JULY 2023 PROFESSIONAL EXAMINATION
ADVANCED TAXATION (PAPER 3.3)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

EXAMINERS' GENERAL COMMENTS

The paper was generally a good one by all standard. The paper tested candidates' ability to apply principles to practice thus the essence of the final level paper. Examiners have always hinted on candidates' ability to apply. With some pleasure, we wish to really commend the Institute for a good questions administered in advanced taxation.The questions had clarity and followed the usual pattern.

STANDARD OF THE PAPER

Every level of the examination has some level of expectation. The questions met the standard expected of a final level paper. The questions were of good quality and the level of difficulty was appropriate. It goes without saying that the questions administered were of the highest standard in terms of syllabus coverage, accuracy, clarity and level of difficulty. The weight of the questions were impressive and good. The marks directed the amount of efforts required for each main question and the sub questions.

PERFORMANCE OF CANDIDATES

The performance of candidates was a mixed. While some candidates put in their best and consequently bagged good and impressive marks others as usual demonstrated paucity of knowledge and ill- preparedness.

To all intents and purposes, the launching pad and the magic wand of the incredible performance of candidates had to do with the clarity and accuracy of the questions. On the whole, the conclusion by markers was that this sitting would pass of as one of the best in terms of performance.

NOTABLE STRENGTHS AND WEAKNESSES

Strengths

- Ability to diagnose the tax treatment of change in underlying ownership and how the tax effect could be moderated was quite significant and is certainly a plus.
- The double taxation paper was well answered by most of the candidates, making it clear that double taxation is no longer a hurdle for candidates. It has been demystified and no longer a headache as it was in the past.
- Another important area of strength is the control over examination of accounts question, hitherto a hurdle. Candidates amazingly did justice to the question thereby maximising a lot of marks.
- The tax implication of changes in share capital and retained earnings was properly answered by candidates.

Weaknesses

- Inability to distinguish among private rulings, class rulings and practice notes reared their ugly heads in the examinations. It was a pity the way some candidates explained those terminologies.
- The grammar and English language in general continue to be the Achilles heels of many candidates.
- The effect of the poor writing skills is that markers struggle to appreciate the import of what candidates put across for marking.
- The tax rates for free zone enterprises, manufacturers in certain locations etc continue to terrify candidates. The reason for inability to do the right thing is because candidates have refused to study the tax laws.
- Candidates continue to exhibit weakness in not showing what the requirement of the questions are especially in chargeable income, assessable income or tax computation.
- In computation questions, the following area of weaknesses came to the fore and for purpose of emphasis:
    - ✓ No title as in the name of the taxpayer
    - ✓ No mention of the requirement of the question
    - ✓ No mention of year of assessment
    - ✓ No basis period

  It therefore becomes difficult for examiners to appreciate what the candidates are answering.

QUESTION ONE

a) On 1 January 2022, Frost Ltd based in the United States of America acquired 100% shares in Nzungu Ltd in the Gambia. Also, Nzungu Ltd acquired 60% shares in Gyakye Ltd in Ghana.

Frost Ltd granted a loan equivalent of GH¢100 million to Nzungu Ltd. The loan was subsequently, passed on to Gyakye Ltd in Ghana to stregthen its capital structure.

The interest equivalent on the loan from Frost Ltd to Nzungu Ltd was GH¢6,000,000.

Gyakye Ltd ended up paying GH¢8,000,000 as interest to Nzungu Ltd. The difference in interest payment was a service charge for the role played in transferring the loan to Ghana by Nzunga.

Gyakye Ltd has the following extracts from its Statement of Financial Position as at 2022:

	31/12/2022	**1/1/2022**
	GH¢	**GH¢**
Dividend receivable by Gyakye Ltd	300,000	1,000,000
Payables	200,000	200,000
Share Capital	14,000,000	4,000,000
Revaluation Reserves	110,000	100,000
Retained Earnings	6,000,000	13,000,000
Return on Equity	20%	20%

Required:

Evaluate the tax implications of the following:

i) The movement in the Share Capital.

ii) The loan interest paid.

iii) The movement in the retained earnings.

iv) The movement in the revaluation reserves.

v) Thin capitalisation implications from the above.

(12 marks)

b) Libir Ltd is a resident company incorporated in Ghana. Its trading partners have been customers and suppliers from Ghana and also from Nigeria. The company supply animals feed.

Its operation for 2021 year of assessment is as follows:

Income from Ghana	GH¢10,000,000
Income from Nigeria	₦1,000,000,000

Additional information:

i) Allowable expense granted by the Ghana Revenue Authority is GH¢6,000,000.

ii) The allowable expense in i) does not include capital allowance of GH¢1,200,000 which was legitimately claimable by the Company.

vi) The tax paid in Nigeria amounted to ₦40,000,000. The withholding taxes paid in Ghana with evidence of tax credit certificates amounted to GH¢1,000,000.

iii) The taxpayer has written to the Commissioner-General to relinquish its right under the double taxation arrangement.

vii) Exchange rate is GH¢1 = ₦60.

Required:
Compute the tax payable. **(8 marks)**

(Total: 20 marks)

QUESTION TWO

a) Cradle Ltd, a company based in the United Kingdom has proposed to acquire interest in Mamen Ltd a company incorporated in Ghana and into the sale of ceramics in Ghana. As part of Cradle Ltd's investigation to acquire Mamen Ltd, the following financial indicators caught the attention of the management of Cradle Ltd:

i) The company has large staff numbers made up of fresh graduates and employees with enormous work experience.
ii) There is a bad debt in the books of Mamen Ltd amounting to GH¢20 million.
iii) The company has a financial cost from arbitrage arrangements amounting to GH¢14 million.
iv) Tax loss unrelieved and unexpired was GH¢2 million.
v) According to the Accountant, carryover loss amounted to GH¢1 million.

Required:
Evaluate the tax impact of the above financial indicators on the operations of Cradle Ltd and advise the management of Cradle Ltd on how to reduce its tax exposure if any.
(8 marks)

b) The Commissioner-General would review certain essential factors in an attempt to consider price differentials for possible adjustment in price to protect revenue when he is convinced that there is clear evidence to suggest price manipulation between and among connected persons.

Required:
Discuss **FOUR (4)** considerations the Commissioner-General may place reliance on as part of measures to be convinced that there is no price manipulation. **(10 marks)**

c) Transactional Net margin method under transfer pricing has proven useful in combating abuse and manipulation in the invoicing regime in the commercial world.

Required:
What makes the Transactional Net Margin method very effective? **(2 marks)**

(Total: 20 marks)

QUESTION THREE

a) Kinky Ltd is a manufacturing entity resident in Ghana. Mr. Andre Camil, a citizen and resident of France owns 90% of the company's shares. Mrs. Claude Camil, a citizen and resident of France and wife of Mr. Andre Camil also owns 5% of the shares of the company. Mr. Francois Camil, the son of Mr. Andre Camil holds the remaining 5% of the shares in the company.

As at 1 June, 2021, the company had a share capital of GH¢400,000. A report submitted by the management to the Board of Directors indicated that the company needs to acquire a plant valued at GH¢1,000,000 to enable the company increase its production capacity. Mr. Andre Camil who is the majority shareholder has offered to finance the purchase of a plant for the company but his challenge is whether to provide the asset to the company as a loan or as equity.

Required:

Advise Mr. Andre Camil on:

i) The income tax treatment of providing the asset to the company as equity contribution.

ii) The income tax treatment of providing the asset to the company as a loan.

iii) The preferable option for providing the asset to the company in order to derive the maximum tax benefits.

(10 marks)

b) Exclusif Homes Ghana Ltd is a wholly owned Ghanaian real estate company. The basis period of the company ends on 31 December each year. The company has obtained a government contract to build low-cost houses across the country. In order to raise additional capital to undertake this project, the company is looking for an investor who would acquire at least 51% of the shares of the company. The managers of the company are engaged in negotiations with several potential investors and there is the likelihood of having an investor and agreements signed on 31 January 2022.

The financial statements of Exclusif Homes Ghana Ltd revealed that the company made a loss of GH¢2,500,000 for the period ended 31 December 2021. Included in the expenses of the company is financial cost and bad debt amounting to GH¢100,000 and GH¢150,000 respectively.

The company also has a parcel of land located at Abokobi which the company purchased three years ago at the cost of GH¢100,000. The current value of the land is GH¢500,000.

Required:

Advise Exclusif Homes Ghana Ltd on the following:

i) The income tax implications for the company if an investor acquires 51% of the company's shares and the tax planning opportunities available which could reduce the income tax exposure of the company if an investor acquires 51% of the company's shares.

ii) Measures the acquirer can adopt to mitigate the tax effects (if any) of the proposed transaction.

(10 marks)

(Total: 20 marks)

QUESTION FOUR

The following relates to the financial records of Konadu Yiadom Company Ltd submitted to the Ghana Revenue Authority for the year ended 31 December, 2021. The company is into retail operations.

	Notes	GH¢	GH¢
Sales	1		932,770
Opening Inventory		54,000	
Purchases	2/3	252,000	
		306,000	
Closing Inventory		(32,750)	
Cost of sales			273,250
Gross Profit			659,520
Other Income			
Discount received		13,250	
Rent received		19,920	
Interest Earned on bank deposit		24,330	
Bad Debts Recovered		15,530	
			73,030
			732,550
Less			
Staff cost	4	136,415	
Promotion and Advertising	5	11,310	
Interest and Bank payments	6	10,120	
Telephone		47,100	
Discount allowed		78,535	
Legal and other fees	7	12,910	
Electricity and Water		24,810	
Repair and maintenance		42,670	
Company tax paid – for year 2020		37,500	
Depreciation		55,820	
Bad debts	8	1,005	
Packaging and postage		21,890	
Motor expenses	9	18,410	
Sundry expeses	10	113,840	
			612,335
Net profit			**120,215**

Notes:

1) The sales figure includes GH¢21,500 from the sale of old shop fittings which were replaced by new fittings during the year. The profit on the sale of the shop fittings was GH¢3,770.

2) Following completion of the accounts, the accountant received an invoice dated 14 December 2021 in respect of goods for resale which were delivered in late December. This invoice was not recorded and you have been informed that the total amount on the invoice including VAT was GH¢15,110. VAT included on the invoice was GH¢440. All levies are inclusive.

3) In June 2021, the company recognised the need to offer a special after sales service to its customers. The company hired a new staff member and purchased a machine costing GH¢3,500 for the purpose. The local district assembly provided a grant to aid the purchase of the machine to the tune of GH¢1,250. The company included the cost of the machine in the purchases figure.

4) Staff cost is the total wages and salaries paid to the staff. GH¢37,000 was paid to fresh graduates employed during the year. They constitute 4% of the total workforce for the year 2021.

5) **Promotion and Advertising**	**GH¢**
This expenditure is made up of:	
Managing Director's Wedding Reception	2,800
Refreshment (During Opening of a new shop)	5,000
Sample product to invited guest during the opening of the new shop	3,510

6) **Interest and bank payments**	**GH¢**
This expenditure is made up of:	
Interest on loan used to purchase stock for the business	3,020
Overdraft interest on business account	7,100

7) **Legal Fees**	**GH¢**
This expenditure is made up of:	
Court fine resulting from traffic accident	3,950
Defense of Company Driver for careless driving	3,830
Litigation on Business plot of land (90% chance of success)	5,130

8) **Bad debts and other charges**	**GH¢**
This expenditure is made up of:	
Debt collection (Pursuing Bad Debts)	455
Decrease in general bad debts provision	(1,250)
Increase in specific bad debts provision	1,800

9) **Motor expenses**	**GH¢**
This expenditure is made up of:	
Lease of a delivery van	11,500
Van running expenses	6,910

10) **Sundry Expenses**	**GH¢**
This expenditure is made up of:	
Trade subscriptions	16,000
Support to elect local Assembly Member	8,000
Provision for replacement of windows in the office	4,000
Gifts to customers during Christmas	6,000
Customer's claim on defective goods	27,240
Provision for staff redundancy cost	25,000
Cost of investigating cash fraud	5,600
Investigation to acquire a new company	22,000

Additional Information:
The Ghana Revenue Authority has assessed and granted capital allowance of GH¢57,000 for the 2021 year of assessment.

Required:
You are required to compute the chargeable income for Konadu Yiadom Company for the 2021 year of assessment. Indicate clearly all necessary assumptions.

(Total: 20 marks)

QUESTION FIVE

a) ABG Ltd is a Free Zone Enterprise established in the year 2011. The company is part of Akafina Group of Companies with subsidiaries located in Accra, Kumasi, Ayanfuri, Tema and Bodie. The following information is relevant to the operations of Akafina Group of Companies:

Taxable profit for the ended 31 December 2022

	GH¢ million	Location	Activity
ABG Ltd	28	Accra	Manufacturing
Adooso Ltd	13	Tema	Manufacturing
Brefa Ltd	14	Kumasi	Manufacturing
Crame Ltd	22	Bodie	Manufacturing
Didie Ltd	33	Ayanfuri	Manufacturing
Frankaa Ltd	14	Accra	Manufacturing
Greda Ltd (established since 2010)	20		Agriculture

Required:
Compute the tax payable by each company and explain the type of tax incentives they may enjoy. **(10 marks)**

b) Private rulings, class rulings and practice notes do not serve the same purpose.

Required:
Write a memo to the Tax Manager of your company as a Tax Intern explaining how each is used and their effect on tax administration. **(10 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a)

i) The movement in the stated capital expenses the company to payment of stamp duty of 0.5%.
Additional shares issued:
Stamp duty @ 0.5% on the amount of the increase that is GH¢10,000,000

If it is as a result of transfer from retained earnings, two issues

- Deemed dividend withholding tax at 8% on the amount transferred
- Stamp Duty on the amount transferred @ 0.5%

(2 marks)

ii) The interest of GH¢8,000,000 paid shall be subject to a withholding tax at the rate of 8%. Additionally the interest that shall be subject to the thin capitalisation rule shall be interest of GH¢6,000,000 and not the GH¢8,000,000 paid.

The movement in the retained earnings implies a stamp duty of 0.5% on the amount transferred and also a deemed dividend withholding tax at 8%.Retained Earnings is treated as deemed dividend and taxed @ 8% on the difference (13,000,000-6,000,000) 8% * 7,000,000 = GH¢560,000.00 **(2 marks)**

iii) If the reduction in the loss is as a result of loss, that loss shall be carried forward. The movement in the revaluation reserves has no tax implication and therefore not taxable. If it was made a deductible expense, it would be reversed. **(2 marks)**

iv) The movement in the revaluation reserves has no tax implication except that the GRA must ensure that no asset revalued enjoy capital allowance on the revalued amount. **(2 marks)**

v)

Equity:			GH¢
	Share Capital		4,000,000.00
	Retained Earnings		13,000,000.00
			17,000,000.00
Loan:			100,000,000.00
	Debt : Equity		
		3:,1	
Allowable loan limit=Equity X 3			
	17,000,000.00	3	51,000,000.00

If 100Million =6000000			
Therefore	51million=?		
	51million X 6000000		**3,060,000.00**
	100 milliom		
	Total Interest		8,000,000.00
	Interest allowable		3,060,000.00
	Interest not allowable		**4,940,000.00**
The interest of GH¢4,940,000.00 should be added back to income for tax purposes			
Withholding tax of 8% should be added to income			
	8% * 8000000		640,000.00

(4 marks)

b)

Libir Ltd
Computation of tax payable
Year of Assessment 2021
Basis Period January 1-December 31, 2021

	GH¢	GH¢
Income from Ghana		10,000,000
Income from Nigeria		16,666,667
		26,666,667
Deduction allowable Cost		
Cost	6,000,000	
Capital Allowance	1,200,000	
		7,200,000
Chargeable Income		19,466,667
Tax paid in Nigeria		666,667
Chargeable Income		**18,800,000**
Tax Charged @ 25%		4,700,000
Less withholding tax		1,000,000
Tax payable		**3,700,000**

(8 marks evenly spread using ticks)

(Total: 20 marks)

EXAMINER'S COMMENTS

a) It was a question on the evaluation of tax implication of changes in the movement of share capital, loan interest payment, movement in the revaluation of reserves. Some candidates found the changes in the opening and closing balances and failed to comment on what that meant.
Others also said the revaluation reserves should be taxed at the rate of 25% while others taxed the movement in the revaluation reserves by 15%. In tax. Truism,

revaluation reserves has no tax implication. It is only accounting issue. It was strange how candidates had difficulty demonstrating the thin capitalization.

b) It was not a double taxation relief question. It was the deduction method otherwise called the relinquishment of the right under the credit relief method. It was a pretty much straight forward question but unfortunately a lot of candidates had no clue on how to wrap their heads around the question. A similar question appeared last year. Most candidates do not study past questions.
Another hurdle was how to translate the income in the Nigerian Naira to Ghanaian cedi. As usual, some candidates did not provide headings for the computation and others did not provide cedi sign.
Those are little sins but could be fatal if not corrected.

QUESTION TWO

a) The acquisition of interest in Mamen Ltd by Cradle Ltd may or may not have tax implication. If the acquisition is less than 50%, there is no tax implication except that Cradle is a shareholder and when dividend is declared, dividend at the rate of 8% is payable. If the acquisition is more than 50% within any three year period, it is considered as change in underlying ownership. In the case of change in underlying ownership, the following are concerns that Cradle Ltd may consider:

i) Ensure that Mamen Ltd recruit more of fresh graduate over a period to continue to benefit from fresh graduate incentive. The law allows fresh who graduate from a tertiary institution in Ghana and after national service have never worked before. **(2 marks)**

ii) The management of Cradle Ltd must note that, with bad debts in the books of Mamen Ltd, after the acquisition, it will not benefit from it as an allowable deduction. **(1.5 marks)**

iii) Additionally, it will be impossible to also benefit from the financial cost of 14 million from arbitrage transaction. **(1.5 marks)**

iv) Again, the tax loss of 2 million shall not be granted to the new owners.**(1.5 marks**)

v) Given that Mamen Ltd is into the sale of ceramics, it shall not carry back loss. **(1.5 marks)**

b) The Commissioner-General shall evaluate the following in placing reliance that nothing wrong has been committed:

- **The contractual terms:** The Commissioner-General shall compare the terms of the contract under the uncontrolled price with the one at the controlled price. If the contracts are the same, the prices must be the same too.
- **The nature of the product or service:** Are the products the same in all aspects or there are variations? If the products are not the same, the price certainly cannot be the same.
- **The Function, Asset and Risk analysis:** Are the functions performed the same what of the assets and who assumes risks?
- **The economic circumstances of the product:** Are the economic condition the same in terms of interest rates, inflation and exchange rates?

(4 points @ 2.5 marks each = 10 marks)

c) **Transactional net margin method** helps the Commissioner-General to adjust any price that is not at arm's length using the following element in relativity. Cost asset and sales and their net margin in respect of one against the other. It is very effective because it compares the three elements highlighted above. The transactional Net Margin Methods are effective because the following are taken into account

- ✓ Cost
- ✓ Assets
- ✓ Sales
- ✓ Net Margin

(2 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

a) It was a question on change in underlying ownership. A very popular question at that. Many candidates got high marks from the question. Some had challenges on the basis of inability to convey thoughts clearly. Some commented on the issues but ignored the values attached to each issue.

b) This was a popular question on comparability analysis in transfer pricing. Others commented on the methods of transfer pricing. Many others kept talking about arm's length issue. Candidates were required to comment on the following:
Contractual terms, Nature of product or service, the FAR analysis, Economic circumstances and the business strategies. Others identified the issue but could not satisfactorily explain them.

c) This question required the understanding of the transactional net margin method. This is a method that looks at the relativity among sales, assets, cost and their net margin between controlled and uncontrolled.

QUESTION THREE

a)

i) **The income tax treatment of providing the asset to the company as equity contribution.**

The issues to be addressed are:

- The returns a person receives for holding equity in a company is dividend.
- Dividend is not deductible for tax purposes.
- Dividend paid is subject to a withholding tax of 8%.
- Where a company which is controlled by not more than five persons and their associates do not distribute to its shareholders as dividends, a reasonable part of the income of the company, the Commissioner-General may treat any part of the company's profit as dividend after considering the current business requirement of the company and any other requirement necessary for the maintenance and development of the business.

(4 points for 4 marks)

ii) **The income tax treatment of providing the asset to the company as a loan.**

The issues to be addressed are:

- The returns on a loan or debt obligation are interest.
- Interest paid on debt obligations which is employed in the business or used to purchase an asset which is employed in business is generally deductible for tax purposes thereby reducing the chargeable income on which tax is imposed.
- Interest on debt paid to an individual other than interest paid by a resident financial institution is subject to a withholding tax of 1%.

(3 points for 3 marks)

iii) **The preferable option for financing the acquisition of the asset.**

Since dividend paid by a company is not deductible for tax purposes, treating the contribution of the asset as equity will not reduce the corporate tax exposure of the company. In addition, the dividend Mr. Camil will receive based on his equity in the company will attract a tax of 8%. **(1.5 marks)**

On the other hand, If the asset is provided to the company in the form of a loan, the interest paid on the loan will reduce the chargeable income of the company thereby reducing the corporate income tax. The interest paid will also be subject to a withholding tax of 1%. It is thus preferable for Mr. Camil to provide the asset to the company as a loan. **(1.5 marks)** b)

i) **The income tax implications for the company if an investor acquires 51% of the company's shares.**

Candidates are expected to discuss the following tax implications:

1. The acquisition of 51% or more of the shares of Exclusive Homes Ghana Limited by the potential investor will amount to a change in ownership of Exclusive Homes Ghana Limited. (Section 62(1) of Act 896).
2. Section 38(1)(f) and section 62 of Act 896 provide that where the underlying ownership of an entity changes by more than 50% at any time within a period of three years, the assets and liabilities of that entity immediately before the change is deemed to be realised.
3. Underlying ownership in relation to an entity is defined in section 133 of Act 896 to mean membership interests owned in the entity, directly or indirectly through one or more interposed entities, by individuals or by entities in which no person has a membership interest.
4. Since there will be more than 50% change in the ownership of Exclusive Homes Ghana Limited, the assets and liabilities of Exclusive Homes Ghana Limited will be deemed to have realised immediately before the change.
5. Section 42 of Act 896 provides that Exclusive Homes Ghana Limited would be deemed to have parted with ownership its assets and derived an amount equal to the market value at the time of realization and re-acquired the asset at a cost equal to the market value at the time of realization. This means the land Exclusive Homes Ghana Limited owns would be deemed to have been realized with the consideration received being GH¢500,000. Given the fact that the original cost of the asset is GH¢100,000, the company would make a gain of GH¢400,000 and would be required to pay tax at the rate of 25% on the gain made.
6. Section 62(2) of Act 896 provides that where the underlying ownership of Exclusive Homes Ghana Limited changes by more than 50%, Exclusive Homes Ghana Limited cannot;
    a. deduct financial costs carried forward under section 16 (3) that were incurred by the entity before the change. Thus, financial cost of GH¢100,000 stated in the Audited Accounts cannot be carried forward.
    b. deduct a loss under section 17 (1) that was incurred by the entity before the change. Thus, the loss of GH¢2,500,000 cannot be deducted in determining the chargeable income of the company in the future.
    c. claim a deduction under section 23 (2), (4) or (5) after the change, in a case where the entity has included an amount in calculating income under those provisions before the change; or
    d. carry back a loss under section 24 (6) that was incurred after the change to a year of assessment before the change.
    e. If the underlying ownership changes by more than 50% during a year of assessment of Exclusive Homes Ghana Limited, the period before the change and the period after the change shall be treated as separate years of assessment under section 62(3) of Act 896. Thus, if the transaction is

completed by 31 January 2020, the period from 1 to 31 January 2020 would be one year of assessment for Exclusive Homes Ghana Limited and the period from 1 February 2020 would be another year of assessment.

ii) **Measures the parties can adopt to mitigate the tax effects (if any) of the proposed transaction**.
Candidates are expected to discuss that the restrictions placed on the deductions under section 62 of Act 896 are linked with a change of ownership occurring *within a three-year period*.

To mitigate the effects, the potential investor can spread the acquisition of the shares over a period such that it will not amount to a change of ownership of Exclusive Homes Ghana Limited within a three-year period.

(10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

a) This question was on buy through capitalisation or through debt and the tax implication. Capitalisation will trigger the payment of stamp duty on the capital injected and future dividend payment. Candidates were required to comment on the option that was better. Once again, it was an issue of capital contribution.

b) It was a question of acquisition of 51% and the issue of change in underlying ownership with a lot of tax implication.

QUESTION FOUR

Konadu Yiadom Ltd				
Computation of Tax Payable				
Year of Assessment 2021				
Basis Period 1/1/2021-31/12/2021				
		GH¢	**GH¢**	**GH¢**
Net Profit				120,215.00
Deduct the following:				
	Sales of Old Shop		21,500.00	
	Purchases	15110		
	Less VAT	440	14,670.00	
	Rent		19,920.00	
	Bad Debt Provision		1,250.00	
	Additional Wages Fresh			
		30% *37000	11,100.00	
			68,440.00	68,440.00
				51,775.00
Add back				
	Machinery		3,500.00	
	Promotion and Advert.			
		Wedding	2,800.00	
		Sample Product	3,510.00	
	Legal Fees			
		Court fine	3,950.00	
		Driving fine	3,830.00	
	Bad Debts			
		Specific Prof	1,800.00	
	Sundry Expenses			
		Support to Ass.	8,000.00	
		Replacement of windows	4,000.00	
		Gifts Customers	6,000.00	
		Redundancy	25,000.00	
		Investigate-New comp.	22,000.00	
	Tax Paid		37,500.00	
	Depreciation		55,820.00	
			177,710.00	**177,710.00**
	Assessable Income			**229,485.00**

	Capital Allowance			57,000.00
	Chargeable Income			**172,485.00**

(Marks are evenly spread using ticks = 20 marks)

EXAMINER'S COMMENTS
It was a question on examination of accounts. A popular area in tax administration hence candidates performed very well.

QUESTION FIVE

a)

ABG Ltd							
Computation of Tax Payable							
Year of Assessment 2022							
Basis Period January 1-December 31, 2022							
	ABG Ltd	**Adooso Ltd**	**Brefa Ltd**	**Crame Ltd**	**Didie**	**Frankaa Ltd**	**Greda Ltd**
	GH¢Million	**GH¢Million**	**GH¢Million**	**GH¢Million**	**GH¢Million**	**GH¢Million**	**GH¢Million**
Taxable Income	28	13	14	22	33	14	20
Tax Rate	15%	25%	18.75%	12.50%	12.50%	25%	1%
Tax Charged	**4.2**	**3.25**	**2.625**	**2.75**	**4.125**	**3.5**	**0.2**

Assumption:

- The free zone exported all
- Greda Ltd was still under temporary concessions

ABG	Concessionary Rates assuming on what is exported
Adooso Ltd	No incentive
Brefa ltd	A rebate of 25%
Crame ltd	A rebate of 50%
Didie ltd	A rebate of 50%
Frankaa ltd	No incentive
Greda ltd	Temporary concession

(10 marks)

b)

Memo
To: Tax Manager
From: Tax Intern
Date:
Subject: Private rulings, class rulings and practice notes and their purpose
Introduction
As discussed, I furnish you with the different purposes and their purposes.

Private rulings
Private rulings are a request by a taxpayer requesting the Commissioner-General to provide guidance on some transactions the taxpayer wants to enter into or has entered into. It must not be hypothetical. It binds the Commissioner-General and also binds the taxpayer to the extent of the disclosure. **(3 marks)**

Class rulings
With the class rulings, taxpayers with common issue apply for them. It is applicable to only persons in the group. While private rulings are individually generated, class rulings are associated with group. **(2.5 marks)**

Practice notes
These are Commissioner-General's guidance on the tax laws and how they should apply. They are to ensure consistency and uniformity in the application of the laws.
(2.5 marks)

Purpose
All are to aid the taxpayers in trying to comply with the tax laws. While private rulings and class rulings are initiated by the tax payers, the practice notes are through the initiation of the Commissioner-General. **(1 marks)**

Conclusion
It is hoped that the above will help in your further action.
Thank you

Name:

(Structure of memo: 1 mark)

(Total: 20 marks)

EXAMINER'S COMMENTS
Candidates' performance in sub-question a) was above average. However, some candidates had challenges with private rulings, class rulings and practice notes.