

**MARCH 2026 PROFESSIONAL EXAMINATIONS
ADVANCED TAXATION (PAPER 3.3)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

STANDARD OF THE PAPER

The paper was up to standard and comparable to previously administered papers. The questions could be traced to the syllabus and were stated clearly without any ambiguity. A candidate that prepared adequately could easily pass the paper without any difficulty. There was no trace of errors in the construction of the questions and each sub questions were clearly spelt out. The marks awarded for each question were appropriate and reflected the difficulty of the questions and the amount of work required of each question.

PERFORMANCE OF CANDIDATES

The performance of candidates by and large could be described as an average performance. Much as it was expected to come across as one of the best in terms of performance, it turned out not to be. Each candidate gave good account of themselves. This must have been an outcome of effective invigilation and or candidates demonstrated high sense of integrity. The deserving candidates got their pass marks and the others who did not give proper account of themselves slipped into the failure bracket.

NOTABLE AND STRENGTHS AND WEAKNESSES OF CANDIDATES

Strengths

Thin capitalisation and the tax implication of underlying ownership appeared well understood by many candidates. Also, mining sector taxation is becoming an area of control for candidates.

Weaknesses

VAT administration continues to be a challenge for candidates. They performed poorly in this area. Customs administration is another nightmare.

QUESTION ONE

- a) Pakoso Manufacturing LTD (Pakoso) has been operating since 2011 in the Afadjato South District of the Volta Region. The information below relates to the company's operation for 2025 year of assessment.

	GH¢
Sales	12,896,555
Cost of Sales	<u>(9,500,123)</u>
Gross Profit	3,396,432
Other Income	<u>220,000</u>
	3,616,432
General and Administration expenses	<u>(3,010,200)</u>
Net Profit	<u><u>606,232</u></u>

Additional Information:

- 1) 60% of the company's sales are from non-traditional exports to a key customer in Cotonou, Benin.
- 2) General Administration expenses include the following:
 - i) Foreign Exchange Loss - GH¢205,200
 - Realised exchange loss of GH¢170,000 was incurred as a result of acquisition of computers and a machinery from a company based in Latvia.
 - Realised exchange loss of GH¢7,200 for procuring information technology services from Nyadu Services LTD, a resident company in Ghana for the year.
 - Realised exchange loss of GH¢28,000 as a result of paying for raw materials acquired from suppliers in Cambodia.
 - ii) Interest on Loan - GH¢180,000

A loan of GH¢500,000 with a maturity period ending 2026 was secured from a resident financial institution at an interest rate of 18% per annum. The interest paid covers the last two years of the loan term ending in 2026 to enable Pakoso take another loan.
 - iii) Repairs and Improvement - GH¢450,000

Total repairs and improvement amount include repairs of vehicles and plant for manufacturing of GH¢288,200 for the year. The written down value for 2025 year of assessment after charging capital allowance deduction was GH¢620,000.
 - iv) Staff salaries - GH¢1,422,000
 - v) Depreciation charge amounted to GH¢350,000, the GRA however granted capital allowance of GH¢320,000.
- 3) Other income is made of net dividend received from a company.

Required:

Determine the net tax liability of Pakoso for 2025 year of assessment.

(10 marks)

- b) A Tax Identification Number (TIN) is a unique identifier assigned to individuals and entities by tax authorities such as Ghana Revenue Authority (GRA) for tax purposes. These numbers are used by tax authorities to track tax obligations and payments, as well as to process tax returns.

Required:

- i) Describe **FOUR** ways GRA could identify tax payers in the informal sector, so as to assign them TIN. **(4 marks)**
- ii) Discuss **THREE** considerations under which the Commissioner-General of Ghana Revenue Authority may cancel TIN. **(3 marks)**
- iii) State **SIX** uses of a TIN. **(3 marks)**

(Total: 20 marks)

QUESTION TWO

- a) Kuntun Mining Company LTD (Kuntun) has been operating in the mining sector for some time now. The company's operations for the 2024 year of assessment yielded net profit GH¢120,845,000,000.

The following additional information is relevant:

- 1) Financial cost of GH¢9,000,000,000 includes interest on working capital loan of GH¢5,700,000 which was adjusted in arriving at net profit.
- 2) Financial gain from derivatives of GH¢6,000,000,000 was adjusted in arriving at the adjusted net profit above.
- 3) Cost incurred in overburden stripping and shaft sinking during production to improve access amounted to GH¢800,000. This was included in the cost of production during the year.
- 4) Depreciation of GH¢1,250,000,000 was adjusted to the net profit above.
- 5) Provision for bad debts amounting to GH¢400,000 was written off in arriving at the net profit above.
- 6) Ten fresh graduates were recruited in 2024, four of whom completed their university studies in the United States of America, while the others completed their university studies at UDS in Ghana. They were paid GH¢920,000 as salaries. The total workforce for the 2024 year of assessment was 60.
- 7) Dividend (gross) received from Abanlowa LTD, a mining company in which Kuntun holds 26% voting power, amounted to GH¢200,000 and this amount was added in arriving at the net profit above.
- 8) Kuntun received a net dividend from a company based in the USA of the equivalent of GH¢9,500,000 after 5% tax was deducted, and the net income was added to the net profit above.
- 9) Written down value brought forward from 2023, after a one-year capital allowance was granted, stood at GH¢13,000,000,000. This was accordingly certified by the Audit Unit of the Ghana Revenue Authority.

Required:

- i) Compute the taxes payable for the 2024 year of assessment. **(10 marks)**
- ii) Comment on your response to items (1), (2), (3), (6) and (7) in the additional information above. **(5 marks)**

- b) The Income Tax Act 2015, (Act 896) as amended, has specific provisions that allow businesses to deduct amounts for the purposes of calculating income.

Required:

Discuss the following rules of deduction:

- i) General Principles (Section 8 of Act 896). **(2 marks)**
- ii) Residual Deduction Rule (Section 9 of Act 896). **(3 marks)**

(Total: 20 marks)

QUESTION THREE

- a) Mike Wood, a business magnate in the United States of America is considering the possibility of acquiring a 60% stake in Alamisi Logistics Ghana LTD. The ordinary share capital to be provided is GH¢2,000,000. Mike Wood intends advancing a loan of GH¢10,000,000 to Alamisi Logistics Ghana LTD when the transaction for the acquisition is completed.

Mike Wood is seeking your advice on the tax implication of the proposed transactions.

Required:

Offer your professional advice to Mike Wood on:

- i) The income tax implication of acquisition of a 60% stake in Alamisi Logistics Ghana LTD. **(6 marks)**
 - ii) The income tax implications of advancing the loan of GH¢10,000,000. **(6 marks)**
 - iii) The tax planning options available to minimise the tax effects of the proposed transactions given that the total capital available is GH¢12,000,000. **(3 marks)**
- b) The rapid growth of the digital economy presents both opportunities and significant challenges for tax administration globally, including the Ghana Revenue Authority (GRA).

Required:

Explain **FOUR** significant challenges that the digitalisation of the economy poses for traditional tax administration in Ghana. For each challenge, provide a practical example.

(5 marks)

(Total: 20 marks)

QUESTION FOUR

- a) Alomi Spaces LTD (ASL), a company registered for Value Added Tax (VAT), has ceased its taxable business of retailing high-end office furniture to focus solely on its business of renting out unfurnished residential properties, an exempt supply under the VAT Act.

ASL has received approval from the Commissioner-General to cancel its VAT registration, with the cancellation taking effect on 31 July 2025.

At the date of cancellation, the following assets from its retail operations remain on hand:

- i) An inventory of executive desks and ergonomic chairs. Input VAT was claimed on the purchase of all these items.
- ii) A delivery van used for the business. No input tax deduction was allowed on the purchase of this vehicle.
- iii) Office computers and printers used for administration. Input VAT was fully recovered on their purchase.
- iv) A small inventory of locally published Ministry of Education-approved textbooks. These were acquired as exempt supplies, and no VAT was ever claimed.

The Board of Directors of ASL is seeking your advice on the consequences of their recent VAT cancellation

Required:

Prepare a comprehensive advisory note outlining all resulting VAT obligations and necessary compliance actions for ASL. **(8 marks)**

- b) Kabiesi LTD is a well-established food distribution company in Tema, known for supplying high-quality European products to supermarkets and hotels across Ghana. To meet growing demand for authentic pasta, the company's procurement manager has arranged for the importation of a large consignment of premium Italian spaghetti from a new supplier in Palermo, Italy.

The shipment has just arrived at the Tema Port and is awaiting customs clearance. As the clearing agent for Kabiesi LTD, you have received the customs declaration forms. You note that the Customs Tariff schedule for this specific type of spaghetti states that the applicable rate of import duty is: "20% or GH¢3.50 per kg, whichever is higher".

Required:

Explain how a Customs Officer would determine the correct import duty payable on the consignment of spaghetti, based on the stated tariff rate. **(4 marks)**

- c) On 10 April 2025, a VAT-registered supplier delivered a consignment of goods to a customer's warehouse in Accra. The agreed terms required the supplier to issue a tax invoice after delivery and to allow the customer up to ten days to make payment. The tax invoice for the supply was issued on 15 April 2025, and full payment was received by bank transfer on 20 April 2025.

Required:

Determine the time of supply for VAT purposes and briefly explain your answer. **(3 marks)**

- d) Tudu Leather Works, a Ghanaian company, manufactures high-quality leather belts. The company plans to export these belts to a retail chain in Zambia, and wants to benefit from the preferential tariff rates under the African Continental Free Trade Area (AfCFTA).

The manufacturing process involves the following:

- **Inputs:** Large, unfinished sheets of tanned leather are imported from Chile, and metal belt buckles are imported from Uzbekistan.
- **Process in Ghana:** In the Tudu factory, the imported leather sheets are cut, stitched, and finished, and the imported buckles are attached to create the final product.

Required:

- i) Explain the primary purpose of AfCFTA. **(2 marks)**
- ii) Based on the information provided, explain how Tudu Leather Works could take advantage of the benefits AfCFTA. **(3 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) Successive governments of Ghana have made use of expansionary fiscal policy for some time now. This policy initiative has been seen as a pure discretionary fiscal policy aimed at achieving certain stated objectives. Some Civil Society Organisations (CSOs) have backed the initiative as the way to go especially for most West Africa economies. They are of the view that governments of these economies must be deliberate at this.

Other commentators are also of the view that such a policy measure has not helped the country over the years and must be refined if the targeted policy objectives are to be achieved. These arguments have led to the notion that expansionary fiscal policy drive has not achieved the desired results as expected.

Required:

With suitable examples, Discuss **FOUR** *advantages* and **FOUR** *disadvantages* of expansionary fiscal policy. **(10 marks)**

- b) Al Halal LTD, a company based in Saudi Arabia acquired a local company in Ghana operating in the tiles industry. The company acquired is having challenges, having chalked successes before and was a household name in the industry.

A competitor took its two-star employees and its major distributor in Accra, a situation that has created its current condition. All measures put in place to reverse the trend has remained unworkable. This was what prompted the acquisition by its current owners. It has negative equity, a situation that made the company unattractive with perpetual losses in the industry.

To bounce back and remain competitive, it has drawn up a long proposal to attract capital from financial institutions including Al Halal LTD, the new owners. Management intends to issue additional share capital in the country but that will not change the control.

The company intends to use its Agotime plant in the Volta Region in Ghana that was left unattended, to manufacture the tiles instead of using toll manufacturers and to look for export opportunities. The deal was roundly praised by its new owners as groundbreaking.

The following interventions are on the table for considerations:

- i) To request for a waiver of interest and penalty.
- ii) To acquire depreciable assets for the company.
- iii) To sell its investment assets located at Dodowa in the Greater Accra Region of Ghana.
- iv) To use money as a bait to get back the star staff with a promise of increased salary.
- v) A possible merger with a similar company with huge potential in the industry.
- vi) Will not pay dividend for a considerable period of time.

Required:

Identify the tax issues from the above and explain how the Ghana Revenue Authority will deal with them. **(10 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) **Pakoso Manufacturing Company LTD**
Computation of Net Tax Liability for 2023 Year of Assessment

	GH¢	GH¢	GH¢
Net profit			606,232
Less Net Dividend			<u>220,000</u>
			386,232
Add back			
Foreign exchange loss		170,000	
Foreign Exchange loss		7,200	
Loan Interest		90,000	
Excess Repairs			
Repairs & Improvement	288,200		
Allowable 5%x 620,000	<u>31,000</u>	257,200	
Depreciation		<u>350,000</u>	
			<u>874,400</u>
			1,260,632
Capital Allowance			<u>(320,000)</u>
Chargeable Income			940,632
Tax Liability			
Export Income	60%	564,379.2	
Tax payable	8%		45,150.34
Domestic Income	40%	3762,52.8	
Tax Liability			
25%⁰x50%⁰=12.5%⁰	12.50%		<u>47,031.60</u>
Total tax liability			<u>92,181.94</u>

(10 marks evenly distributed using ticks)

b)

i) **Ways GRA could identify taxpayers in the informal sector.**

- Analysing taxpayer details on VAT returns
- Analysing taxpayer details on WHT returns
- Monitoring television programs that reveal persons' expenditure
- Monitoring and analysing transactions online
- Monitoring and analysing data generated by the Lands Commission
- Monitoring and analysing data generated by the DVLA
- Data matching with SSNIT
- Through reconciliation with NIA

(4 relevant points for 4 marks)

ii) **Considerations under which the Commissioner General of Ghana Revenue Authority may cancel Taxpayer Identification Number**

- If the taxpayer identified in the certificate is fictitious.
- If the taxpayer does not accurately reflect the true identity of the person to whom the certificate was issued.
- If the taxpayer being issued the TIN has another TIN.
- Upon Death of the individual
- By court order
- When the person is no longer in business

(3 relevant points for 3 marks)

iii) **Uses of Taxpayer Identification Number**

A person shall not be permitted to do any of the following unless that person quotes the Taxpayer Identification Number issued in respect of that person under the System.

- To clear any goods from any port or factory,
- To register any title to land, interest in land or any document affecting land,
- To obtain any Tax Clearance Certificate from the Ghana Revenue Authority,
- To obtain a certificate to commence business or a business permit issued by the Registrar-General or a Local authority,
- To register a co-operative,
- To receive payment from the Controller and Accountant- General or a Local Government Authority in respect of a contract for the supply of any goods or provision of any services,
- To receive a payment subject to withholding under the Income Tax Act, 2015, (Act 896)
- To file a case with the Courts, or
- To conduct any official business with the institutions and persons indicated below:
 - ✓ 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;
 - ✓ the Immigration Service
 - ✓ the Passport Office
 - ✓ the Driver and Vehicle Licensing Authority
 - ✓ the Courts;
 - ✓ Ministries, Departments and Agencies;
 - ✓ Metropolitan, Municipal and District Assemblies;

(6 relevant points @ 0.5marks each = 3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The peculiar area of the question had to do with foreign exchange losses. It came to light that some of the candidates had no clue regarding treatment of the various strands of exchange losses. Exchange losses incurred within the country is not allowed. Exchange losses on purchase of depreciable assets should be capitalized and capital allowance granted. Incomes on exports of traditional products are taxed at the rate of 8% final. Few candidates demonstrated mastery over repairs and improvement under section 12 of the Income Tax Act. The (b) part of the question had to do with Taxpayers identification number. Many candidates got it right and did justice to it.

QUESTION TWO

a)
i)

Kuntun Mining Company LTD
Computation of Tax Payable for the 2024 Year of Assessment
Basis period: January to December 2024

	GH¢'000
Net Profit	120,845,000
Adjustments for:	
Financial costs (9,000,000-5,700)	8,994,300
Financial gain	(6,000,000)
Depreciation	1,250,000
Provision for bad debts	400
Fresh Graduates:	
6/10 x 920 = 552	
6/60 x 100 = 10% therefore 50% x 552	(276)
Capital allowance	(3,250,000)
Dividends:	
From Abanlowa LTD	(200)
From USA 9500/.95 =10,000-9500	<u>500</u>
Chargeable Income	<u>121,839,724</u>
Tax amount 35% x 121,839,724 =	42,643,903
Less withholding tax:	
Foreign tax credit	<u>(500)</u>
Net tax payable	<u>42,643,403</u>

(10 marks evenly distributed using ticks)

ii) **Comment on items (1), (2), (3), (6) and (7)**

Financial cost (item 1): Financial cost shall be allowable, hence added back.

Financial gain from derivatives (item 2): This gain should be matched against financial cost.

Overburden stripping and shaft sinking (item 3): It should be allowable deduction in line with L.I. 2243.

Salaries of fresh graduates (item 6): Fresh graduate incentive is an allowable deduction.

Dividend from Abanlowa LTD (item 7): Dividend paid by a mining company is taxable as a withholding tax.

(5 marks)

b) **Rules of deduction**

i) **General principles (Section 8 of Act 896)**

Cost that requires specific treatment should be treated accordingly.

Cost that has no specific treatment should be treated generally.

Also, excluded expenditure should not be deducted.

Domestic expenditure should be disallowed unless the conditions for the deductions are met.

(2 marks)

ii) **Residual deduction rule (Section 8 of Act 896)**

Section 9 of the Act provides the “residual” or general test for deductibility. It is applied when no specific rule exists for an expense.

The “Wholly, Exclusively, and Necessarily”: An expense is allowable as a deduction to the extent that it is wholly, exclusively, and necessarily incurred by the person in the production of income from their investment or business during the year. This is a stringent test that requires the expense to be directly and purposefully linked to the income-generating activity.

Exclusion of Capital Nature: A deduction is not allowed for an expense that is of a capital nature. This is a fundamental distinction in tax law, separating day-to-day operational costs (revenue expenditure) from costs incurred to acquire or improve an asset that will be used in the business over a long period.

As stated by the Act, an expense is considered to be of a capital nature if its benefits last for more than twelve months. Therefore, while a business may record depreciation on such assets in its financial accounts, this depreciation is not an allowable deduction for tax purposes. Instead, the Income Tax Act replaces it with a system of capital allowances.

(3 marks)

(Total: 20 marks)

EXAMINER’S COMMENTS

Part (a) of the question was on mining. Apparently, students have some mastery over mining questions. Dividend received from outside Ghana posed a challenge for many candidates. Income from outside the country is taxable. And also candidates should note that taxes paid are granted a relief after the taxes are charged. The (b) part had to do with residual deduction rule and general principles. This was pretty much straight forward. Many candidates performed well.

QUESTION THREE

a)

i) **The income tax implications of the acquisition of ordinary shares by Mike Wood**

- Section 38(1)(f) and section 62 of Act 896 provide that where the underlying ownership of an entity changes by more than fifty percent within a period of three years, the assets and liabilities of that entity immediately before the change is deemed to be realised.
- Underlying ownership in relation to an entity is defined in section 133 of Act 896 to mean membership interest 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.
- Since Mike Wood would acquire 60% of the shares of Alamisi Logistics, there will be more than 50% change in ownership of Alamisi Logistics. Thus, the assets and liabilities of Alamisi Logistics will be deemed to have been realised immediately before the change.
- Section 62(2) of Act 896 provides that where the underlying ownership of Alamisi Logistics changes by more than 50%, Alamisi Logistics cannot:
 - ✓ Deduct financial costs carried forward under section 16(3) that were incurred by the entity before the change;
 - ✓ Deduct loss under section 17(1) that was incurred by the entity before the change;
 - ✓ 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
 - ✓ Carry back a loss under section 24 (6) that was incurred after the change to a year of assessment before the change.
- In addition, where the underlying ownership changes by more than fifty percent during a year of assessment of Alamisi Logistics, 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.
If there is a financial cost from derivative or a loss carryover, the new owners shall not benefit from it. If there is any bad debt, the new owners shall not benefit from it.

(6 marks)

ii) **The income tax implications of providing the loan of GH¢10,000,000.**

Thin Capitalisation

Section 33 of Act 896 provides that where a resident entity which is not a financial institution and in which 50% or more of the underlying ownership is held by an exempt person either alone or together with associates has a debt to equity ratio of 3:1 at any time during a basis period, a deduction is disallowed for any interest paid by that entity on the part of the debt which exceeds the 3:1 ratio.

Regulations 20 of the Income Tax Regulations, 2016 (L.I. 2244) defines “debt” to mean an obligation to pay an amount owed to an exempt person and “equity” to mean the sum of stated capital and income surplus.

If Mike Wood acquires 60% of the shares of Alamisi Logistics Company LTD, the loan amount must not exceed the 3:1 debt to equity ratio. Since the stated capital of Alamisi Logistics is GH¢2,000,000, the maximum amount of debt Mike Wood can provide to Alamisi Logistics to make the interest fully deductible in the books of Alamisi Logistics in respect of the loan is GH¢6,000,000.

(6 marks)

iii) **Measures the parties can adopt to mitigate the tax effects of the proposed transaction.**

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, Mike Wood can spread the acquisition of the shares over a period that will not amount to a change of ownership of Alamisi Logistics within a three-year period.
- On the restriction placed by the thin capitalisation provisions on interest deductibility, Mike Wood can opt to restructure the capital by reducing the loan capital by GH¢1,000,000 to add it to the stated capital of GH¢2,000,000. This will increase the permissible debt threshold to GH¢9,000,000 which would be the same as the total amount Mike Wood intends to invest in Alamisi Logistics Ghana LTD.

(3 marks)

b) **Challenges posed by digitalisation of the economy**

Establishing Taxing Rights (Nexus)

Challenge: Traditional tax rules rely on physical presence (an office, a factory) to establish a taxable connection, or nexus. Digital businesses can earn substantial revenue from Ghanaian customers without any physical presence, making it difficult for the GRA to legally assert its right to tax their profits.

Example: A streaming service based in Ireland sells subscriptions to thousands of users in Ghana but has no office or staff in the country.

Identifying and Tracking Online Sellers

Challenge: Digital platforms, especially social media, facilitate a massive and often informal economy. It is a significant administrative challenge for the GRA to identify, register, and monitor the income of the vast number of individuals selling goods and services online who are not formally registered for tax.

Example: A fashion entrepreneur selling clothing exclusively through an Instagram page and receiving payments via mobile money.

Characterisation of Income

Challenge: It is difficult to classify digital payments into traditional income categories. A payment for software, for instance, could be treated as a payment for a good, a service, or a royalty for the use of a copyright, each with different tax implications (especially for withholding tax).

Example: A Ghanaian company pays a US firm to use a specialized design software online. It is unclear if the payment is for a service (subject to one withholding tax rate) or a royalty (subject to another).

Data Access and Valuation

Challenge: The transaction data for the digital economy is often held on servers outside Ghana by large multinational tech companies. This makes it very difficult for the GRA to access the necessary information to audit and verify the volume and value of transactions occurring in Ghana.

Example: The GRA attempting to verify the total commission income earned by a ride-sharing platform from its operations in Accra, when all the data is stored and processed in the Netherlands.

Taxation of New Digital Assets

Challenge: The rise of cryptocurrencies and Non-Fungible Tokens (NFTs) creates new challenges. Tax authorities struggle with how to define them (are they assets, currency, or property?), how to track transactions on decentralized systems, and how to value them for capital gains tax purposes given their extreme volatility.

Example: An individual in Ghana sells an NFT for a large profit paid in Ethereum (a cryptocurrency) and does not declare the gain.

Cross-Border Remote Work

Challenge: An individual can live in Ghana while working full-time for a company in another country (e.g., the UK). The foreign employer has no presence in Ghana and is unlikely to register with the GRA to operate a payroll (PAYE) system, making the collection of employment tax from the resident employee difficult to enforce.

Example: A software developer living in Tema is employed and paid by a tech startup in Germany.

The Platform (Gig) Economy

Challenge: Digital platforms that connect service providers with customers (like delivery or ride-sharing apps) create uncertainty over the employment status of their workers. It is often unclear whether the workers are employees (requiring the platform to withhold PAYE) or independent contractors (responsible for their own taxes), creating administrative complexity.

Example: A food delivery rider who works through an app is classified as an independent contractor, placing the full burden of tax compliance on a low-income, informal worker.

Base Erosion and Profit Shifting (BEPS)

Challenge: Digital businesses are highly mobile and their value is often tied to intangible assets (like code, brand, and algorithms). This makes it easier for multinational enterprises to legally shift profits from high-tax countries where their customers are (like Ghana) to low-tax jurisdictions where they have registered their intellectual property.

Example: A global social media company attributes the vast majority of its profit from Ghanaian advertisers to a subsidiary in a low-tax country where its “algorithm” is legally domiciled.

(4 relevant points @ 1.25 marks each = 5 marks)

(Total: 20 marks)

EXAMINER’S COMMENTS

Question 3 was on acquisition of resident entity by a non-resident entity and thin capitalisation. This area is so familiar with candidates and they demonstrated clear understanding.

QUESTION FOUR

a)

Advisory Note on VAT Obligations and Compliance for Alomi Spaces LTD

Primary VAT Obligation: The “Deemed Supply” of Assets

Upon cancellation of VAT registration, a business is treated as having made a taxable supply of all goods on hand, including capital goods. This is known as a deemed supply under Section 19(3) of the VAT Act. The purpose is to collect the VAT on assets leaving the tax system for which input tax was previously claimed. However, Section 19(4) provides a critical exception: this rule does not apply to goods where an input tax deduction was denied at the time of their acquisition.

Application to Assets on Hand

The treatment of ASL’s assets is as follows:

Executive desks and chairs: These assets are subject to a deemed VAT charge. As input VAT was claimed on their purchase, they fall under the deemed supply rule in Section 19(3).

Delivery van: This asset is subject to a deemed VAT charge. The VAT Act, under Section 48(5), disallows input tax claims on motor vehicles is not denial. Since ASL was not denied this deduction, the VAT is applicable.

Computers and printers: These assets are subject to a deemed VAT charge. As input VAT was claimed on their purchase, they fall under the deemed supply rule in Section 19(3).

Approved textbooks: These are not subject to a deemed VAT charge. The supply of approved textbooks is an exempt supply under the First Schedule of the Act. As no input VAT was ever claimable on their acquisition, they also fall under the exception in Section 19(4).

Compliance Requirements

To be fully compliant, ASL must undertake the following actions:

File a final VAT return: Any VAT liability arising from the deemed supply must be accounted for on the final VAT return for the tax period of July 2025. The obligations and liabilities of a person are not affected by the cancellation of registration.

Meet filing and payment deadline: The final return must be submitted and the tax paid to the GRA no later than the last working day of the month immediately following the month to which the return relates. Therefore, the deadline is the last working day of August 2025.

Return official documents: ASL must return its VAT Certificate of Registration and any unused VAT invoices to the Commissioner-General as required by Section 19(7) of the Act.

In effect, no cancellation until the taxes are paid and no revenue is at risk

(8 marks)

- b) To determine the correct import duty, a Customs Officer must follow a three-step process involving both the Ad Valorem and Specific duty bases presented in the tariff.
1. **Calculate the Ad Valorem duty:** First, the officer would calculate the duty based on the value of the goods. This involves determining the total Customs Value (Cost, Insurance, and Freight - CIF) of the spaghetti consignment and applying the 20% ad valorem rate to this value.
 2. **Calculate the specific duty:** Second, the officer must calculate the duty based on the weight of the goods. This is done by determining the total net weight of the spaghetti in kilograms (kg) and multiplying it by the specific rate of GH¢ 3.50 per kg.
 3. **Compare and apply the higher rate:** Finally, the officer will compare the two duty amounts calculated in the steps above. As the tariff stipulates “whichever is higher”, the officer is required by law to charge Kabiesi LTD the higher of the two figures as the final import duty payable.

(4 marks)

- c) Under the VAT Act, for supplies other than own use or gifts, the time of supply is the earliest of:
- The date the goods are removed from the supplier’s premises or made available to the customer,
 - The date payment is received, or
 - The date a tax invoice or sales receipt is issued.

Applying the Rule to the Facts

In this case:

Goods delivered (made available) to the customer: **10 April 2025**

Tax invoice issued: **15 April 2025**

Payment received: **20 April 2025**

The earliest date among these is **10 April 2025**.

The time of supply for VAT purposes is **10 April 2025**, as it is the earliest of the delivery date, invoice date, and payment date, in line with the VAT Act.

(3 marks)

d)

i) Purpose of the AfCFTA

Africa Continental Free Trade Agreement is geared and aimed at boosting trade among African countries. It is to remove trade barriers and to ensure free trade and economic growth across the African continent.

(2 marks)

ii) **How Tudu Leather Works can leverage the African Continental Free Trade Area (AfCFTA)**

The full duty would be paid since the inputs are coming from non-African enclave. The process of producing the product makes them manufacturers and may benefit from locational incentive. There is no benefit under AfCFTA.

(3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The (a) part of the question was on VAT. Performance of candidates was below par. Candidates should do well to read the VAT laws to understand the VAT mechanism.

The (b) part was on Customs Administration. The performance was not too encouraging.

There was a question on Africa Continental Free Trade Area (AfCFTA). This area is quite novel and posed a challenge to many candidates.

QUESTION FIVE

- a) An expansionary fiscal policy refers to government measures that aim to increase economic activity by either increasing government spending or reducing taxes. This policy is typically used during periods of economic downturn or recession to stimulate demand, reduce unemployment, and boost GDP growth.

Advantages of expansionary fiscal policy

Employment creation: Ghana, like many developing nations, faces persistent unemployment, especially among its youth. Expansionary fiscal policy, through increased government spending on infrastructure projects, public services, and social welfare, can create jobs. The government can invest in roads, schools, and hospitals—projects that both address the country's infrastructure deficits and provide employment.

Example: The “One District, One Factory” initiative, a flagship project by the government, could be seen as part of expansionary fiscal policy. By establishing factories across various districts, the government hopes to boost industrial activity and create jobs, thus stimulating local economies.

Private investment boost: In times of economic distress or global uncertainty, private sector investment may decline. As a result, the government may need to step in, providing stimulus through direct expenditure to prevent further contraction. Given the importance of the informal sector in Ghana's economy, which often operates outside formal credit systems, public spending becomes even more crucial in stabilizing the economy.

Economic diversification: Ghana's economy is highly reliant on a few key sectors such as cocoa, gold, and oil. Expansionary fiscal policies can help diversify the economy by promoting investment in other sectors, such as agriculture, technology, and tourism.

Reduction in public debt: While expanding fiscal policy often involves borrowing, it can be argued that it becomes necessary when domestic revenues (tax collections) are inadequate to meet national needs. Ghana's public debt has been a persistent challenge, but targeted fiscal expansion aimed at productive sectors (e.g., energy, agriculture, or manufacturing) could yield growth, potentially reducing the debt-to-GDP ratio in the medium term.

(4 relevant points @ 1.25 each = 5 marks)

Disadvantages of Expansionary Fiscal Policy

Rising National Debt: The government often finances increased spending through borrowing, which can lead to rising public debt. As Ghana has a history of borrowing heavily, a rapid increase in debt can exacerbate fiscal deficits, leading to concerns about debt sustainability. When debt levels become unsustainable, it could lead to inflationary pressures and weaken investor confidence.

Example: Ghana's debt-to-GDP ratio has been a concern for several years. As of recent data, the country's debt stood at over 70% of its GDP. This raises questions about how much debt is too much, especially when much of the borrowing is in foreign currencies, exposing Ghana to currency risk.

Inflationary Pressures: Expanding the fiscal deficit (through increased government spending) can lead to inflation, especially if the economy is already operating near full capacity. In Ghana, where inflation has been volatile, the inflationary effects of an expansionary fiscal policy can be significant, eroding the purchasing power of the average citizen.

Example: If the government increases public sector wages or provides subsidies without an adequate increase in production, it can lead to inflationary pressures. This could make essential goods and services more expensive, particularly hurting the poor and vulnerable in Ghanaian society.

Crowding out private investment: While government spending can stimulate the economy, excessive government borrowing can raise interest rates, potentially crowding out private investment. Private businesses may struggle to secure affordable credit if the government is absorbing too much of the available capital.

Weak public institutions: In countries with weaker institutional frameworks, including Ghana, expansionary fiscal policies can sometimes lead to inefficiencies. For example, misallocation of resources, corruption, and inadequate project execution can turn what was intended to be an economic stimulus into a wasted investment.

Example: The inability of government projects to be completed on time or within budget due to mismanagement or corruption is a significant risk. The government's various infrastructural projects in the past, while well-intentioned, have sometimes faced delays or cost overruns, making it difficult for the economy to realise the full benefits of fiscal expansion.

(4 relevant points under @ 1.25 each = 5 marks)

- b) The acquisition of the company by Al Halal LTD was a change in underlying ownership since the control is more than 50%. The assets and liabilities will be deemed realised. The period before change and after the change shall be considered as separate years of acquisition.
- The Commissioner-General may grant the penalty on grounds of impossibility of collection but not the interest.
 - Acquisition of depreciable assets could create additional capital allowance for the company thereby reducing its tax liability.
 - The sale of the investment assets at Dodowa could create tax on gains from realisation of capital assets. If the sale results in a loss, it shall be allowable for tax deduction.
 - To use money as bait will increase the exposure of the former staff as additional income requiring payment of additional taxes.

- The merger option could be explored but may also create gains that will be taxable if one of the companies that does not hold 50% underlying ownership.
- Not paying dividend for some time could also help the company with its cash flows. If the shareholders are not more than 5, the company risks having the Commissioner-General declare dividend on its behalf and taking a dividend withholding tax.
- Locating to Agotime to manufacture its tiles will attract locational incentive with tax at the rate of 12.50%.
- The potential export opportunities will create great tax benefits as export will attract tax benefits at the rate of 8% as opposed to 25% local sales.
- Any loan from its parent company will attract thin capitalisation as the entire interest will be disallowed with its negative equity.

(10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The (a) part of the question was on fiscal policy. It was pretty much straight forward. Candidates did so well. The (b) part had to do with mergers and acquisition and the tax implications on all its facets. On the average, many of the candidates appreciated the issue and did well. Others on the other hand failed to appreciate the nuances of the subject matter.

CONCLUSION

In conclusion, candidates are required to study the VAT and the customs administration a little more to be able to handle questions on those areas. Again, it appears previous mistakes highlighted in previous diets are being replicated. This implies that candidates do not read the examiner's report.

Candidates continue to exhibit bad handwriting. This makes marking quite uphill. Candidates should learn to improve upon their writings to make marking easier. Candidates should note that this profession they want to belong to promotes eligibility. Tuition Centres should continue to set questions for their candidates to prepare them adequately for the examinations in order to enhance the pass rate.