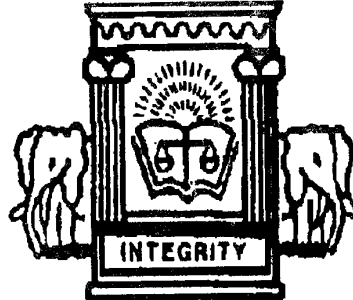


**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**MAY 2009 EXAMINATIONS
(PROFESSIONAL)**

PART 3

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

Attempt ALL Questions

TIME ALLOWED: 3 HOURS

QUESTION 1

“The source of any income is crucial in the determination of its assessability to tax”

Required:

Explain this statement and comment on the extent of its relevance.

20 marks

QUESTION 2

Rubber Products (Ghana) Limited, a manufacturing company, made a request to its parent company in Italy for a consulting engineer for four months.

Dr. Felix Daz arrived in Ghana on 1st October, 2007 and immediately commenced work at the factory site within the rubber plantation with the following agreed levels of compensations.

i.	Salary	GH¢5,000 per month
ii.	Accommodation	Fully Furnished
iii.	Vehicle with Fuel	
iv.	Garden Boy	GH¢75 per month
v.	Watchmen (2)	GH¢75 per month each
vi.	Inconvenience Allowance	GH¢300 per month
vii.	Risk Allowance	GH¢500 per month

In addition, the parent company agreed to meet his commitments at home during the period at Euro 1250 a month. The exchange rate applicable during the period average GH¢1 = Euro 0.6250.

Required:

- a. Compute the chargeable income of Dr. Felix Daz for the relevant years of assessment.
(In Ghana cedis)
- b. Comment briefly on any aspects of this case.

20 marks

QUESTION 3

Glittering Stones Limited, a mining company at Obuasi, commenced business in July 2006, making up accounts to 31st December, each year.

The profit and loss account for the 18 months period ended 31st December, 2007 was given as follows:

	GH¢	GH¢
Gross Profit b/f		190,000
Dividends		2,000
Other Income (Transport)		<u>11,000</u>
Total Income		<u>203,000</u>
Salaries and Wages	45,000	
Directors Fees	5,400	
Utilities	28,000	
Repairs and Maintenance	19,900	
Fuel and Lubricants	23,000	
Registration and licenses	400	
Audit Fees	600	
Rent	9,000	
Legal expenses	1,600	
Bank Charges	1,200	
Donations	1,500	
Sundry Expenses	9,700	
Depreciation	3,200	
Net Profit	<u>54,500</u>	
	<u>203,000</u>	<u>203,000</u>

Notes to the Accounts:

1. Repairs and Maintenance (GH¢19,900)

i.	Managing Director's Residence	2,400
ii.	Construction of Canteen (Staff)	2,700
iii.	Additional Security Gates	3,800
iv.	General Repairs	<u>11,000</u>
		GH¢ <u>19,900</u>

2. Legal Fees: GH¢1,600

i.	Formation Expenses	1,000
ii.	Extension of Concession	<u>600</u>
		GH¢ <u>1,600</u>

3. Donations (GH¢1,500)

i.	Drinks (Stool Elders)	500
ii.	Electricity Project	600
iii.	Scholarship Scheme	<u>400</u>
		GH¢ <u>1,500</u>

4.	<u>Sundry Expenses (GH¢9,700)</u>	
	i. Local Rates to Local council	600
	ii. Subsidy, Canteen Running	4,100
	iii. Formation of Pensions Fund for staff (Initial Deposit)	<u>5,000</u>
		<u>GH¢9,700</u>
5.	<u>Other Income (GH¢11,000)</u>	
	Subsidized transport fares for staff	<u>GH¢11,000</u>

The company acquired mining equipment costing GH¢80,000 in May 2006 and plant and equipment valued at GH¢60,000 in September, 2006.

Required:

Determine any tax payable on the basis of the accounts submitted.

25 marks

QUESTION 4

- A. Dan Bulley bought a house situated at Tema from Kofi Dade for GH¢60,000 in May, 2002. The original cost of construction in 1996 was GH¢35,000. He renovated the house at a cost of GH¢5,000 and gave it out on rent at GH¢2,500 per month with effect from 1st November, 2002. He sold the house to Developments Limited on 31st December, 2008 for GH¢90,000.
- B. Stanley Quarcoo has been the managing director of Hopes Limited for several years. At the time he was in office he was residing in the company's bungalow with his wife and children.
- On his death in July 2008, the board of directors passed a resolution giving the family the option to purchase the bungalow at 25% of the declared value of GH¢42,000. Mrs. Quarcoo raised a loan and paid.

Required:

Determine any taxes due.

15 marks

QUESTION 5

“Generally, the tax laws look with suspicion on transactions carried out with associated or connected persons”.

Required:

Discuss, giving examples of the various categories of the associated and connected persons.

20 marks