

SOLUTION TAXATION NOVEMBER 2009

QUESTION 1

Administrative Procedure: This involves the use of Tax Laws and appeals to the Commissioner.

If a taxpayer is not satisfied with a provisional assessment raised on him, he can lodge objection within 9 months of the basic period to which the provisional assessment relates.

Objective based on accounts must be lodged within 30 days after service of Notice of assessment.

The period may be extended if the Commissioner is satisfied that the delay in lodging the objection is due to the objective absence from Ghana, sickness or other reasonable cause.

The objection must be in writing stating precisely the grounds of the objection.

Where an objection has been lodged a tax equal to the amount payable in the first quarter of the assessment must accompany the objection.

Failing that, the objection will not be entertained.

Where accounts have not been submitted it will be called for.

The Commissioner then can take any of the following decisions.

- (1) Amend the assessment as required by the taxpayer.
- (2) Reject the objection and stick to the assessment.
- (3) Meet the taxpayer half way.

The Commissioner is obliged to inform the taxpayer of whatever decision he takes. If the taxpayer does not receive any notice from the commissioner within 90 days the taxpayer can assume that the Commissioner has disallowed the objection and the taxpayer should indicate to the Commissioner that this is the implication of the Commissioner's silence.

After these steps have failed to yield amicable settlement the taxpayer can proceed to the courts. This is the judicial procedure.

Appeals against the Commissioner are commenced at the High Court. The taxpayer who is dissatisfied with the decision of the Commissioner should file his appeal with the Registrar of the High Court within 30 days after the taxpayer has informed the Commissioner of his decision to do so.

The Attorney General must also be duly informed since the Internal Revenue service is a public service.

The Commissioner or taxpayer has the right to appeal against a decision of the High court.

Appeals to the Court of Appeal will be on matter of law only. Therefore appeals can be made to Supreme Court; again in matters of law only. This ends the judicial process. The decision of the Supreme Court is final.

QUESTION 2

(a)

Passenger from Ghana	=	GH¢2,500
Goods and mails from Ghana	=	<u>1,500</u>
Total income from Ghana	=	<u>4,000</u>

(b) A person who receives a taxable gift shall within 30 days of receipt furnish the commissioner with the following

- a. Description and location of the gift
- b. Total value of the gift and tax payable thereon
- c. The full name and address of the donor
- d. Any other information required by the Commissioner

QUESTION 3

(a) Import Duty	=	20% on C. I. F.
VAT	=	12.5% (C. I. F. & Import Duty)
NHIL	=	2.5% (C. I. F. & Import duty)
EDIF	=	0.5% on C. I. F.
Processing Fee	=	1% C. I. F.

- Note**
- (1) C.I.F. means Cost Insurance and Freight.
 - (2) EDIF means Export Development and Investment Fund
 - (3) VAT and NHIL are calculated in the sum of the CIF and Import Duty

(b) The conditions are the following

- i. No warehouse keeper shall by himself or by any of his employees open or gain access to the warehouse except in the presence or with the knowledge and consent of an officer of Customs Excise and Prevention service.
- ii. Every warehouse keeper shall provide such office accommodation weights. Scale, measures and other facilities as the authorised officer may require examine account and securing any goods.

QUESTION 4

(a) Self Assessment Procedures

(i) Corporate Taxes

- Provision of Initial Estimates of Tax Chargeable Income before the commencement of the year of assessment.
- Taxpayer has the option to revise the assessment of any time before the end of the year of assessment.
- Tax is paid quarterly based on the estimates/revised estimates.
- Final assessments are based on the financial results for the year submitted four (4) months after the end of the financial year.
- All assessments are made by taxpayer.

(ii) Payroll Taxes

- Based on the tax Relief Card System (TRC) – part 5 of Reg 23 – 36 of the Internal Revenue Regulations, 2001
- Employer withholds tax from the employees emoluments at the end of each month and pays the amount to the tax authorities.
- Employer finalizes employees assessment at the end of the year on the reverse of the TRC and transfers the computation on the extract of employee return which is submitted to the IRD not later than March 31, the year following the year of assessment.
- The assessment on the reverse of the TRC becomes the final assessment in the absence of any disagreement in writing from either the employee or the employer.

(iii) VAT

- The taxable person accounts for the tax each month. The monthly VAT return shows the following
- Total supplies - Standard rated
 Zero rated
 Exempt
- Total purchases and input tax credit on refund
- Net amount due to/from the Commissioner.

(b) Safeguard - corporate tax

Commissioner of IRS empowered to raise provisional assessments where

- Taxpayer fails to submit an estimate
- Commissioner is not satisfied with the estimate/revised estimate.

Penalty for underestimating tax 30%

- A 10% margin of error allowed in estimating tax payable. When the estimate falls below 90% of the actual tax for the year the taxpayer a penalty of 30% for underestimating tax payable.
- Failure to submit a VAT return or due date attracts a pecuniary penalty of (GH¢100) and further penalty of GH¢50 for each day that the return is not submitted.

QUESTION 5

CAPITAL ALLOWANCES

	Class 2 (30%)	Class 4 (30%)	TOTAL
2006			
1/10/05 – 30/9/06	138,000	1,500	
CA	<u>5,400</u>	<u>300</u>	5,700
Residue of	132,600	1,200	
2007			
1/10/06 – 30/9/01			
Residue b/d	132,600	1,200	
CA	<u>39,780</u>	<u>240</u>	40,020

ASSESSMENTS

2006		
Profit declared		70,000
Less lease rent		<u>10,000</u>
		<u>60,000</u>
Less CA		<u>5,700</u>
CI		<u>54,300</u>
2007		
Profit declared		120,000
Less lease rent		<u>10,000</u>
		<u>110,000</u>
Less CA		<u>40,020</u>
CI		<u>69,980</u>