

ICAG BUSINESS LESSONS (WEEK 11)

Good morning

This is **week 11** of the year 2022 in the Gregorian calendar. 41 weeks remain until the end of the year.

MONDAY MOTIVATION

I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough; we must do.

Leonardo da Vinci

FUN FACT OF THE WEEK

Do you know that Income tax was originally introduced as a temporary measure to finance war against France?

Well, On 9 January 1799, British Prime Minister William Pitt the Younger introduced income tax to help cover the cost of his country's wars with France.

TAXATION QUOTE OF THE WEEK

Taxes are how we pool our money for public health and safety, infrastructure, research, and services--from the development of vaccines and the Internet to public schools and universities, transportation, courts, police, parks, and safe drinking water.

Holly Sklar

TAXATION CONCEPT OF THE WEEK: TAXATION OF GAINS

CAPITAL GAIN TAX

This refers to tax on the profit or gains on the sale or disposal of an asset other than trading inventory.

Capital gains are realized on the sale of assets such as real estate, stocks, bonds, precious metals among others, at a profit.

Capital gains are taxed at 15% of the net gains realized from selling real properties.

Subject to section 34 (1) of Act 896, 2015, a gain made by a person from the realization of an asset is the amount by which:

(a) The sum of the consideration received for the asset exceeds the cost of the asset at the time of realisation; or

(b) The sum of the consideration offered for the liability is less than the amount outstanding at the time of realisation.

It is however important to note that, the cost of acquisition, improvement, and legal fees and other expenses necessarily incurred in the process of selling the property, are deductible.

Capital Gain Tax on realization of Capital Asset.

Capital asset

Capital asset includes an asset to the extent to which it is employed in a business or investment; but excludes trading stock or a depreciable asset in accordance with section 133 of Act 896.

Depreciable Asset

Depreciable asset means asset to the extent to which it is employed in the production of income from a business and which is likely to lose value because of wear and tear, obsolescence or the effluxion of time; and does not include goodwill, an interest in land, a membership interest in an entity and trading stock.

Domestic Assets

In accordance with section 106 of Act 896, Domestic Asset means;

- an asset owned by a resident person other than foreign land or buildings, or
- an asset held by a Ghanaian permanent establishment operating in the country; or
- an interest in land or building situated in the country or;
- shares in a resident company

Chargeable Assets

The assets listed below wherever situated in the world if you are resident in Ghana and in the case of non-residents for assets situated in Ghana only, which have been sold or otherwise disposed of within a given year and make payment of taxes due.

- Buildings of permanent or temporary nature
- Business and Business Assets including Goodwill
- Land
- Shares of a company
- Having a right or interest in any of the above.

Definition of Gain in respect of Capital Asset

In line with section 35 of the Income Tax Act 896, a gain made by a person from the realization of an asset is the amount by which the sum of the consideration received for the asset exceeds the cost of the asset at the time of realization.

Realization of Capital Asset

According to section 38 of the Act 896, a person owns an asset realizes the asset;

- a. When the asset is
 - sold,
 - exchanged,
 - transferred,
 - destroyed,
 - lost,
 - expired,
 - distributed or
 - surrendered
- b. In the case of an asset of a person who ceases to exist (death), immediately before that person ceased to exist;
- c. In the case of an asset that is a debt claim owned by a person other than a financial institution if that person,
 - reasonably believes that the debt claim will not be satisfied;
 - has taken reasonable steps in pursuing the debt claim; and
 - has written off the debt claim as a bad debt.

Exemption

The following are exempted from the payment of capital gain tax:

- i. Net gains not exceeding GHC50 are exempt.
- ii. Gains are also exempt if the entire amount is reinvested in another property within a year, and
- iii. If the transfer of ownership was to the taxpayer's spouse, child, parent, brother, sister, aunt, uncle, nephew or niece.

THIS WEEK IN HISTORY - TOP 15 EVENTS

14/03/2019 - Google announces its employee Emma Haruka Iwao has broken the world record for calculating pi, to 31.4 trillion digits, on pi day using Google Cloud

14/03/1983 - OPEC cut oil prices for 1st time in 23 years

14/03/1958 - South Africa's government prohibits the African National Congress

14/03/1879 – Albert Einstein, German-American physicist, engineer, and academic, Nobel Prize laureate was born.

14/03/2018 – Stephen Hawking, English physicist and author died

14th March is Pi Day!

15/03/1961 – At the 1961 Commonwealth Prime Ministers' Conference, South Africa announces that it will withdraw from the Commonwealth when the South African Constitution of 1961 comes into effect.

15/03/1922 – After Egypt gains nominal independence from the United Kingdom, Fuad I becomes King of Egypt.

15th March is World Consumer Rights Day!

16/03/2013 - A €10 billion Cyprus bailout plan will wipe out 10% of the citizens' bank deposits

16/03/2006 - The United Nations General Assembly votes overwhelmingly to establish the UN Human Rights Council.

16/03/1830 - New York Stock Exchange slowest day ever (31 shares traded)

17/03/2020 - Chad begins repaying a \$100 million debt to Angola with cattle, as more than 1,000 cows arrive in Luanda

17/03/2001- OPEC decides to cut output by 4% or 1 million barrels per day, effective April 1

17/03/1992 – A referendum to end apartheid in South Africa is passed 68.7% to 31.2%

18/03/2018 - US Senator Amy Klobuchar calls on Mark Zuckerberg to testify before the Senate Judiciary in wake in data mining scandal with Cambridge Analytica

18/03/1968 - Gold standard: The U.S. Congress repeals the requirement for a gold reserve to back US currency.

DID YOU KNOW?

In **seven (7) days' time**, Registration for the April 2022 CA Professional Examination ends; ie, **Monday, 21st March 2022**. Students should visit <https://sms.icagh.org> to register.

Do have a fruitful week!

Compiled by:

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

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