection has any basis. (10 marks)

(Total: 20 marks)

QUESTION 5

In recent times, Churches in Ghana have come under pressure from the general public for making huge incomes and yet not paying taxes. During the vetting for appointment to the Supreme Court recently, one of the appointees suggested that the Churches should be made to pay taxes.

Required:

- (i) What has been the position of the Tax Laws with regard to religions organisations since Income Tax was introduced?
- (ii) What should be the basis, if any, for assessing churches and church leaders/pastors?

(Total: 20 marks)