JULY 2026 PROFESSIONAL EXAMINATIONS
ADVANCED TAXATION (PAPER 3.3)
QUESTIONS AND MARKING SCHEME

QUESTION ONE

a) Kwesi has been employed by Ntontom LTD, a company incorporated and managed in England, United Kingdom. Kwesi was required to render services in Ghana and other African countries. On 1 January 2023, he was appointed as a director of Wansina LTD, a subsidiary of Ntontom LTD that is incorporated and managed in Ghana.

You have been provided with the following information in respect of Kwesi for the last two years ending 31 December 2024:

He stayed in the following places during the years of assessment:

	2023	**2024**
	Days	**Days**
Ghana	150	210
Nigeria	115	80
England	100	45
Australia (vacation leave)	0	30
	365	**365**

He received the following income during the years of assessments:

	2023	**2024**
	GH¢	**GH¢**
Salary	120,000	127,500
Passage allowance	2,250	3,000
Director’s fee (net) from Ntontom LTD	-	24,000

On 1 May 2023, Ntontom LTD granted Kwesi an unconditional option at a cost of GH¢100,000 to purchase 100,000 shares of GH¢2 each in Kanjaga LTD, the parent company of Ntontom LTD. Kwesi was vested with the option on 1 July 2023. On 31 March 2024, he exercised the option. The market values of the shares at the relevant dates were as follows:
1 May 2023: GH¢2
31 March 2024: GH¢5

Kwesi does not contribute to the pension scheme in Ghana.

Required:
Discuss **FIVE** tax implications of the above scenario for Kwesi in respect of each year.
(10 marks)

b) Apotror Company LTD is a manufacturing company located at James Town. They have been operating in Ghana since incorporation with an accounting year ending 31 August each year.

The company submitted its estimate on 30 September, 2023 with the following details;

Estimated Chargeable Income : GH¢300,000
Estimated Tax Liability (25%) : GH¢75,000

The following data also relates to the company:

1) Withholding tax credits

	GH¢
22 September 2023	12,000
15 December 2023	7,500
18 February 2024	12,000
10 March 2024	5,000
22 July 2024	6,500

2) Income tax deposited for clearing of raw materials at Tema Harbour on 31 August 2024 amounted to GH¢6,000.

3) On 15 March 2024, the company revised its estimated chargeable income to GH¢500,000 which was accepted by GRA.

Required:

i) State the due dates for the quarterly instalments for the 2024 year of assessment. **(2 marks)**
ii) Compute the quarterly instalments payable. **(7 marks)**
iii) Under what circumstance would the revision of the estimated chargeable income be accepted by GRA. **(1 mark)**

(Total: 20 marks)

QUESTION TWO

a) Tetrem LTD, a Ghanaian company has been operating in the mining sector and has acquired considerable experience in the industry. The company has many employees, both Ghanaians and foreigners. Some foreigners work remotely and have never been to Ghana since their contract of employment was issued. The company has two fields in Anyinam and Kwaben with a shared processing facility.

The following activities are in respect of 2024 year of assessment:

	GH¢'000	GH¢'000
Income:		
Gross Revenue		1,300,000
Dividend		200
Consideration from sale of capital asset		5,000
Financial gains from derivative		4,000
		1,309,200
Expenses:		
Cost of operation	160,000	
Research and Development	480	
Administrative Expense	80,000	
Reconnaissance and Prospecting - Anyinam	200,000	
Reconnaissance and Prospecting - Kwaben	300,000	
Cost of acquiring capital asset	1,900	
Cost of acquisition of another field	300,000	
Financial Cost from derivative	3,500	
		1,045,880
Profit before Tax		**263,320**

Additional information

1) The gross revenue includes a sinking fund account set up to ensure rehabilitation activities with an amount of GH¢20,000,000 yet to be transferred to the Minerals Commission.
2) The Company got dividend from Botan LTD, a resident company where it has 25% voting power.
3) Interest earned from treasury bills amounted to GH¢1,120,556 net after a withholding tax has been taken. This has not been added to the company records. The investment in treasury bills amounts to GH¢4,000,000.
4) The company has just been awarded a judgment debt amounting to GH¢10,000,000 paid by Government of Ghana over the destruction of its drilling machine. The cost of the machine acquired amounted to GH¢4,000,000.
5) Penalty of GH¢1,000,000 added to the cost of operations above was imposed by Minerals Commission for various degrees of infractions.

Required:

i) Compute the tax payable by Tetrem LTD for the 2024 year of assessment. **(10 marks)**
ii) Advise on the tax implication of the shared processing facility and its benefit to Tetrem LTD. **(3 marks)**
iii) Explain separate mineral operation and its benefits to our nation Ghana. **(2 marks)**

b) Ahobaa Insurance Company LTD, a general insurance company, has been operating at Korle Gonno in the Greater Accra Region since 2017.

The following information relates to the company for the 2025 year of assessment:

	GH¢
Gross premium received	3,288,720
Premium returned	98,000
Claims paid	205,000
Reinsurance premium paid	146,000
Recoveries from reinsurance	47,800
Dividend received	89,000
Commission paid to agents	8,000
General & Administrative Expenses	529,223
Capital Allowance	52,886
Treasury Bill Interest	25,000
Net Insurance Received for the previous year	1,157,200

Required:
Calculate the chargeable income of the company for the 2025 year of assessment.
(5 marks)

(Total: 20 marks)

QUESTION THREE

a) The Ghana Investment Promotion Centre (GIPC) Act is geared towards creating an enabling, transparent and responsive environment for investment and development of the Ghanaian economy through investment and to encourage, promote and facilitate investment in the country. The Ghana Freezones policy initiative is also an export led policy initiative to promote export, stimulate economic growth and create employment. In the light of these, both the GIPC Act of 2013, (Act 865) and the Free Zones Act of 1995, (Act 504) outline some incentives and benefits to investors.

As a budding Tax Accountant, the Minister for Trade and Industry has invited you to present a paper at a workshop on the common incentives and benefits to investors under both Acts. This presentation is to be made to the diaspora group of investors who had just visited Ghana to explore the available investment opportunities.

Required:
Prepare a presentation to be delivered at this workshop. **(11 marks)**

b) You are the Managing Partner of Yayra Consult, a firm of Chartered Accountants and Tax Practitioners and have just had a tax consultancy proposal from two clients whose interests are conflicting.

Required:
Explain from the ethical point of view the circumstances under which carrying out assignments for two clients (two taxpayers) with conflicting interest may be possible.
(4 marks)

c) Kataa Holdings LTD, a resident company, undertakes a corporate re-organisation. It transfers all the assets of its manufacturing division to a newly formed, wholly-owned subsidiary, Kataa Manufacturing LTD. The market value of the assets transferred is GH¢5,000,000, and their net cost was GH¢2,000,000.

Consider the following two independent, alternative situations that occur immediately after the re-organisation:

Situation A: An existing shareholder of Kataa Holdings LTD sells 30% of the company's shares to a new, unrelated investor.

Situation B: An existing shareholder of Kataa Holdings LTD sells 60% of the company's shares to a new, unrelated investor.

Required:
With reference to the Income Tax Act, 2015 (Act 896), advise Kataa Holdings LTD on the income tax consequences of the transaction under both *Situation A* and *Situation B*. Your answer must be fully justified. **(5 marks)**

(Total: 20 marks)

QUESTION FOUR

a) Frankadua Fabrics LTD is a VAT-registered company engaged in both domestic and international trade. In addition to supplying goods to the Ghanaian market, the company exports a significant proportion of its products to customers outside Ghana. It also operates a production line for locally manufactured textiles that are zero-rated under the Second Schedule of the VAT Act.

For the VAT return covering March 2025, the company reported total deductible input VAT of GH¢300,000 and total output VAT of GH¢220,000. During the month, total taxable supplies amounted to GH¢4,000,000, comprising exports of GH¢1,400,000, domestic sales of zero-rated locally manufactured textiles worth GH¢780,000, and standard-rated domestic sales of GH¢1,820,000. All export proceeds for the month were fully repatriated through the company's authorised dealer bank.

The excess VAT credit for March has now remained in the company's VAT account for four months without any change in status. Management is concerned about the potential cash flow implications of this and has asked you, as the company's tax adviser, to assess the situation and recommend the appropriate course of action in accordance with the VAT legislation.

Required:
As the tax adviser to the company, analyse the VAT position for March 2025 using the information provided and advise management on the appropriate treatment of the excess VAT credit in accordance with the Value Added Tax Act, 2025 (Act 1151).
Note: Your analysis should include all necessary computations. Where input VAT relates to more than one category of supply and no direct allocation is available, you may allocate

it in proportion to the value of each category of taxable supplies. Clearly state any assumptions made. **(9 marks)**

b) Kakra Electronics LTD is a company that retails electronic goods. The company's cumulative taxable turnover first exceeded the mandatory VAT registration threshold. However, the directors, unaware of their obligation, did not apply for registration.

In the subsequent three-month period, during which the company should have been registered, it made further taxable sales amounting to GH¢90,000. Following this period, while still unregistered, the company imported a consignment of new laptops with a customs value of GH¢250,000. The Ghana Revenue Authority (GRA) has now become aware of the company's status.

Required:
With reference to the Value Added Tax Act, 2025 (Act 1151), advise the management of Kakra Electronics LTD on the consequences of their failure to register for VAT and their subsequent importation of goods. **(3 marks)**

c) Delight & Prudence LTD is a VAT-registered company that operates a large retail store. The store is well-stocked with a wide variety of goods, ranging from general household items and first-aid kits to specialised mobility aids and home comfort products.

On 10 August 2025, a customer completed a purchase of the following three specific items:

- A standard wheelchair.
- A pair of crutches.
- A special orthopedic mattress, which provides enhanced back support and is sold to the general public for comfort as well as to individuals with mobility challenges.

The company's Accountant needed to issue a VAT invoice for this sale and must correctly apply the tax to each item.

Required:
With reference to the Value Added Tax Act, 2025 (Act 1151), determine the correct VAT treatment for each of the three items purchased. **(3 marks)**

d) In recent years, there has been a significant global shift towards greater tax transparency to combat cross-border tax evasion and avoidance. Tax authorities worldwide now cooperate by sharing taxpayer information through various established mechanisms.

Required:
With reference to the above, distinguish between ***Automatic Exchange of Information (AEOI)*** and ***Spontaneous Exchange of Information (SEOI)*** as mechanisms for international tax cooperation.

(5 marks)

(Total: 20 marks)

QUESTION FIVE

a) Article 252 of Ghana's 1992 Constitution provides for the setting up of the District Assembly Common Fund (DACF) to serve as a mechanism for the transfer of resources from the central government to local authorities or Metropolitan, Municipal and District Assemblies (MMDAs). To operationalise this constitutional provision, Parliament enacted the DACF Act, 1993 (Act 455) in July 1993 to provide further legislation and detail on the administration of the Fund. In a recent workshop organised by the Institute of Chartered Accountants, Ghana (ICAG) under the auspices of the Local Government Ministry, participants raised serious concerns on why the facilitators did not enumerate the functions of the DACF as an institution (hereby referred to as the Fund) and the objectives of the District Development Fund (DDF) but rather spent their energies on explaining the benefits of the DACF.

The Chief Director of the Ministry of Local Government, Chieftaincy and Religious Affairs has appointed you as an expert to present a report to the ICAG which would be circulated to workshop participants in order to deal with their concerns. The report should deal with the noted concerns of the participants.

Required:
Draft a report to ICAG highlighting **FOUR** functions of the DACF and **FOUR** objectives of the DDF in order to address the concerns of the participants. **(10 marks)**

b) Madam Digbang, a retired Ghanaian citizen worked as a lecturer at one of the prominent universities in the United States of America for more than twenty years. She has a strong desire to re-locate to Ghana but plans to set up a number of businesses in Ghana before she finally comes to Ghana. The number of businesses in contemplation are as follows:

- Real estate,
- Farming,
- Agro-processing and
- Hospitality.

The above activities will be executed with her investment income she has saved over the years in the United States. She informed her tax consultant that she might choose to stay in USA if the tax burden is higher in Ghana relative to USA.

Required:

i) Dicuss the tax implication of the income earned outside Ghana. **(4 marks)**

ii) Advise Madam Digbang on the possible tax implications for the nature of businesses she intends to go into and what the tax implication will be if:

- She runs the business from the USA. **(2 marks)**
- She runs the business from Ghana. **(4 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) **Tax implications for Kwesi**

1) **Tax Residency Status**
   Under Section 3 of Act 896, an individual is considered a **r**esident in Ghana for a year of assessment if they:
- Are present in Ghana for 183 days or more in any 12 months that begins or ends in the year.
- Have a permanent home in Ghana.
- Are employed by the Government of Ghana abroad.

   Kwesi's presence in Ghana:
- 2023: 150 days → Non-resident
- 2024: 210 days → Resident

The assumption is that Kwesi was not resident at the time he was employed by Ntontom LTD but became resident in 2024.

   Tax Implication:
- In 2023, Kwesi is taxed only on Ghanaian-sourced income.
- In 2024, Kwesi is taxed on worldwide income.

2) **Employment Income**
   Kwesi earned salary from Ntontom LTD (UK) and rendered services in Ghana and other African countries.
- 2023: GH¢120,000
- 2024: GH¢127,500

   Tax Implication:
- 2023: Only the portion of salary attributable to services rendered in Ghana is taxable.
- 2024: Entire salary is taxable in Ghana as Kwesi is a resident.

   A reasonable apportionment based on days spent working in Ghana may be required for 2023.
   He was not contributing to SSNIT and therefore it will not be given as a relief.

3) **Passage Allowance**
- 2023: GH¢2,250
- 2024: GH¢3,000

   Under Section 5(2)(c) of Act 896, passage allowances are taxable unless they qualify as exempt under specific conditions (e.g., relocation costs for expatriates under certain contracts).

Tax Implication:
Fully taxable in both years unless proven exempt under a specific provision. According to Section 7(1)(c) of Act 896 and its amendments, passage allowances are exempt from tax only if:

- The employee is recruited or transferred from outside Ghana, and
- The passage is provided:
  - To enable the employee to take up employment in Ghana, or
  - To return to their home country after termination of employment, and
- The employer bears the cost as part of the employment contract.

4) Director's Fees
2024: GH¢24,000 (net) from Ntontom LTD (UK)

Director's fees are taxable in Ghana if the individual is a resident or if the company is Ghanaian.

Tax Implication:
- Since Kwesi is a resident in 2024, the gross amount of GH¢24,000 is taxable in Ghana.
- He may claim a foreign tax credit if UK tax was withheld, subject to Ghana's double taxation rules.

5) Share Option Gain
Kwesi exercised an option to buy shares in Ntontom (Holding) LTD:
- The shares were not sold, transferred or realized, therefore no tax on the gains.
- Under Section 4(1)(d), gains from employment-related share options are taxable when exercised.

Tax Implication:
- In 2024, Kwesi is a resident so the GH¢400,000 gain is taxable in Ghana.
- This is treated as employment income.

6) Pension Contributions
Kwesi does not contribute to Ghana's pension scheme and cannot take it as a relief.

Tax Implication:
- He cannot claim reliefs related to pension contributions.
- May affect eligibility for certain deductions or benefits.

(5 implications well-explained @ 2 marks each = 10 marks)

b)

i) **Due dates for the quarterly instalment for the 2024 year of assessment**

Quarter	**Instalment payment date**
1	On or before 30 Nov 2023
2	On or before 28 Feb 2024
3	On or before 31 May 2024
4	On or before 31 Aug 2024

(2 marks)

ii) **Computation of quarterly instalments payable**

Quarter		**Instalments payable**
1		$\frac{75,000 - 12,000}{4}$ $= \mathbf{GH¢15,750}$
2	12,000+7,500+12,000+15,750 = 47,250	$\frac{75,000 - 47,250}{3}$ $= \mathbf{GH¢9,250}$
3	500,000 x 25% = 125,000 12,000+7,500+12,000+15,750+5,000+9,250=61,500	$\frac{125,000 - 61,500}{2}$ $= \mathbf{GH¢31,750}$
4	12,000+7,500+12,000+15,750+5,000+9,250+31,750 +6,000+6,500=105,750	$\frac{125,000 - 105,750}{1}$ $= \mathbf{GH¢19,250}$

(7 marks)

iii) The revision must be backed with a reason for the revision and it must be acceptable to Commissioner-General of GRA.

(1 mark)

(Total: 20 marks)

QUESTION TWO

a)

i) **Tetrem LTD**
Computation of Tax Payable
2024 Year of Assessment
Basis Period 1/1/24-31/12/2024

	GH¢'000	**GH¢'000**
Profit before tax		263,320
Deduct the following:		
Sinking fund	20,000	
Dividend	200	
Consideration received	5,000	
Gains from derivative	4,000	
Royalty (W1)	64,000	
Capital Allowance (W2)	100,000	
		(193,200)
		70,120
Add back:		
Profit (W4)	6,000	
Penalty	1,000	
Land Acquisition	300,000	
Research and Development	480	
Reconnaissance and Prospectong - Anyinam	200,000	
Reconnaissance and Prospecting - Kwaben	300,000	
Gains Financial (W5)	500	
Gains (W3)	3,100	
Capital Asset	1,900	
Financial Cost from derivative	3,500	
		816,480
		886,600
Tax Charged @35%		310,310
Add other income		
Interest on T bills (100/92)	1,218	
Tax payable @ 25%	305	
Tax withheld on T bills (8% x 1,218)	(97)	
Net tax payable		208
		310,518

Workings (in GH¢'000)

1) **Royalty**

Gross Revenue	1,300,000
Less sinking fund	(20,000,
	1,280,000
Royalty @ 5%	**64,000**

2) **Capital allowance**

	GH¢
Reconnaissance & Prospecting - Anyinam	200,000
Reconnaissance & Prospecting - Kwaben	300,000
	500,000
Capital Allowance 5 years	**100,000**

3) **Gains: Gains and loss Consideration-cost of capital (5,000-1,900 =3,100)**

4) **Drilling machine**

Compensation	10,000
Cost	(4,000)
Gains	**6,000**

5) **Financial cost**

Financial cost	(3,500)
Financial gain	4,000
Gain	**500**

(Marks spread evenly using ticks = 10 marks)

ii) Shared processing facility is where the products of two or more mines are processed together. The effect is that the products are commingled making separate mineral operation impossible. Mining companies are able to plan and pay minimal tax thereby creating value for their shareholders.

(3 marks)

iii) Separate mineral operation is the accounting for each approved mining lease as a separate activity. It is to ensure that government continues to benefit from the mining operation as each is separately accounted for. The essence for using this strategy is to protect the interest of the government.

(2 marks)

b) **Ahobaa Insurance Company LTD**
Computation of Chargeable Income for 2025 Year of Assessment
Basis Period: 1/1/2025 to 31/12/2025

		GH¢
Gross Premium Received		3,288,720
Less: Premium returned	98,000	
Reinsurance Premium	146,000	(244,000)
Net Insurance		3,044,720
Less		
Reserve for unexpired risk 40% x 304,4720	1,217,888	
Less Reserve for previous year 40%*1,157,200	(462,880)	(755,008)
		2,289,712
Less		
Claims paid	205,000	
Less Reinsurance recoveries	(47,800)	(157,200)
		2,132,512
Less		
Commission	8,000	
Gen Admin	529,223	(537,223)
		1,595,289
Less Capital Allowance		(52,886)
Chargeable Income		1,542,403
Tax Charged @ 25%		**385,601**
Add		
Treasury Bills	25,000	
Tax Charged @ 25%	6250	
Less withholding tax @ 8%	(2,000)	**4,250**
		389,850.75

(Marks evenly spread using ticks = 5 marks)

(Total: 20 marks)

QUESTION THREE

a) **PAPER HIGHLIGHTING THE COMMON BENEFITS AND INCENTIVES TO INVESTORS UNDER BOTH THE INVESTMENT PROMTION CENTRE ACT AND THE FREE ZONES ACT**

INTRODUCTION

I present to you the common incentives to investors under both the Investment Promotion Centre Act 2013, Act 865 and the Free Zones Act 1995 (Act 504).

Common Benefits and Incentives under the GIPC Act

Foreign investors can have hundred percent equity participation provided they are able to meet the capital requirement. Where the enterprise is wholly owned by that person, invests a foreign capital of not less than five hundred thousand United states dollars in cash or capital goods relevant to the investment or combination of both by way of equity capital in the enterprise.

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:

- dividends or net profits attributable to the investment made in the enterprise;
- payments in respect of loan servicing where foreign loan has been obtained.
- fees and charges in respect of technology transfer agreement registered under the Act, and
- 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.

Guarantee against expropriation

Section 31 provides that subject to the Constitution, any relevant law and subsections (2) and (3) of section 31:

- an enterprise shall not be nationalized or expropriated by the Government, and
- 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.

Common Benefits and Incentives under the Free Zones Act

A foreign investor may take and hold a maximum of 100 per cent of shares in any free zone enterprise.

Any enterprise in a free zone shall be allowed an unconditional transfer through any authorized dealer bank in free convertible currency of:

- Dividends or net profits attributable to the investment
- Payments in respect of loans servicing where a foreign loan has been obtained;
- Fees and charges in respect of any technology transfer agreement; and
- The remittance of proceeds (net of all taxes and other obligations) in the event of sale or liquidation of the enterprise or any interest attributable to the investment.

Guarantee against expropriation

Section 31 provides that subject to the Constitution, any relevant law and subsections (2) and (3) of section 31:

- an enterprise shall not be nationalized or expropriated by the Government, and
- 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.

There shall not be any acquisition of an enterprise to which this Act applies by the state unless the acquisition is in the national Interest or for a public purpose and under a law which makes provision for payment of fair and adequate compensation; and a right of access to the High Court for the determination of investor's interest or right and the amount of compensation to which he is entitled.

Any compensation payable shall be paid without undue delay and authorization for its repatriation in convertible currency, where applicable shall be issued.

From the above presentation it is clear that the ability of foreign investors to have hundred percent equity participation, enterprises being guaranteed an unconditional transferability through an authorised dealer bank and guarantee against expropriation as explained above are the notable common incentives for investors under both Acts.

(11 marks)

b) **Acting for the two taxpayers may be possible subject to the following conditions**:

i) There is adequate disclosure of all relevant facts to both parties. Both clients are given the opportunity to consider whether or not they wish a member/consultant to act or whether they wish to seek alternative representation. Where applicable, a member/consultant should consider whether to advise both clients to consider seeking independent advice on whether it is appropriate for a member to act for both parties.

ii) A member/consultant is satisfied that the circumstances of the conflict can be managed. Safeguards that may be considered include appointing a separate team to act for each client, who maintain ethical 'walls' to prevent a confidential information relating to one client becoming known to the team acting for the other.

If a member/consultant is unable to put separate teams and ethical 'walls' in place, it will only be possible to act for both parties if there is sufficient mutuality of interest between the parties and hence no objection to the sharing of confidential information;

- Both clients agree in writing that the member can act for both parties.
- No preference is shown in advising one against the other.

(4 marks)

c) The primary income tax consequence of the asset transfer is the potential taxation of the capital gain arising from the transaction. This is determined by the special rules for company re-organisations.

Realisation of a Gain
First, the transfer of assets from the parent company to its subsidiary is a realisation of those assets under the Act. This realisation results in a capital gain calculated as:

- Gain = Consideration Received (Market Value) - Cost of Assets
- Gain = GH¢ 5,000,000 - GH¢ 2,000,000 = GH¢ 3,000,000

Advice for Situation A (30% Change in Ownership)
Income Tax Consequence: The sale of 30% shall create capital gains and therefore taxable.

Advice for Situation B (60% Change in Ownership)
Income Tax Consequence:
A 60% change in the ownership of the parent company results in only 40% continuity of underlying ownership.

- Since 40% is less than the required 50% threshold, the tax exemption does not apply. The GH¢ 3,000,000 gain is therefore subject to income tax.

(5 marks)

(Total: 20 marks)

QUESTION FOUR

a)

Statutory Provisions

Section 50(1)(a): Default treatment — excess VAT credit is carried forward to offset future VAT liabilities.

Section 50(1)(b): For the portion attributable to exports, where exports exceed 25% of total supplies in the tax period and export proceeds are repatriated via an authorised dealer bank, the Commissioner-General *may* refund that portion.

Section 50(1)(c): For the portion directly attributable to locally manufactured zero-rated textiles, the Commissioner-General *may* refund upon application.

Section 50(2): Exporters under 50(1)(b) may apply for refund where the credit has remained outstanding for three continuous months or more. If an audit is ordered, the application date is deemed to be the date the audit concludes.

Analysis and Professional Advice

Exports (GH¢28,000): Exports account for 35% of total supplies, exceeding the 25% threshold. Export proceeds have been fully repatriated, meeting the conditions in section 50(1)(b). Since the credit has been outstanding for four months, section 50(2) allows the company to apply for a refund immediately, provided documentation supports the export sales and repatriation.

Zero-rated locally manufactured textiles (GH¢ 15,600): This qualifies under section 50(1)(c). Refund is possible upon application, without the three-month requirement. Supporting records for zero-rated textile sales will be needed.

Standard-rated domestic supplies (GH¢ 36,400): No refund entitlement exists for this portion; it should be carried forward in accordance with section 50(1)(a) and will reduce future VAT liabilities.

Timing, Cash Flow Considerations and Conclusion

- Applying for refunds on the export and zero-rated textile portions can improve cash flow.
- Refunds may be delayed if an audit is initiated, in which case the "application date" is shifted to the date the audit concludes.
- Carry-forward of the domestic portion does not produce immediate liquidity benefits.

Conclusion:

Frankadua Fabrics LTD should apply for a refund of GH¢28,000 (exports) and GH¢15,600 (zero-rated textiles), ensuring all conditions are met and documentation is ready. The remaining GH¢ 36,400 should be carried forward to offset future VAT liabilities.

(9 marks)

b) **Advice to Kakra Electronics LTD**
The company faces two distinct financial consequences due to its failure to register for VAT, one for its local sales and another for its recent import.

Financial Consequences
Penalty for Failure to Register: Because the company failed to apply for registration when required, it is liable for a penalty under Section 15 of the VAT Act. This penalty can be up to two times the amount of VAT that should have been paid on its taxable supplies from the time it was required to be registered.

Upfront Payment on Imports (Section 15A) As an unregistered person importing taxable goods, the company is additionally liable to make an upfront payment under Section 15A of the VAT Act. This payment is calculated at 12.5% of the customs value of the goods.

Option to Recover Payments
While the back-taxes and any imposed penalty are final, the upfront VAT payment on imports is not permanently lost.
Section 15A(2) of the Act provides a recovery mechanism. The company can apply to the Commissioner-General to recover the amount of upfront VAT paid after it completes its VAT registration and subsequently files its first VAT return. The application for recovery, if accepted by the Commissioner-General, is subject to the Commissioner-General applying the upfront payment to reduce any tax liability of the applicant, and paying the remainder (if any) to the taxpayer.

Recommendation: The company should register for VAT immediately to prevent further penalties and to initiate the process of potentially recovering the upfront payment.

(3 marks)

c) The VAT treatment for these goods is determined by the First Schedule of Act 1151, which exempts "a supply of goods designed **e**xclusively for use by persons with disability".

- **Wheelchair and Crutches**: These items are exempt from VAT. They are medical aids designed specifically and exclusively for use by persons with mobility disabilities and therefore meet the strict criteria of the law.
- **Orthopedic Mattress**: This item is subject to VAT. Although it can be beneficial for people with certain health conditions, it is not designed *exclusively* for them. Since the mattress is also sold to the general public for comfort, it does not meet the legal requirement for exemption and must be taxed accordingly.

(3 marks)

d) The key difference between the two mechanisms is their nature and trigger: one is systematic, and the other is ad-hoc.
Automatic Exchange of Information (AEOI): This is the systematic and periodic transmission of bulk taxpayer information from a source country to the residence

country. It occurs automatically, usually on an annual basis, without any specific request. AEOI typically involves financial institutions reporting information on accounts held by non-residents, which is then shared with the relevant tax authorities. An example is the requirement under the Standard for Automatic Exchange of Financial Account Information Act, 2018 (Act 967) as amended.

Spontaneous Exchange of Information (SEOI): This is the non-systematic or ad-hoc provision of information from one country to another. It is not triggered by a regular schedule but occurs when a tax authority discovers information during its own work (like a tax audit) that it believes may be of interest to the tax authority of another country. The information is then provided voluntarily, without the other country having to request it.

(5 marks)

(Total: 20 marks)

QUESTION FIVE

a)

Dzidulah Consult
P.O. Box 5
Osu, Accra

18 November 2025

The Chief Executive Officer
ICAG
Accra

REPORT ON THE FUNCTIONS OF THE DISTRICT ASSEMBLY COMMON FUND (DACF) AND THE OBJECTIVES OF THE DISTRICT DEVELOPMENT FUND (DDF)

It is with great delight that l present to you the report on the functions of the DACF as an institution and the objectives of the DDF to address the concerns of the participants in the recently held workshop by the Institute of Chartered Accountants, Ghana (ICAG).

Functions of the District Assembly Common Fund (DACF)

The functions of the DACF include the following amongst others:

1. To propose a formula annually for the distribution of the Common Fund or approval by Parliament.
2. To administer and distribute monies paid into the Common Fund among the district assemblies in accordance with the formula approved by Parliament.
3. To report in writing to the Minister on how allocation made from the Common Fund to the District Assemblies have been utilized by the District Assemblies; and

4. To perform any other functions that may be directed by the President of the Republic of Ghana.

Objectives of the District Development Fund(DDF)

1. To provide information on district assemblies' compliance with legal and regulatory framework.
2. To obtain performance information on the functional capacity of district assemblies.
3. To identify capacity gaps of district assemblies.
4. To establish a link between performance and capacity building support.
5. To provide a basis for incentivizing district assemblies.

Conclusion

It is hoped that the above will address the concerns of workshop participants and finally bring the matter to rest.

Humbly Submitted

Signed
Wallas Dzidulah

(4 marks for the functions of the DACF and 4 marks for the objectives of the DDF. 2 marks for the structure of the report = 10 marks)

b)

i) Income earned outside Ghana is determined for tax purpose on the basis of the status of the income earner. If the person is resident of Ghana, the global income is taxable in Ghana. The income earned outside Ghana shall be taxable in Ghana.
In the case of a non-resident, income earned outside Ghana shall not be taxable in Ghana. Non-resident is taxed on income accrued in Ghana and taxable in Ghana.
(4 marks)

ii) Madam Digbang is non-resident person and may or may not be resident.
In the case of non-resident
If she establishes the business as a sole-proprietorships in all the businesses, she will be treated as non-resident. In the case of establishing corporate entities, the companies will be taxed on their income. When dividend is declared, and paid, she has the shareholder will be taxed at the rate of 8%

In the case of resident
As a sole proprietorship, her income will be subject to temporary concessionary at the rate of 5% except the hospitality business that will be taxed using the individual tax rate.
Real estate business provides 5 years' temporary concession.
Farming activities, tree crops 10 years from harvest, in the case of cattle 10 years from operation and in the case of livestock other than cattle and cash crops 5 years
Agro-processing, 5 years from operation

Hospitality business from start, at individual tax rate

In the case of non-resident
Where the business is run from Ghana
As corporate entity, the income will be subject to tax in Ghana.
In the case of sole proprietorship, the entire income in aggregate shall be subjected to tax using the individual tax rates **w**here the business is run from USA.

(6 marks)

(Total: 20 marks)