

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



**MAY 2008 EXAMINATIONS  
(PROFESSIONAL)**

**PART 2**

**TAXATION  
(Paper 2.4)**

**Attempt ALL Questions**

**TIME ALLOWED: 3 HOURS**

## QUESTION 1

Mr. Johnson Zakari is a widower with four children all of whom are attending secondary schools in Ghana.

He was employed by Hansowodi Mining Company as a Mining Engineer on 1<sup>st</sup> September, 2000 on a salary scale of ₵120,000,000 x ₵6,000,000 – ₵150,000,000.

His service conditions include the following allowances:

- (i) 7.5% of his salary as duty rent allowance
- (ii) 15% as responsibility allowance
- (iii) 2.5% as risk allowance
- (iv) Accountable entertainment allowance of ₵2,000,000 per month
- (v) He was provided with fully furnished accommodation at the mining site
- (vi) He was provided with vehicle with fuel for both official and private use
- (vii) He contributed 5% of his salary towards the social security fund
- (viii) He engaged in part-time teaching at Tarkwa School of Mines and was paid a total of ₵20,400,000 net of 15% withholding tax in 2006 year of assessment
- (ix) He earned interest of ₵19,225,875 on his investment in Government Treasury Bills and savings with Unique Trust Financial Services.
- (x) He also engaged in trading activities which earned him an agreed chargeable income with the Internal Revenue Service (IRS) of ₵28,125,000 in 2006 year of assessment. He paid ₵4,000,000 tax to IRS on his trading activities for 2006 year of assessment.
- (xi) His employers deducted a tax of ₵24,856,250 from his salary and paid to IRS for 2006 year of assessment.

### ***Required:***

Compute Mr. Johnson Zakari's Tax Liability for 2006 year of assessment.

#### Annual Individual tax Rate Scheme (2006)

	INCOME	RATE	AMOUNT
	₵		₵
First	2,400,000	Nil	-
Next	2,400,000	5%	120,000
Next	12,000,000	10%	1,200,000
Next	79,200,000	17.5%	13,860,000
Exceeding	96,000,000	25%	

**(20 marks)**

## QUESTION 2

- (a) List any **six (6)** taxes administered by the Commissioner of Customs, Excise and Preventive Service. **(6 marks)**
- (b) Differentiate between Exempt Supply and Zero Rated Supply. **(8 marks)**
- (c) Under what circumstance may a taxable person recover the VAT paid on stocks and capital goods purchased or imported prior to registration. **(6 marks)**

**(Total: 20 marks)**

## QUESTION 3

Examination conducted by the Quality Assurance Unit of the Internal Revenue Service recently revealed that several tax payers' returns have not been examined by officers since 2000.

The returns of Agya Baffour & Co Ltd revealed the following:

- (a) The written down value of the company's assets as at 1<sup>st</sup> January 2000 were as follows:

	¢
Computer	4,120,000
Building	68,600,000
Motor vehicle (car No. GT 3518B)	8,650,000
Furniture & fittings	1,254,700
Motor vehicle (car No. GR 2512 C)	5,058,295
Plant & machinery	120,000,000

Capital allowances granted for the year 2000 were as follows:

	¢
Computer	824,000
Building	2,058,000
Motor vehicle (car No. GT 3518B)	1,297,500
Furniture & fittings	94,100
Motor vehicle (car No. GR 2512 C)	779,295
Plant & machinery	35,000,000

- (b) On 15<sup>th</sup> January 2001 the company sold furniture for ₵250,000 and car No. GR 2512 C for ₵8,000,000 on 30<sup>th</sup> April 2001.

The company purchased the following assets in 2001 year of assessment.

	₵
Computer and accessories	19,500,000
Additions to buildings	56,000,000
Motor vehicle (BMW Salon)	210,000,000
Furniture & fittings	60,000,000
Plant & machinery	150,000,000

**Required:**

Compute the written down value of the assets as at the end of 2001 year of assessment.

**(20 marks)**

**QUESTION 4**

- (a) Nii Bortey a businessman in Kumasi owned the following assets as at July 2003.

	₵
Building	450,000,000
Toyota Land Cruiser	52,650,000
Set of Furniture	23,700,000
Land	167,800,000

On deciding to relocate in Accra in June 2007 he sold the entire assets at a price of ₵5,350,000,000 to his friend Kwesi Amofa.

Before the sale, he contracted Twun & Associate, a valuation firm, that put the market values of the assets as follows:

	₵
Building	620,000,000
Toyota Land Cruiser	75,000,000
Set of Furniture	15,000,000
Land	240,000,000

You are required to calculate the capital gains payable by Nii Bortey if any.

*(15 marks)*

- (b) Alhaji Musah Abedi, a Minister of State, has a son in the United Kingdom. He facilitated the travel arrangement of Mr. Kwame Agyemang, a friend, to France.

In appreciation of the help given to him by Alhaji Musah Abedi, Mr. Agyemang decided to pay the school fees of Alhaji's son for one year. The total amount was GH¢10,000.

**Required:**

- (a) Is the amount liable to gift tax and why?
- (b) Who is required to submit the gift tax return and within what time limit?
- (c) Compute the gift tax payable to the commissioner if any.

*(5 marks)*

**(Total: 20 marks)**

## QUESTION 5

The Association of Ghana Industries have of late been lobbying the Minister of Finance and other interest groups to table a motion in Parliament for the abolishing of the withholding tax regime in Ghana.

**Required:**

- (a) Briefly explain any **four (4)** benefits of the withholding tax system *(12 marks)*
- (b) State any **two (2)** likely effects of the system on the growth of Industries in Ghana. *(6 marks)*
- (c) Explain briefly what is meant by a final withholding tax. *(2 marks)*

**(Total: 20 marks)**