



PROFESSIONAL LEVEL EXAMINATION

2024-2029 Syllabus

Mock Exam

ADVANCED TAXATION

Paper 3.3

QUESTION ONE

Kinaata Company Ltd is a manufacturer of pomade and perfumes. The company started operations on 30 September 2022, preparing accounts to 31 December each year.

Kinaata Company Ltd recorded a net profit of GH¢10,575,000 for the year ended 31 December 2023 after considering the following transactions:

	Note	GH¢
Net interest received on bank accounts		50,140
Trademarks	i	280,000
Donation	ii	120,000
Depreciation		160,000
Marketing cost		88,000
General cost	iii	700,000
Rental expense		48,000
Canteen expense		75,000
Interest paid	iv	150,000
Other expenses	v	1,150,000

Notes:

- i) Kinaata Company Ltd registered a trademark for one of its pomades during 2023, 'Gold Fresh', at a total cost of GH¢150,000. The Trademark will expire in ten years' time. The market research expenses on the pomade were GH¢130,000.
- ii) The donation was a borehole built for the community as corporate social responsibility programme. This was confirmed by the Ministry of Local Government.
- iii) The general costs include GH¢140,000 incurred in creating retaining wall around the office building to strengthen its foundations against sinking.
- iv) The company took a loan of GH¢1,000,000. Half of the loan facility was applied towards recurrent expenditure and supporting the company's working capital. The other half was used to construct a Warehouse during 2023.
- v) The Other Expenses were made up of the following:
 - Entertainment GH¢100,000
 - Provision for staff redundancy cost to take place in 2025 GH¢850,000
 - Third Party Vehicle Insurance GH¢30,000
 - Company Lawyer Retainer Fees GH¢20,000
 - Penalty for late filing of tax returns GH¢10,000
 - Audit Fees GH¢40,000
 - Bank Charges GH¢50,000

Additional Information

- i) In the year 2022 the company made a net loss of GH¢780,000. On 1 March 2023, after the examination of the tax returns, Ghana Revenue Authority confirmed that the tax assessed loss was GH¢560,000.

- ii) Kinaata Company's fixed assets acquired and constructed during the year to 31 December 2022 were:

	Cost (GH¢)
Factory building	1,000,000
Computers	150,000
Plant and machinery	550,000
Office building	600,000
Furniture and Office equipment	300,000
Motor vehicles (3 number)	650,000

Required:

- a) Calculate the capital allowances claimable by Kinaata Company for the year ended 31 December 2023. Show all workings. **(8 marks)**
- b) Calculate the chargeable income and company tax payable by Kinaata Company for the year ended 31 December 2023. **(7 marks)**
- c) Your Tax Consulting firm is organising a workshop for clients and you have been chosen as one of the resource persons. Your assignment is to make a presentation on Taxpayer Identification Number (TIN).

Required:

Prepare your presentation explaining **EIGHT (8)** activities that TIN may be used for.

(5 marks)

(Total: 20 marks)

QUESTION TWO

- a) Ghana Government participates indirectly in the oil and gas production through the holding of initial interest and additional participating interest.

Required:

Explain how Ghana Government may obtain initial interest and additional participating interest in the petroleum upstream operations. **(4 marks)**

- b) Abba Ltd holds 35% and Baaba Ltd hold 45% in a joint licence obtained in 2020 to operate in the Voltaian Basin. They commenced operations in 2023.

The following relates to their 2023 year of assessment:

Exploration Cost	2,000,000,000 USD
Development Cost	6,000,000,000 USD
Production in barrels	1,000,000,000
Cost of crude oil per barrels	10 USD
Price per barrel	100 USD

Per the Petroleum Agreement, government is to hold carried interest of 15% and additional participating interest of 5%. Government has also signed to take up Royalty Interest of 10%.

Required:

- i) Compute the crude oil distribution **(3 marks)**
 - ii) Compute allowable deduction **(6 marks)**
 - iii) Explain the basis of your computation **(2 marks)**
- c) You are a revenue officer at the Ghana Revenue Authority (GRA). As part of activities to welcome new national service personnel at the office, you have been tasked by your manager to make presentation on Tax Clearance Certificates (TCC) to new service personnel.

Required:

- i) Prepare your presentation explaining the following:
- ii) When will the Commissioner-General issue TCC? **(2.5 marks)**
- iii) Under what circumstances will the Commissioner-General cancel or amend TCC? **(2.5 marks)**

(Total: 20 marks)

QUESTION THREE

- a) The Object of the Ghana Investment Promotion Centre (GIPC) is to create an enhanced, transparent and responsive environment for investment, development of the Ghanaian economy through investment and to encourage, promote and facilitate investment in the country. (Section 3 of Act 2013, Act 865). In the light of these, the GIPC Act outlines some incentives and benefits to investors.

As a top notch tax advisor, the President of the International Chamber of Commerce (ICC) is requesting you to provide him a report on the benefits and incentives available to foreign investors who wish to invest in Ghana as enshrined in the GIPC Act. He also wants to be abreast with what constitute technology transfer agreement under the said Act. What is more is that, he desires to be briefed on factors likely to work against foreign direct investments which the government of Ghana should guard against in order to attract the needed foreign direct investment.

Required:

Draft a report to the President addressing his requests.

(15 marks)

- b) Deficit financing measures in Ghana are sometimes referred to as inflationary financing measures.

Required:

Identify the deficit financing measures and explain why they are sometimes referred to as inflationary financing measures.

(5 marks)

(Total: 20 marks)

QUESTION FOUR

- a) During the month of March 2024, Emesel Reigns Telecommunications LTD (“ERTL”), a tax resident company in Ghana, issued an invoice of GH¢800,000 to a customer, Seth Rollins LTD (“SRL”), also a tax resident company in Ghana. Both companies are registered for VAT, and ERTL is a provider of Electronic Communication Services (ECS) as defined in the Communications Service Tax Act, 2008 (Act 754). SRL has also been appointed by the Commissioner-General of the Ghana Revenue Authority (GRA) as a VAT Withholding Agent. ERTL’s invoice to SRL was inclusive of all relevant taxes.

There is a dispute between the Finance Manager of SRL and the Tax Director of ERTL regarding the computation of the taxes. You have been consulted in your capacity as a Chartered Accountant to assist.

Required:

- i) Calculate all taxes that should appear on the face of the VAT invoice issued by ERTL to SRL. You should clearly indicate what the amount for each tax is. **(5 marks)**
- ii) As a VAT Withholding Agent, determine the amount of Withholding VAT SRL has to withhold and remit to the GRA, clearly indicating when this amount must be remitted to the GRA. **(4 marks)**
- iii) Following from (b) above, assuming SRL fails to withhold and remit the Withholding VAT amount, what penalty is SRL going to suffer under the Value Added Tax Act, 2013 (Act 870) as amended? **(3 marks)**
- iv) SRL also has an obligation to withhold tax under the Income Tax Act, 2015 (Act 896). Calculate how much SRL is required to withhold, clearly indicating when this withheld amount should be remitted to the GRA. **(3 marks)**
- b) The Ghanaian economy has been faced with persistent fiscal deficits over the years. Measures put in place by the government to address fiscal deficits normally result in inflation.

Required:

In your opinion, what can the government of Ghana do to reverse these inflationary measures?

(5 marks)

(Total: 20 marks)

QUESTION FIVE

- a) Air-Mare Cell (“AMC”) GmbH, a company resident and incorporated in Germany, is a provider of a digital social media platform, AMCBook, by which subscribers are able to place digital advertisements on AMCBook’s online marketplace. The AMCBook could be downloaded on either the Apple App Store or the Google Play Store. AMC provided customers in Ghana with a simplified subscription service, for which customers would pay a monthly subscription fee of \$18, which entitled customers to gain access to unlimited online advertisements on AMCBook. During the months of January to June 2023, AMC had monthly subscribers of 12,500. From July to December 2023, AMC’s monthly subscriber base grew to 18,600. Subscribers in Ghana made payment using their VISA cards linked to their bank accounts in Ghana. Assume an average exchange rate of \$1 = GH¢ 14.

Required:

- i) What obligations, if any, does Air-Mare Cell (“AMC”) GmbH have under the Value Added Tax Act, 2013 (Act 870)? **(3 marks)**
- ii) Calculate the total taxes AMC will have to remit to the Ghana Revenue Authority, if any, under the Value Added Tax Act, 2013 (Act 870). You should clearly indicate what the amount for each tax type is. Assume the monthly subscription fee charged by AMC is inclusive of all relevant taxes. **(7 marks)**
- b) Cross border transactions are carried out to largely promote investment activities and also to raise revenue for Government. Governments of developing countries have entered into a lot of double taxation agreements which potentially undermine the revenue due their States.

Required:

With the aid of an appropriate example, evaluate the above statement and provide recommendation for its continuity or cessation. **(10 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a) i) Computation of capital allowance

2022 (92days)	Pool 1	Pool 2	Pool 3
Cost	150,000	1,200,000	300,000
Capital allowance	<u>15,123</u>	<u>90,740</u>	<u>15,123</u>
	134,877	1,109,260	284,877
2023			
Capital allowance	<u>53,951</u>	<u>332,778</u>	<u>56,975</u>
Written down value	<u>80,926</u>	<u>776,482</u>	<u>227,902</u>

2022 (92days)	Factory Building	Office Building	Warehouse	Trademark
Cost	1,000,000	600,000	0	0
Capital allowance	<u>25,205</u>	<u>15,123</u>	<u>0</u>	<u>0</u>
	974,795	584,877	0	0
2023				
Additions	<u>0</u>	<u>113,756</u>	<u>575,000</u>	<u>30,000</u>
Depreciation Basis	1,000,000	713,756	575,000	30,000
Capital allowance	<u>100,000</u>	<u>71,376</u>	<u>57500</u>	<u>2,000</u>
	900,000	624,380	517500	28,000

Workings

Note 1 Repair and Improvement

Written Down value	584,877
Capital allowance	<u>60,000</u>
WDV	<u>524,877</u>
Repairs and improvement	140,000
5% x 524,877	<u>26,244</u>
	<u>113,756</u>

Note 2. Warehouse

Cost	500,000
Interest	500,000/1,000,000 x 150,000
	<u>75,000</u>
	<u>575,000</u>

Note 3.	Depreciation Basis	
	Cost	600,000
	Additions	<u>113,756</u>
		<u>713,756</u>

Total Capital Allowance

Pool 1	53,951
Pool 2	332,778
Pool 3	56,975
Factory Building	100,000
Office Building	71,376
Warehouse	57,500
Trademark	<u>2,000</u>
	<u>674,580</u>

(8 marks evenly spread using ticks)

ii) Computation of Chargeable Income

Year Of Assessment: 2023

Basis Period: January to December 2023

	GH¢
Net Profit	10,575,000
Adjustments for:	
Interest 50,140/0.92 – 50140	4,360
Trademark	30,000
General Cost- Building	140,000
Interest on Loan	75,000
Depreciation	160,000
Other expenses: Entertainment	100,000
Provision for redundancy costs	850,000
Penalty	10,000
Carry over losses	560,000
Capital Allowance	<u>(674,580)</u>
Chargeable Income	<u>11,829,780</u>

(7 marks evenly spread using ticks)

b) Taxpayer Identification Number is needed to do the following:

1. To clear goods from any port or factory.
2. To register title to land, interest in land.
3. To obtain Tax Clearance Certificate from GRA.
4. To obtain a certificate to commence business or a business permit.
5. To register a co-operative society in Ghana.
6. To receive payment from the Controller or a Local Government Authority in respect of a contract or provision of any services.
7. To receive a payment subject to withholding under the Income Tax Act, 2015, (Act 896)
8. To file a case with the Courts.
9. To conduct any official business with the following institution and persons: The Ghana Revenue Authority; The Controller and Accountant General's Department; The Registrar General's Department; The Registrar of Co-operatives; The Land Title Registry; Metropolitan, Municipal and District Assemblies; etc

(5 points for 5 marks)

(Total: 20 marks)

QUESTION TWO

(a)

- Government participates in the oil and gas space either through direct or indirect means.
- Initial interest is the acquisition of ownership interest of the oil and gas business. Government by law is required to hold 15% of the equity of the operation and will only contribute towards 15% of the production cost.
- Government will not contribute towards exploration and development cost.
- On production, government pays without being carried.
- This forms part of government in the oil and gas operation.
- Additional Participating Interest is part ownership of the equity acquired by Government that entitles the government to some benefits.
- Government has a period within which to take up this additional interest. If the equity is not exercised within the agreed period, Government will lose the right for the additional ownership.
- Government contributes towards development and production costs. It forms part of the government take.

(5 Marks)

(b)

i. Distribution of Crude

Production	1,000,000,000	
Royalty @ 10%	<u>100,000,000</u>	
Net Production	<u>900,000,000</u>	
Share as follows:		
Carried Interest @ 15%	135,000,000	
Additional Participating Interest @ 5%	45,000,000	
Others		
Abba Ltd @ 35%		315,000,000
Baaba Ltd @ 45%		405,000,000

Details	Amount	Carried Interest	Additional Participating	Abba Ltd	Baaba Ltd
		15%	5%	35%	45%
	USD000	USD000	USD000	USD000	USD000
Exploration	2,000,000			875,000	1,125,000
Development	6,000,000		352,941.18	2,470,588.23	3,176,470.59
Preproduction Cost	8,000,000		352,941.18	3,345,588.23	4,301,470.59
Capital Allow				669,117.65	860,294.12
Other-Cost					
Net Prod Cost	9,000,000	1,350,000	450,000	3,150,000	4,050,000
Production-Royalty	1,000,000			437,500	562,500
Total Prod. Cost	10,000,000	1,350,000	450,000	3,587,500	4,612,500
Total Allowable Deduction				4,256,617.65	5,472,794.12

(11 marks evenly spread using ticks)

c)

i) The Commissioner-General shall issue a TCC where the Commissioner-General is satisfied that the applicant:

1. Has been issued with a TIN and the number is specified in the application.
2. Has no outstanding tax, returns or other obligations under any tax law; and
3. Has satisfied any other condition that the Commissioner- General may determine.

(2.5 marks)

ii) The Commissioner-General may, where the Commissioner-General considers appropriate, by notice in writing, cancel a Tax Clearance Certificate issued to a person if:

1. The person identified in the TCC is fictitious.
2. The person identified in the TCC does not accurately reflect the identity of the person to whom the certificate was issued; or

3. The person to whom the Tax Clearance Certificate was issued has another Taxpayer Tax Clearance Certificate.

(2.5 marks)

(Total: 20 marks)

QUESTION THREE

a)

Blue Consult

P.O. Box 58
Accra

15th October, 2024

The President
ICC
France

Dear Sir,

**BENEFITS AND INCENTIVES AND THE MEANING OF TECHNOLOGY
TRANSFER AGREEMENT UNDER THE INVESTMENT PROMOTION CENTRE
ACT AND FACTORS THAT MILITATE AGAINST FOREIGN DIRECT
INVESTMENT**

INTRODUCTION

I present to you the benefits and incentives to investors and what constitute technology transfer agreement as enshrined in the Ghana Investment Promotion Centre Act of 2013, Act 865 as well as the factors that may militate against foreign direct investment.

Benefits and Incentives

- i. An enterprise is entitled to the benefits and incentives that are applicable to that enterprise under the Income Tax Act, 2015, Act 896, VAT Act 2013, Act 870 and ECOWAS Common External Tariff Schedule to the Customs Act, 2015, Act 891 and any other relevant law.
- ii. Exemption of non-zero rated items. An enterprise whose plant, machinery, equipment or parts of the plant, machinery or equipment are not zero-rated under Harmonised system: ECOWAS Common External Tariff Schedule to the Customs Act, 2015 (Act 891) may submit an application for exemption of import duties and related charges, on the plant, machinery, or equipment to the Centre for onward submission to the Minister of Finance.
- iii. Incentives for special investments. For the purposes of promoting identified strategic or major investments, the Board may, in consultation with the appropriate state agencies determined by the Board and with the approval of the President, negotiate specific incentive packages for strategic investors in addition to the incentives already available in the Act.

- iv. Priority areas. The Board may, with the approval of the President, by legislative instrument, specify priority areas of investment and prescribe applicable incentives and benefits. The Board shall publish in the Gazette and on its website the criteria for determining what constitutes strategic investments and the special incentives available.
- v. Investment guarantees, transfer of capital, profits and dividends and personal remittances

An enterprise shall be guaranteed unconditional transferability through an authorized dealer bank in freely convertibility currency of:

- a) dividends or net profits attributable to the investment made in the enterprise;
- b) payments in respect of loan servicing where foreign loan has been obtained.
- c) fees and charges in respect of technology transfer agreement registered under the Act, and
- d) the remittance of proceeds, net of taxes and any other obligations, in the event of sale or liquidation of the enterprise or any interest attributable to the investment in the enterprise.
- vi. Guarantee against expropriation
Section 31 provides that subject to the Constitution, any relevant law and subsections (2) and (3) of section 31:
 - a) an enterprise shall not be nationalized or expropriated by the Government, and
 - b) a person who owns, whether wholly or in part, the capital of an enterprise shall not be compelled by law to cede that interest in the capital to any other person
 Note that payments shall be made without undue delay and authorization shall be granted for the repatriation of the compensation in convertible currency, where applicable.

The meaning of Technology Transfer Agreement

Section 37 of the GIPC Act states that an enterprise may enter into technology transfer agreement which that enterprise considers appropriate for the enterprise. Technology transfer agreements entered into under the Act shall be registered with the Centre and shall be governed by the Regulation relating to the agreements.

Technology transfer agreement means an agreement with an enterprise which has duration of not less than 18 months and which involves:

- a. the assignment, sale and licensing of all forms of industrial property, except trademarks, service marks and trade names when they are not part of transfer of technology;
- b. the provision of technical expertise in the form of feasibility studies, plans, diagrams, models, instruction, guides, formulae, basic or detailed engineering

- designs, specifications and equipment for training, services involving technical advisory and managerial personnel and personal training;
- c. the provision of technological knowledge necessary for the installation, operation and functioning of the plant and equipment and turnkey projects; and
 - d. the provision of technological knowledge necessary to acquire, install and use machinery, equipment, intermediate goods or raw materials which have been acquired by purchase, lease or other means.

Factors that militate against Foreign Direct Investments (FDIs)

- i. Ineffective and efficient judicial system. Investors need to be guaranteed an impartial and quick hearing in cases of investment disputes to enable them either continue their business or recover their investments without delay. Where the judicial system is incapable of delivering the required justice speedily foreign investors may prefer to stay away.
- ii. Unstable macroeconomic environment. The economy in which investors get attracted to are those that are stable in terms of key macroeconomic indicators such as stable inflation rate, stable exchange rate and tolerable level of unemployment among others. Countries where such economic indicators are unstable, foreign investors become shy of such countries.
- iii. Political instability. Unstable political climate scares investors regardless of all assurances of their investments being safeguarded against expropriation.
- iv. Lack of skilled labour can militate against foreign direct investments as movement of skill persons across boundaries come at a great cost, hence not finding available skilled labour for example will not be a good cost saving measure to enhance investment inflows.
- v. Capital inadequacy. The capacity and ability of financial institutions to provide adequate funds at low interest rates is important to attract FDI as foreign loans are expensive and can militate against the growth of businesses.
- vi. Lack of capacity in monitoring and evaluation. Capacity in monitoring and evaluation is important to research findings that enable investors' correct lapses and ensure steady growth. Where this is lacking foreign investors may back off from such countries.

Please, do not hesitate to contact me in case you require further and better particulars.

Sincerely Yours
Signed
Managing Partner

(Total of 15 marks)

- b) Government budget is a blueprint of the government's expected revenue and expenditure in a financial year. Where government spends more than she collects especially from taxation there is said to be a budget deficit. (Expansionary Fiscal Policy).

The ways of financing the extra expenditure mostly through borrowing are referred to as the deficit financing measures.

These measures include:

- i. Domestic Debts. That is government obligation to domestic lenders. This include but not limited to:
 - The sale of government securities such as treasury bills and notes, government and municipal bonds etc.to the public.
 - Government borrowing from the Central Bank (Bank of Ghana) including printing of notes.
 - Government borrowing directly from the commercial banks.
 - Publicly guarantee debts by government.
- ii. External Debts. That is government's obligation to external lenders. This can be through bilateral and multilateral arrangements. This include but not limited to:
 - Government of Ghana borrowing from other governments or their appropriate institutions, especially export credit agencies.
 - Claims granted by international financial institutions such as IMF, the World Bank (IBRD) or regional development banks etc.
 - International money markets such as Euro Bond markets etc.

Why they are referred to as inflationary financing measures:

Aside from the government borrowing internally from the public through the sale of government securities which syphons money in the hands of persons in the country and thus directly reduces money supply, the other domestic sources of borrowing and the external sources of borrowing increases money supply in the country. It is when such increases in money supply are not put to productive uses that leads to inflation.

The following may be adduced to support the assertion.

- More often than not, government borrowings are less channeled to productive sectors such as agriculture, industrialization, mining, infrastructure etc fueling the inflationary spiral.
- Government pumping borrowed funds into numerous social intervention programmes without sound direct productive outcomes. This may also spike inflation.

- Government borrowing to service its external obligations. This means that there will be little left to pursue its developmental agenda.
- Borrowing to meet administrative expenditure deficits due to huge administrative bills. The situation has the tendency of contributing to the inflation spiral in the midst of little production.
- Government not channeling borrowed funds to create the congenial atmosphere for the private sector to thrive leading to low production.

(Any 5 points for 5 marks)

(Total: 20 marks)

QUESTION FOUR

a)

- i) Calculation of tax-exclusive invoice amount, and taxes payable:

$$\text{Tax-exclusive invoice value} = 100/127.65 \times \text{GH¢ } 800,000 = \text{GH¢ } 626,713.67$$

	GH¢
Tax-exclusive amount	626,713.67
NHIL @ 2.5%	15,667.84
GETFL @ 2.5%	15,667.84
CHRL @ 1%	6,267.14
CST @ 5%	<u>31,335.68</u>
Tax Base for VAT	695,652.17
VAT @ 15%	<u>104,347.83</u>
Tax-inclusive amount	<u>800,000.00</u>

(5 marks)

- ii) As a VAT Withholding Agent, SRL has to withhold 7% of the taxable output value of standard rated supplies.

From the above, this is 7% of the Tax Base for VAT of GH¢ 695,652.17.

$$\text{The Withholding VAT amount} = 7\% \times \text{GH¢ } 695,652.17 = \text{GH¢ } 48,695.65$$

SRL has to remit this amount to the GRA on or before the 15th day of April 2024. A Withholding VAT return must also be filed by the same date.

(4 marks)

- iii) According to Section 47D of the Value Added Tax (Amendment) Act, 2023 (Act 1107), an appointed VAT withholding agent who fails to withhold and remit withholding VAT to the Commissioner-General by the 15th day of the following month shall pay:

- The VAT that should have been withheld; and
- A penalty of 30% of the amount

As such, the total sanction for failure to withhold amounts to:

VAT that should have been withheld = GH¢ 48,695.65; and

$$30\% \text{ of VAT that should have been withheld} = 30\% \times \text{GH¢ } 48,695.65 = \text{GH¢ } 14,608.70$$

(3 marks)

- iv) This transaction qualifies as a service between two resident persons. The applicable withholding tax rate is 7.5%.

This is computed on the tax-exclusive invoice amount (see answer (a) above)
 $7.5\% \times \text{GH¢ } 626,713.67 = \text{GH¢ } 47,003.53.$

SRL has to remit this amount to the GRA on or before the 15th day of April 2024. A Withholding Tax return must also be filed by the same date.

(3 marks)

b) How to reverse the narrative

To reverse the narrative current and successive government should endeavor to direct most borrowed funds to the productive sectors of the economy. This will lead to:

- **Increase Production**

Public expenditure contributes to production through a large number of public enterprises both in industries and agriculture. Government incurs a lot of expenditure in the agricultural sector, e.g. on irrigation and power, seed forms, fertilizer factories, warehouses, feeder roads etc., and in the industrial sector by setting up public enterprises like steel plants, heavy electrical, heavy engineering, machine-making factories, etc. All these enterprises are calculated to promote production and thereby reduce inflation and bring economic development.

- **Promote Price Stability**

Increase in public expenditure through borrowing relieves the economy from the quagmire of depression if there is abundant production in all productive sectors of the economy. This will invariably help in stabilizing prices

- **Create employment**

Public expenditure is the most potent weapon to fight unemployment. The level of employment depends upon aggregate demand. The government can influence employment through deficit financing either by making more public expenditure or by resorting to such fiscal methods as may raise the level of private expenditure. Thus, as the government spends to resuscitate the economy from a depressed state it tends to create employment opportunities resulting from the multiplier effect of government expenditure.

- **Promote Balanced Growth**

There is a tendency to use economic resources for the further development of already developed regions. However, for overall growth, special attention needs to be paid for the development of backward areas and underdeveloped regions. This requires huge amounts for which reliance has to be placed on public expenditure through borrowing.

(4 points for 5 marks)

(Total: 20 marks)

QUESTION FIVE

a)

i) The following are the obligations of Air-Mare Cell ("AMC") GmbH under the Value Added Tax Act, 2013 (Act 870):

- AMC is required to register for VAT with the GRA upon commencement of operations in Ghana.
- AMC is required to use the electronic invoicing system certified by the Commissioner-General to issue invoices to its customers.
- In addition to this, AMC is required to file a monthly return of VAT, NHIL, GETFL and CHRL with the GRA on or before the last working day of each month for transactions that occurred in the prior month.
- Any VAT, NHIL, GETFL and CHRL due is also payable on or before the last working day of each month for transactions that occurred in the prior month.

(3 marks)

ii) Subscription revenue calculation

January to June 2023 = $12,500 \times \$18 \times 6 \text{ months} = \$1,350,000$

July to December 2023 = $18,600 \times \$18 \times 6 \text{ months} = \$2,008,800$

Total 2023 subscription revenue = \$3,358,800

Converting to GH¢ = $\$3,358,800 \times 14 = \text{GH¢ } 47,023,200$ (inclusive of all relevant taxes)

Calculation of tax-exclusive amount, and taxes payable:

Tax-exclusive subscription revenue = $100/121.9 \times \text{GH¢ } 47,023,200 = \text{GH¢ } 38,575,225.59$

	GH¢
Tax-exclusive amount	38,575,225.59
NHIL @ 2.5%	964,380.64
GETFL @ 2.5%	964,380.64
CHRL @ 1%	<u>385,752.26</u>
Tax Base for VAT	40,889,739.13
VAT @ 15%	<u>6,133,460.87</u>
Tax-inclusive amount	<u>47,023,200.00</u>

From the above, AMC must remit a total amount of GH¢964,380.64 for NHIL, GH¢964,380.64 for GETFL, GH¢385,752.26 for CHRL and GH¢6,133,460.87 for VAT. **(7 marks)**

b)

Cross border transactions have created difficulties for investors in terms of tax payment and countries the investment are meant for have not been spared in terms of revenue flow.

Countries have tried over the years to ameliorate the situation and to encourage cross border activities with some difficulty.

The benefits are as follows:

- Ensures fiscal certainty among others
- Eliminates international tax evasion
- Creates goodwill among between and among countries

It has the following disadvantages

- It reduces tax income
- It is discriminatory

From the above, the double taxation agreements are used to curb the inhibitions of the cross border investment. This does not benefit developing countries as businesses in developing countries invest in other countries because of the amount of resources required and the challenges with come with investing in developed countries.

Double taxation between developing countries will not in any way increase investment as both will not take advantage of the benefits associated.

Developing countries keep throwing away revenue in the name of double taxation without any benefits in terms of revenue.

For example, Ghana has double taxation agreement with United Kingdom but no Ghanaian company has ever invested in the United Kingdom and therefore the benefit is a façade. The reverse is true.

From the foregoing, the double taxation agreement should be weighed in terms of benefit before we commit ourselves to.

As it stands now, it is not worth continuing and therefore should be ceased forthwith.

(10 marks)

(Total: 20 marks)