

SOLUTION PRINCIPLES AND PRACTICE OF TAXATION MAY 2010

QUESTION 1

- (a) Duties and powers of the Commissioner that cannot be delegated:
- (i) Power to determine any matter or do anything required to be determined or done concerning taxation of capitalization of profits and undistributed profits of companies.
 - (ii) Exempt a person from withholding taxes.
 - (iii) Compound an offence
 - (iv) Remit taxes, interest or penalties.
- (b) Duties and powers that can be delegated:
- (i) The power to extend the date of payment of or vary the amount of instalments.
 - (ii) The authorization of an offer to have access to books, records and computers of a taxpayer and notice to obtain information or evidence.
 - (iii) Power to collect tax on behalf
 - (iv) Power to appoint agent
- (c) Canons of Taxation as propounded by Adam Smith:
- 1. Certainty
 - 2. Convenience
 - 3. Economy
 - 4. Equity

QUESTION 2

- a)
- (i) The sale, supply or delivery of taxable goods to another person including imports (for consideration).
 - (ii) The sale or provision of taxable services to another person.
 - (iii) The appropriation by the registered person of taxable goods for his personal use or for use by others.
 - (iv) The making of a gift of any taxable goods or taxable service in the course of business.
 - (v) The letting of goods on hire, leasing or other transfers.
 - (vi) The acceptance of a wager or stake in any form of gambling, including lotteries or gaming machines.
 - (vii) The processing of data or supply of information or similar service.
 - (viii) The supply of staff.

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- (ix) The sale, transfer assignment or licensing of patents, copyrights, trademarks, computer software and proprietary information.
- (x) Any other disposal of taxable goods or provision of taxable services.

Content of VAT Returns

- b) a. Total taxable supply
- b. Total exempt supply
- c. Zero rated supply
- d. Input VAT on goods and supply
- e. Input VAT on imported supply
- f. Total input tax
- g. Deductible input tax
- h. Amount due or refund
- i. Rate applicable
- j. Name, address and location of taxable person
- k. Period covered by the returns
- l. cheque number, bank
- m. Name, designation and signature of designated officer.

QUESTION 3

	GH¢	GH¢
Salary (1/106 – 31/12/06)		60,000
Responsibility Allowance	6,000	
Professional Allowance	6,000	
Risk Allowance	<u>6,000</u>	<u>18,000</u>
		78,000
<u>Add:</u> Part-time Private Practice		<u>36,000</u>
		114,000
<u>Add:</u> Rent Element (15% x 78,000)	11,700	
Car Element (Ristd.)	<u>360</u>	<u>12,060</u>
Assessment Income		126,060
<u>Less:</u>		
Social Security (5% x 60,000)	3,000	
Marriage	30	
Children (3)	72	
Life Assurance	6,000	
Subscriptions	<u>600</u>	<u>9,702</u>
Chargeable Income		<u>116,358</u>

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Tax Computation:

GH¢	GH¢
GH¢ 9,600	1,518.00
<u>109,398 at 25</u>	<u>27,349.50</u>
<u>116,358</u>	<u>27,207.50</u>

Comments:

PAYE

- i. He will be credited with any taxes deducted at source from his employment income.
- ii. Part-time Lectures:
15% tax deducted is final tax and therefore not included in the computation.
- iii. Subscription to professional journals:
This has been allowed as an expense wholly, exclusively and necessarily incurred in his position as a professional, lecturer and practitioner. Receipts will however be required as evidence of payment.

QUESTION 4

(a) Content of Gift Tax Returns

- (i) The description and location of the taxable gift.
- (ii) The total value of the gift, how it is calculated and tax payable with respect to that gift.
- (iii) The full name and address of the donor of the gift.
- (iv) Any other information required by the commissioner.

(b) Taxable Gifts:

	GH¢
Saloon car	8,000
Nissan Pick up	12,000
Cash	5,000
Toyota Landcruiser	<u>60,000</u>
	85,000
Deduct	<u>50</u>
Taxable value	84,950
Tax thereon @ 5%	<u>4,247.50</u>

Note

The donation received from Mr. Zacky (his father) in respect of the land of GH¢15,000 and cash of GH¢10,000 were exempted from gift tax.

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QUESTION 5

- (a) (1) Parting with ownership of the asset through
- i. Sale
 - ii. Exchange
 - iii. Surrender
 - iv. Distributed by the owner or redeemed
 - v. Destroyed or lost.
- (2) Where a person begins to use the asset in a way that it ceases to be a chargeable asset.
- (3) The owner was a resident which made the asset chargeable but later ceased to be a resident.

(b) (i)		GH¢	GH¢
	Consideration Received		450,000
	Less: Cost Base:		
	Cost of the house	150,000	
	Renovation (2003)	20,000	
	Repairs	30,000	
	Commission	<u>22,500</u>	<u>222,500</u>
	Capital Gain		227,500
	Deduct Exempts		<u>50</u>
	Taxable Gain		227,450
	Tax thereon @ 5%		<u>11,372.50</u>
(ii)	Consideration Received		450,000
	Less Cost Base		<u>450,000</u>
	Capital Gain		NIL