

## **ICAG BUSINESS LESSONS (WEEK 24)**

### **Good morning**

This is week 24 of the year 2022 in the Gregorian calendar. 28 weeks remain until the end of the year.

### **MONDAY MOTIVATION**

Every morning you have two choices: continue to sleep with your dreams or wake up & chase them.

—*Kristin, Sophisticated Gal*

### **FUN FACT OF THE WEEK**

Under 13<sup>th</sup> century British law, a baker caught selling underweight or short supplies of bread could face the pillory. To ensure that would not happen, they began baking an extra loaf over and above the usual quantity of 12 loaves and hence the new measures of 13 loaves was referred to as ‘the baker’s dozen’.

### **TAXATION QUOTE OF THE WEEK:**

Taxation with representation ain't so hot either.

- *Gerald Barzan*

### **TAXATION CONCEPT OF THE WEEK: TAXATION OF INSURANCE BUSINESS**

In Ghana, the business of insurance is regulated by the Insurance Act , 2006 (Act 724).

The various classes of insurance business include the following;

- a. Life insurance business;
- b. Non-life insurance (General insurance ) business.

#### **Taxation of General Insurance Business**

The general insurance business includes:

- i. Fire insurance
- ii. Marine insurance
- iii. Transport and aviation insurance
- iv. Motor vehicle insurance
- v. Workmen’s compensation insurance
- vi. Any insurance business other than the foregoing
- vii. Reinsurance business covering any or all if the foregoing business.

Any other business activity of a person who conducts a general insurance business is a separate business from the general insurance business and the income or loss of that person from each of the businesses for a year of assessment is to be computed separately.

## **Ascertaining the Income from a General Insurance Business**

The income derived by a person from general insurance business comprise:

- a. The amount of gross premiums, which would include premiums on re-insurance, accruing to or derived by that person during the basis period from carrying on the business of insurance of any risk. It should be noted that premiums returned to the insured are excluded from such income;
- b. Amounts from any commission or expense allowance from re-insurers, as well as any amounts from investment held in connection with that business; and
- c. The amount of any reserve deducted in the previous basis period

### ***Reserve for unexpired Risk:***

This is an allowable item on a negotiated percentage of Net Premium Income.

In instances where the previous year's reserve exceeds the current year's reserve, the excess created for the previous year will be added back to the profit and assessed for tax purposes.

### ***Net Premium Income:***

This is Gross Premiums received less;

- Any policies returned (if any) and
- Re-insurance premiums paid.

Owing to the huge amount of losses insured against, most insurance businesses re-insure the losses with other companies so that in the event of a loss occurring, they join forces to compensate the insured. Such companies who are re-insuring will thus also pay a premium to the re-insurance company and this has to be taken from the premium paid by the insured.

### ***Deductible Expense:***

It must be noted that the general rule for allowing an expense as a deductible expense is applicable, which is the expense must be wholly, exclusively and necessarily incurred in generating income for the period and must not be capital nature.

For the purpose of general insurance business, examples of allowable expenses include;

- The amount of any claims admitted by the person during the basis period of carrying on that business. The amount of any re-insurance recoveries under a contract of re-insurance, guarantee, security or indemnity should be deducted from such payment of claims;
- The amount of any reserve for unexpired risks referable to that business as at the end of the basis period.

## **THIS WEEK IN HISTORY- TOP 15 EVENTS**

13/06/2018 - Volkswagen fined €1 billion (£880m) by German prosecutors over diesel emissions scandal

13/06/1980 - UN Security Council calls for South Africa to free Nelson Mandela

14/06/2021 - Cristiano Ronaldo removes sponsors coke bottles from his press table at the European Championships, prompting the company share price to drop \$4 billion

14/06/2018 - Malaysia's national debt reassessed at \$250 billion, up from previous estimate \$170 billion, 80% of gross domestic product

14/06/ 1985 – Five members of the European Economic Community sign the Schengen Agreement establishing a free travel zone with no border controls

14th June is World Blood Donor Day

15/06/2017 - New record set for price of a parking lot in Hong Kong - \$664,000

15/06/2012 - Apple I computer sells for a record \$374,500

15/06/2001 - ExxonMobil and Qatar Petroleum sign a letter of intent for a natural gas to liquids (GTL) project that would be the largest in the world

15/06/1992 - Ghana Airways inaugurates flights to JFK Airport (NYC)

16/06/2017 - Amazon announces it is buying Whole Foods for \$13.7 billion

16/06/1999 - Thabo Mbeki is elected 2nd President of a democratic South Africa

16/06/1911 – IBM founded as the Computing-Tabulating-Recording Company in Endicott, New York.

16/06/1903 – The Ford Motor Company is incorporated

17/06/1991 - South Africa abolishes last of its apartheid laws

17/06/1988 - Microsoft releases MS DOS 4.0

## **DID YOU KNOW?**

Registration for the CA professional exams in August 2022 is opened. The registration ends 15<sup>th</sup> July, 2022. Prospective candidates are urged to visit their student's portals and register accordingly.

*Have a blessed week!*

Compiled by:

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Please send all comments and suggestions to **Alhassan Trawule** on **0242 732976**.

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