

**MARCH 2025 PROFESSIONAL EXAMINATION  
PRINCIPLES OF TAXATION (PAPER 2.6)  
CHIEF EXAMINER'S REPORT**

**GENERAL COMMENTS**

The standard of the questions was excellent for part two level of the examination structure. All the questions did reflect the Principles of Taxation syllabus of which the candidates were expected to have a fair knowledge to pass. The marks allocation was fair. The questions fairly covered the entire syllabus, and the expectations were that any average candidate who wrote the paper should be in the position to pass.

**PERFORMANCE OF CANDIDATES**

Generally, the performance of the candidates was *average* and the expectations of the Examiner from the candidates were *largely not* met. Approximately 40% of candidates passed the paper. The expectations of the examiner from the candidates were not met considering the nature and requirements of the questions.

**NOTABLE STRENGTHS AND WEAKNESSES OF CANDIDATES**

It is evident that most of the candidates had excellent understanding of the syllabus and the subject. This was demonstrated in the answering of the questions. However, the coverage of the syllabus is still low. Candidates have been learning only certain parts of the syllabus. This was evident with some candidates scoring high marks in certain question and almost nothing in other questions.

The manner most of the candidates presented their answers was very good. This makes the marking and scoring not so difficult. Candidates should pay attention to presentation style going forward.

Most of the candidates had excellent handwriting. This makes marking easy and facilitates understanding of candidates. The understanding of the topics in the syllabus was good. Most of the candidates had an excellent understanding of the topics in the syllabus. Even those who could not pass, had good marks, ranging between 31%-40%

It seems some of the candidates did not pay attention to certain topics. Probably, thinking those topics were not so important. Such topics are Ghana National Pension Scheme, Tax Administration, and Value-Added Taxation. If candidates had given more attention to these topics, the pass rate would have been more than 50%

Candidates are advised to give equal attention to the topics since subsequent examinations will be based on all the topics in the syllabus and not only part of the syllabus.

This is a subject in the ICAG scheme that is meant to build candidate understanding of Taxation before they take up the Advanced Taxation at the final level. It is therefore, expected that candidates will learn everything and not to pick and choose what they want to learn. Tuition providers should also pay equal attention to all the topics and not to ignore some considered to be minor and unimportant.

## QUESTION ONE

- a) Tax imposes a burden on the tax payer. The type and nature of the burden depends on the tax structure that is being used in a jurisdiction. Ghana's case is no different.

**Required:**

Explain the nature of Ghana's Tax Structure with applicable examples. **(10 marks)**

- b) The Ghana Revenue Authority has recently made some major tax reforms in its tax administration efforts. These, by and large, have created convenience to the tax paying community.

**Required:**

- i) State **FOUR** areas that would usually need tax reforms. **(4 marks)**

- ii) State **SIX** reforms that have been made to tax administration in Ghana over the years. **(6 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) Although the Value Added Tax Act, 2013 (Act 870) as amended, allows for voluntary VAT registration, there are situations where an application for such registration may be declined.

**Required:**

State the circumstances under which a voluntary VAT registration application might be declined by the Commissioner-General. **(3 marks)**

- b) Maame Yeboah, a VAT-registered trader, set aside goods valued at GH¢12,000 for Nene Abayateye, who made a deposit of GH¢2,000. The agreement stipulated that the goods would be delivered once the remaining GH¢10,000 was paid. However, by mutual agreement, the contract was terminated before the full payment was made.

**Required:**

Explain the VAT implications of these transactions. **(3 marks)**

- c) Woara Manufacturing LTD, based in Techiman, produces roofing sheets. The company has recently registered for VAT but is uncertain about how to handle input VAT paid before their registration. The company seeks your advice on this matter.

**Required:**

Provide guidance on the rules regarding the deductibility of input VAT that was incurred prior to a company's VAT registration. **(3 marks)**

- d) Naa Pioluo, a postpaid customer of Telecel Ghana LTD, received his billing for June 2024, amounting to GH¢638,250, which includes all applicable taxes and levies. Concerned about the charges for his telephone usage, he wishes to understand the tax breakdown within the total amount.

**Required:**

Calculate the amounts for the following taxes included in the June 2024 bill:

- i) VAT (2 marks)
  - ii) National Health Insurance Levy (NHIL). (1 mark)
  - iii) Ghana Education Trust Fund Levy (GETL). (1 mark)
  - iv) COVID-19 Levy. (1 mark)
  - v) Communication Service Tax (CST). (1 mark)
- e) A close relative of yours is into a profitable business in Ghana. The business has had a tax decision made on it by the Commissioner-General. Your relative has objected to the tax decision and the matter has been referred to the Technical and Objection Committee of the Ghana Revenue Authority (GRA) for a determination.

Your relative has invited you on the matter to represent him before the Technical and Objection Committee.

**Required:**

What steps will you follow to ensure proper representation and success in resolving the matter? (5 marks)

(Total: 20 marks)

**QUESTION THREE**

- a) Selassi Afolabi was employed as the Personnel Manager of Tano North District Assembly on 1 March 2021 on salary scale of GH¢72,000, which is expected to increase by GH¢4,000 annually to a maximum of GH¢84,000.

As part of his conditions of employment, he is entitled to the following:

- i) He has a fully furnished accommodation.
- ii) He has a vehicle, fuel and driver for official use only.
- iii) Risk allowance of GH¢2,000 a month.
- iv) Inconvenience allowance of GH¢1,500 a month.
- v) Professional allowance of GH¢2,500 a month.
- vi) He was paid a bonus of GH¢16,000.
- vii) He had the services of a gardener who receives monthly salary of GH¢800, paid by the employer.
- viii) He is divorced with three children who are schooling in government approved schools in Ghana.
- ix) He contributes 5.5% of his salary to the Social Security Scheme.
- x) He contributes 8% of his salary to an approved Provident Fund and his employers also contributes 10% on his behalf to the Provident Fund.
- xi) He received a net dividend of GH¢12,800 in 2023 from shares owned in a resident company.
- xii) He received a director's fee of GH¢16,000 net of 20% WHT in 2023 from being a Board member in a private company.

**Required:**

Determine his chargeable income for the 2023 year of assessment. (10 marks)

- b) Adwoa Ntowbea is an investor in several companies in Ghana and abroad.

Below are details of ordinary share dealing of Adwoa Ntowbea in Amaraaba LTD, a limited liability company in Ghana which is not listed on the Ghana Stock Exchange.

<b>Date</b>	<b>Details</b>
1 Jan 2023	Bought 500 shares at GH¢11 each.
18 Sept 2023	Bought 1500 shares at GH¢12 each.
30 Dec 2023	Bought 800 shares at GH¢10 each.
19 Nov 2024	Sold 500 shares for GH¢12 each.

**Required:**

- Determine the gains on the shares sold. (5 marks)
- Determine the tax, if any on the shares sold. (2 marks)
- Explain the withholding tax regime on realisation of capital assets. (2 marks)
- What are the tax return requirements on realisation of capital gains? (1 mark)

**(Total: 20 marks)**

**QUESTION FOUR**

- a) Three pharmacy students, Abanga, Banzey and Chambas who completed the Tamale Technical University have teamed up to undertake a business venture in the pharmaceutical sector under a Trading Name **Nmani Pharmacy**. They agreed to share profit and losses in the ratio 3:2:1 for Abanga, Banzey and Chambas respectively. The details provided below relate to the business financial performance for the year 2023.

<b>Details</b>	<b>GH¢</b>	<b>GH¢</b>
Sales		993,400
Cost of goods sold:		
Opening inventory	150,000	
Purchases	<u>300,000</u>	
	450,000	
Closing inventory	<u>(120,000)</u>	
		<u>(330,000)</u>
Gross profit		663,400
Less expenses:		
Staff cost	102,000	
Business promotions	58,100	
Depreciation	98,200	
Electricity and water	53,000	
Expired drugs	12,100	
Donation	78,000	
Rent and rates	15,000	
Sundry expenses	50,000	
Vehicle running cost	63,000	
		<u>(529,400)</u>
Net profit		134,000
Tax paid		<u>(15,200)</u>
Net profit after tax		<u>118,800</u>

**Additional Information:**

- 1) Staff cost includes monthly stipend allocations to the aged parents of the partners totaling GH¢18,000.
- 2) All three Partners are taking care of their aged parents who are more than 60 years.
- 3) Business promotions include lunch expenses of the partners amounting to GH¢21,200.
- 4) Donations include funeral donation made during the funeral of the mother of the Vice Chancellor of the Tamale Technical University amounting to GH¢20,000.
- 5) Sundry expenses include fine amounting to GH¢32,000 imposed by the Food and Drugs Authority for failure to remove some expired drugs from shelves.
- 6) The Partners received Withholding Tax Certificates indicating an amount of GH¢15,200 from the Binabaani European Hospital for medical consumables supplied to the hospital.
- 7) Capital allowance has been agreed with the Ghana Revenue Authority at GH¢104,200.

**Required:**

- i) Compute the chargeable income for **Nmani Pharmacy** for the 2023 Year of Assessment  
(5 marks)
- ii) Compute the net tax payable by each partner for the year 2023.  
(7 marks)
- b) In line with the provisions of the Income Tax Act, 2015 (Act 896), partnership and limited liability companies in Ghana are taxed in accordance with their residency status in a year of assessment.

**Required:**

State the criteria for the determination of the residency status of partnership and limited liability companies.  
(3 marks)

- c) All over the world, countries have introduced policies to guarantee income for their hard working workforce who may go on retirement to enable them live meaningful lives after retirement. Ghana's pension system aims to provide personal financial security for employees in their retirement years.

**Required:**

Describe the current pension system in Ghana.  
(5 marks)

**(Total: 20 marks)**

## QUESTION FIVE

- a) The Managing Director of Kantorse LTD is worried about the amount of withholding tax deductions the company suffers when the company receives payment for the supply of goods to some customers. He has heard that some payments could be exempted from withholding taxes.

**Required:**

State **FIVE** payments that are exempt from withholding taxes. (5 marks)

- b) State **FIVE** responsibilities of a VAT Withholding Agent. (5 marks)

- c) The Ghana Revenue Authority (GRA) has implemented an online tax filing system that allows taxpayers to submit their tax returns through the GRA portal. This system is part of the broader digitalisation effort aimed at enhancing tax compliance and administration in Ghana.

**Required:**

- i) Discuss **FOUR** benefits of using the GRA online tax filing system for both taxpayers and tax administrators. (6 marks)
- ii) Identify **TWO** challenges that taxpayers may face when using the online tax filing system. and recommend possible solutions. (4 marks)

(Total: 20 marks)

### Applicable Tax Rates

	Chargeable Income GHS	Rate %	Tax Payable GHS	Cumulative Income GHS	Cumulative Tax GHS
<b>First</b>	4,824	0	0	4,824	0
<b>Next</b>	1,320	5	66	6,144	66
<b>Next</b>	1,560	10	156	7,704	222
<b>Next</b>	36,000	17.5	6,300	43,704	6,522
<b>Next</b>	196,740	25	49,185	240,444	55,707
<b>Next</b>	359,556	35	107,866.80	600,000	163,573.80
<b>Exceeding</b>	600,000	35	210,000		

## SUGGESTED SOLUTION

### QUESTION ONE

#### (a) The nature of Ghana's Tax Structure with applicable examples.

##### **Based on what amount the tax is levied**

The Ghana Revenue Authority (GRA) classifies taxes into three broad categories: taxes on income and profits (direct taxes); taxes on goods and services (indirect taxes); and taxes specifically on international trade (customs taxes)

##### **Based on the method used for the calculation of the tax**

- i) **Proportional Tax.** Here tax is levied at a fixed rate on the amount of income earned. A proportional tax is a tax whose burden is the same rate regardless of the income earned by the household. For example, under a proportional tax system, if the income tax rate is 10%, then a household who earns GH¢10,000 will pay 10% of their income in taxes, while a household who earns GH¢10 million will also pay 10% of their income as taxes.
- ii) **Progressive Tax.** Here the rate that is used to calculate the amount of tax is determined by the person's total income. The bigger the person's income the more tax he will pay. A progressive tax is a tax that takes a higher percentage of income from higher income households than from lower income households. The current income tax system in Ghana on PAYE is a progressive tax. For example, under a progressive tax system, a household that earns GH¢10,000 would pay a 5% income tax while a household that earns GH¢10 million would have to pay a 35% income tax.
- iii) **Regressive Tax.** This is where the tax rate reduces as the person's total incomes gets bigger. This type of tax does not exist in most countries, but a typical excise tax is regressive.

##### **Based on who has the responsibility to pay the tax**

- i) **Direct Tax.** In this case the impact and incidence of tax falls on the same person. Direct taxes are taxes on income. A Direct tax is a kind of charge, which is imposed directly on the taxpayer and paid directly to the government by the persons. The burden of direct tax is one that cannot be shifted by the taxpayer to someone else. Examples of Direct Taxes are: personal income tax from labour, interest etc, Company tax, Property tax, Stamp duties, Rent tax.
- ii) **Indirect Tax.** Here the impact and incidence of the tax falls on different people. Indirect taxes are taxes on spending. It is a tax collected by an intermediary (such as a retail store) from the person who bears the ultimate economic burden of the tax (such as the customer). An indirect tax is one that can be shifted by the taxpayer to someone else. This kind of tax may increase the price of a good so that consumers are actually paying the tax by paying more for the products. Examples of Indirect Taxes are: Export and import tax, Excise tax, Surcharges, Entertainment tax, Licences, Value added tax, Petroleum tax.

*(10 marks)*

#### (b) Tax Reforms in Ghana

- i) Tax reform consists in changing the structure of one or more taxes or the tax system, to improve their functioning for achieving their objectives.

Tax reforms focus on:

1. Taxes on income and property,
2. Taxes on domestic goods and services,
3. International trade taxes and
4. Value Added Tax (VAT).
5. Tax administration

*(4 points for 4 marks)*

ii)

Ghana's tax administration has undergone several reforms, including improving tax compliance, increasing tax revenue, and broadening the tax base.

Tax compliance

- **Voluntary Disclosure Procedures:** (VDP) to waive penalties for taxpayers who voluntarily disclose information
- **Alternative Dispute Resolution:** (ADR) mechanism to resolve disputes between taxpayers and the tax authority
- **Independent Tax Appeals Board:** Established to review tax appeals

Increasing tax revenue

- **Shifting from sales tax to VAT:** A major tax reform that has increased the tax-to-GDP ratio
- **Increasing direct taxes:** Increasing the proportion of direct taxes relative to indirect taxes

Broadening the tax base

- **Restoring the tax base:** This involved exchange rate liberalization and de-controlling prices
- **Broadening the tax net:** Bringing more individuals and businesses into the formal tax net

Tax administration

- **Improving the conditions of service for tax officials:** Building capacity and morale within the revenue collection agencies
- **Automating clearing procedures:** Strengthening revenue collection agencies
- **Investing in technology-driven initiatives:** Such as data analytics and risk-based strategies
- **Online filing and payments**

*(6 relevant points for 6 marks)*

*(Total: 20 marks)*

### EXAMINER'S COMMENTS

Question One assessed the candidates on the Ghana Tax System and tax reforms in Ghana. Candidates were examined on topics such as the tax structure in Ghana and tax reform areas. These questions were supposed to be familiar to candidates because Ghana Tax Systems and Tax Administration are explicitly stated in the Principles of Taxation syllabus. The marks allocated were also fair for the efforts needed to answer the question.



## QUESTION TWO

a) The Commissioner-General (C-G) may refuse to register a person for VAT on the following grounds:

1. The person has no fixed place of abode or business (principal place of business unknown).
2. The person will not keep proper accounting records relating to any business activity carried on by that person.
3. The person will not submit regular and reliable tax returns as required by or under the Act.
4. The person is not a fit and proper person to be registered.

*(Any 3 points for 3 marks)*

(b)

Lay-away agreement and betting as supply of services

Where a lay-away agreement is terminated or cancelled and the seller retains an amount paid by the purchaser or recovers an amount the purchaser owes under the agreement, the cancellation or termination is a supply of services by the seller in respect of the agreement.

Lay-away agreement means a sale transaction whereby goods are reserved by payment of a deposit and subsequently made available on full payment for the goods;

*(3 marks)*

(c)

Section 48(12) of Act 2013, (Act 870), as amended, and Regulation 48 of L.I. 2243 provide that a taxable person can recover VAT on stock and capital goods purchased or imported before registration, under the following conditions:

1. The goods must still be owned and possessed by the taxable person.
2. For stock, the purchase or import must have occurred within four months before the registration date.
3. For capital goods, the purchase or import must have occurred within six months before the registration date.
4. The taxable person must have a tax invoice or relevant customs entries.
5. The taxable person must provide an inventory of all goods on hand as of the effective date of registration.
6. Claims for VAT recovery must be submitted using the prescribed form.

*(Any 3 points for 3 marks)*

d) **Naa Pioluo**

	<b>GH¢</b>
Cost (Note 1)	500,000
NHIL (2.5% * 500,000)	12,500
GETFL (2.5% * 500,000)	12,500
Covid-19 L (1% * 500,000)	5,000
CST (5% * 410,172)	<u>25,000</u>
	555,000

VAT (15% * 555,000)	<u>83,250</u>
VAT Inclusive	<u>638,250</u>

- i) VAT: GH¢83,250 *(2 marks)*
- ii) National Health Insurance Levy (NHIL): GH¢12,500 *(1 mark)*
- iii) Ghana Education Trust Fund Levy (GETL): GH¢12,500 *(1 mark)*
- iv) Covid-19 Levy: GH¢5,000 *(1 mark)*
- v) Communication Service Tax (CST): GH¢25,000 *(1 mark)*

Note 1 Tax Exclusive amount =  $100/127.65 \times 638,250 = 500,000$

- e) The following steps will be taken:
- Ask for appointment for that engagement.
  - Determine the appropriate reward.
  - Write to the Ghana Revenue Authority regarding my appointment to represent my relation (the taxpayer).
  - Acquaint myself with the facts to enable me to meet the committee.
  - Recuse myself if it will create problems for me.

*(5 marks)*

*(Total: 20 marks)*

## EXAMINER'S COMMENTS

Question Two examined candidates on Value Added Tax and the objection procedures. The questions on VAT were straightforward dealing with basic principles governing VAT. The question on objection, however, demanded candidates to identify a tax consultant and go through the objection process. Consistently for the past sittings, the candidates' performance has been poor, probably because most of the candidates have not grasped the laws and principles governing the VAT mechanisms. This was averagely answered question.

### QUESTION THREE

a) SELASSI AFOLABI

COMPUTATION OF CHARGEABLE INCOME FOR 2023 Y/A (1/1/23 - 31/12/23)

#### Basic Salary

1/3/21-28/2/22	72,000	72,000	
1/3/22-28/2/23	76,000	76,000 x 2/12	12,667
1/3/23-28/2/24	80,000	80,000 x 10/12	66,667
			79,334

Risk Allowance	24,000
Inconvenience Allowance	18,000
Professional Allowance	30,000
Excess Bonus: Amount paid	16,000
15% x 79,334	<u>11,900</u> 4,100

Employer Retirement Contribution to PF	7,933
SSF	10,313

94,346

TOTAL CASH EMOLUMENT 173,680

#### Add Benefits in Kind:

Accommodation 10% x 173,680	<u>17,368</u>
	191,680

#### Other Income

Directors Fees 16,000/0.8	<u>20,000</u>
	211,048

#### Less Reliefs / Deductions

Social Security Contribution: Employee 5.5% * 79,334	4,363
Employer 13% x 79,334	10,313
Provident Fund 16.5% x 79,334	13,090
Child Education 3 x 600	1,800
Marriage Responsibility Allowance	1,200

30,766

Chargeable Income 180,282

*(10 marks evenly spread using ticks)*

b)

i) Gain

Consideration Received (500 x 12)	6,000.00
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Less Cost

Cost 500 x 11 = 5,500

Cost 1500 x 12 = 18,000

Cost 800 x 10 = 8,000

Total cost= 31,500

Cost apportioned (500/2,800) 8* 31,500	<u>5,625.00</u>
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Gain	<u>375.00</u>
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**(5 marks)**

ii) Tax @ 25% \* 375 = 93.75

**(2 marks)**

iii) A resident person shall withhold tax where that person pays consideration to another person in respect of realization of an asset and the payment has a source in Ghana.

**(2 marks)**

iv) A person must submit a return to the GRA which contains a summary of taxes payable on capital gains on chargeable assets.

**(1 mark)**

**(Total: 20 marks)**

### **EXAMINER'S COMMENTS**

Question Three tested candidates' understanding on Taxation of Individuals and specifically on employment income and profit or loss on disposal of capital assets. The details given to the candidates were very clear and any average candidates should be in the position to provide good answers to the questions. It turned out that this question was the most poorly answered. Less than 10% of the candidates passed this question.

The second part of the question dealt with acquisition and disposal of investment in shares. This is a popular area for candidates. Most of the candidates did not know that the rate for profit on disposal of asset has increased from 15% to 25%.

## QUESTION FOUR

(a)(i)

**NMANI PHARMACY  
COMPUTATION OF CHARGEABLE INCOME  
YEAR OF ASSESSMENT 2023  
BASIS PERIOD 2023**

	<b>GH¢</b>	<b>GH¢</b>
<b>Net Profit before tax</b>		<b>134,000</b>
Adjustments for:		
Depreciation	98,200	
Staff costs	18,000	
Business Promotion	21,200	
Donation	20,000	
Sundry Expenses – Fines	32,000	
Capital Allowance	<u>(104,200)</u>	<b><u>85,200</u></b>
		<b>219,200</b>

*(5 marks)*

**Net Tax payable**

	<b>Abanga GH¢</b>	<b>Banzey GH¢</b>	<b>Chambas GH¢</b>
Share of income	109,600	73,067	36,533
Less reliefs	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>
Taxable Income	<u>107,600</u>	<u>71,067</u>	<u>34,533</u>
Income Tax:			
Payable	22,496	13,363	4,917
Less withholding paid	7,600	5,067	2,533
Net Tax payable	14,896	8,296	2,384

*(7 marks evenly spread using ticks)*

(b)

- A partnership is resident in the country for a year of assessment if any of the partners resided in the country at any time during that year.
- A company is resident in the country for a year of assessment if;
  - ✓ that company is incorporated under the Companies Act, 2019 (Act 992); or
  - ✓ the management and control of the affairs of that company are exercised in the country at any time during that year.

*(3 marks)*

(c) Current pension system in Ghana

Pension is an arrangement by government to ensure retired persons are guaranteed a reasonable income whilst on retirement. Ghana operate a three tier pension system which is made up of the following:

- First tier which is mandatory at 13.5%  
Second tier which is also mandatory at 5%  
Third tier which non-mandatory
- The employer is required to withhold 5.5% of employees monthly basic salary and remit by the 14<sup>th</sup> day of the following month.
- The employer is enjoined to contribute 13% of employees monthly basic salary and remit same by the 14<sup>th</sup> of the following month.
- 13.5% of the total amount of contribution by the employee and the employer must be remitted to SSNIT
- 5% of the total amount of contribution by the employee and the employer must be remitted to appointed fund manager that is in good standing with National Pensions Regulatory Authority
- SSNIT is required to remit 2.5% of the employees basic out of the 13.5% received monthly to NHI Authority.
- Contribution by the employee and the employer towards tier 1 and 2 are allowable deduction before taxation.
- According to an approval by NPRA, employees and employer makes monthly contribution towards provident fund.
- Contribution by the employee and the employer towards tier 3 are allowable deduction before taxation up to a maximum of 16.5% of basic salary.
- Employees can only access the contribution towards tier 3 after retirement to avoid tax on the withdrawal.

*(5 marks)*

*(Total: 20 marks)*

## **EXAMINER'S COMMENTS**

Question Four examined basic principles and examination of accounts of partnership, residency status and pensions. The questions were meant to test candidates' understanding on how to identify transactions that are allowable and those not allowed, how to identify a partnership and companies for residency purposes. Most candidates were able to provide excellent answers and thus earned excellent marks. Majority of the candidates had no idea of how to treat allowable and non-allowable transactions under partnerships. This is an area of the syllabus that candidates can easily earn marks if they learn then very well.

## QUESTION FIVE

(a)

Act 896 has specifically exempted certain payments from withholding taxes.

1. Insurance premium paid to a resident insurance company.
2. Payment for sale of goods which constitute trading stock of both the vendor/seller and the purchaser. A sale of goods constitutes a trading stock of both the vendor/seller and the purchaser if the goods are the same goods that are being sold by the purchaser.
3. The interest or dividend paid or credited to a holder or member on the investment in an approved unit trust scheme or mutual fund.
4. Interest paid to a resident financial institution.
5. Payments made to persons specifically exempted from Income Tax
6. Dividend paid by a resident company to another resident company which controls directly or indirectly at least 25% of the voting power in the company paying the dividend.
7. Payments which have been granted exemption from withholding tax by the Commissioner-General.

*(5 relevant points for 5 marks)*

### **(b) Responsibilities of a VAT Withholding Agent**

Appointed VAT agents are required to:

1. Withhold from payment to a VAT registered supplier, 7% of the taxable output value of standard rated supplies;
2. Issue a withholding VAT credit-certificate at the time of making payment for the standard rated supplies
3. Submit to the Commissioner General returns relating to the VAT/NHIL withheld for each period not later than the 15th day of the month immediately following the month to which the returns relate
4. Pay the amount withheld for each period to the Commissioner General.
5. Discharge all other duties and obligations applicable to them under the VAT Act 2015, (Act 870).

*(5 marks)*

(c)

### **(i) Benefits of using the GRA online tax filing system for both taxpayers and tax administrators**

- Technology-enabled tax administration enhances revenue generation in several ways.
- First, it improves efficiency by automating processes such as tax return filing, data collection, and taxpayer registration. This reduces administrative burdens and encourages compliance, leading to increased tax revenues.
- Second, it enhances accuracy in tax calculations and reduces the likelihood of errors or fraud.
- Third, it improves transparency by providing taxpayers with online access to information and services, making it easier for them to understand their tax obligations and comply with the law.
- It allows the export company to automate tax calculations, filings, and payments, reducing human errors and ensuring accurate and timely reporting.
- Additionally, technology-enabled systems can leverage data analytics to identify potential tax evasion or non-compliance, enabling the export company to take appropriate actions to maximize revenue collection.

*(4 relevant points for 6 marks)*

**(ii) Challenges that taxpayers may face when using the online tax filing system and recommend possible solutions**

- The greatest challenge is resistance to change.
- Lack of requisite skills.
- Lack of resources
- Supportive telecommunication infrastructure.

There should be training and sensitizing the staff and stakeholders and hiring new staff with the requisite skills. There should be political support and improved their project management style.

*(4 marks)*

*(Total: 20 marks)*

## **CONCLUSION**

**The Chief Examiner would wish to reiterate the following:**

1. Tuition Centres and candidates should bear in mind that the principles of taxation examinations will continue to cover the entire syllabus and therefore, pay attention to the entire syllabus. There should not be any pick and choose attitude towards the syllabus and the examination.
2. There is nothing like ‘the examination trend’. Candidates are to be examined on all the topics and therefore, the dynamics of the examination could change but still based on the syllabus.
3. Candidates should pay attention to details when reading. It seems candidates do not read carefully in between the lines when reading. This was clearly demonstrated in the examination, particularly Question 3 where the allowances were monthly, and candidates did not multiply by 12.
4. Candidates are strongly advised to learn the subject with the syllabus. Candidates should not learn the subject with questions. This attitude will leave out most of the topics unattended to. The past questions are only a guide as to how the questions are asked.