

**INSTITUTE OF CHARTERED  
ACCOUNTANTS (GHANA)**



**NOVEMBER 2010 EXAMINATIONS  
(PROFESSIONAL)**

**PART 4**

**ADVANCED TAXATION & FISCAL POLICY  
(Paper 4.4)**

**Attempt ALL Questions**

**TIME ALLOWED:**

<b>Reading &amp; Planning</b>	<b>-</b>	<b>15 Minutes</b>
<b>Working</b>	<b>-</b>	<b>3 Hours</b>

## QUESTION 1

- (a) Companies A and B are under common control by one parent. These associated companies are all resident in Ghana.

In January 2008, company A transferred stock to company B with the understanding that the market value of the stock of goods transferred was GHS150,000. The original cost of the stock was GHS120,000.

**Required:**

Explain how the Internal Revenue Service (IRS) and the Value Added Tax Service (VAT) would treat the above transactions for tax purposes under the enabling legislation.

**(10 marks)**

- (b) Dorwin Nyaga inherited some parcels of land valued at GHS600,000 from his late father in 2008. He later sold the land to Miami Ltd in 2009 for GHS800,000. Miami Ltd developed the land and sold them piecemeal to different persons within a year and made total profits from the sale of GHS320,000.

**Required:**

Would you deem the above transaction as constituting trading? Provide a reasoned response.

**(10 marks)**

**(Total: 20 marks)**

## QUESTION 2

ADOBEO Manufacturing Co Ltd commenced business in Accra on 1<sup>st</sup> January 2006 and prepared accounts to 31 December each year. The company ceased operations on 30 June 2009.

The final accounts of the company for the period ended 30 June 2009 which was submitted to the Commissioner of Internal Revenue Service (IRS) on 31 October 2009 showed a loss of GHS250,000.

Apart from the factory building, all the assets of the company were sold on the date of cessation as per the schedule below:

ASSET	COST (GHS)	WRITTEN DOWN VALUE (GHS)	PROCEEDS (GHS)
(1) Plant, machinery and vehicles	80,000	19,200	45,000
(2) Warehouse	42,000	25,200	70,000
(3) Office furniture	35,000	14,300	23,500
(4) Computers	50,000	6,450	4,000

The factory building cost GHS150,000 and the written down value recorded in the accounts was GHS90,000. Depreciation of GHS40,000 was charged in the profit and loss accounts. Proceeds from sale was GHS160,000.

**Required:**

- (a) Compute the company's income tax for 2009 year of assessment. (15 marks)
- (b) Determine any tax liability to be paid by the company. (5 mark)
- (Total: 20marks)**

**QUESTION 3**

A Ghanaian who has resided in Italy over 20 years finally returned to Ghana on 16 December 2008. He intends to invest his accumulated savings in Ghana and approaches you for advice regarding tax incentives for investors.

**Required:**

Explain to him any **five (5)** tax incentives available to enable him decide the most appropriate or beneficial investment or business to undertake.

**20 marks**

#### QUESTION 4

- (a) With reference to the Customs, Excise and Preventive Service (CEPS) (Management) Act 1993 (PNDCL 330), clearly outline the basis of determining the customs value of goods imported to Ghana.

*(16 marks)*

- (b) Explain the following tax regimes as used in customs administration and procedures:

- (i) Specific Duty Rate

*(2 marks)*

- (ii) Ad valorem Rate

*(2 marks)*

**(Total: 20 marks)**

#### QUESTION 5

Generally, in arriving at the chargeable income of a business, consideration is given for the deduction of expenses wholly, exclusively and necessarily incurred in earning the income of that business.

***Required:***

Deep Seas Limited in Germany is interested in the emerging petroleum industry in the country and needs an update on the deductions that may be allowed or disallowed in Ghana. State the allowable and disallowable expenses the company should be concerned with.

**20 marks**