

CHARTERED INSTITUTE OF TAXATION, GHANA

PROFESSIONAL EXAMINATION, FEBRUARY 2020

PAPER 4 – INDIRECT TAXATION

SUGGESTED SOLUTIONS

QUESTION 1

a)

- Where a supply is for monetary consideration that excludes all duties and taxes, the taxable value of supply is
 - the amount of the consideration; with
 - the addition of all duties and taxes other than the VAT
- Where a supply is made for monetary consideration without a separate amount of the consideration being identified as a payment of the tax, the taxable value of the supply is the amount of the consideration paid, excluding the tax

(Ref. Sect.

43)

(8 marks)

b)

Supply S/no	Value (Gh ¢)	NHIL(Gh ¢)	GFL (Gh ¢)	Taxable Value for VAT (Gh¢)	VAT (Gh¢)	Remarks
S/n i.	150,600.00	nil	nil	nil	nil	Exempt
S/n ii.	750,625.00	zero	zero	zero	zero	Zero rated
S/n iii.	120,000.00	120,000x 2.5% = 3,000	120,000x 2.5% = 3,000	120,000+ 3,000 + 3,000 = 126,000	126,000x 12.5% = 15,750.00	Taxable supply
S/n iv.	264,500	zero	zero	zero	zero	Zero rated

(12 marks)

(Total 20 marks)

QUESTION 2

(Ref: Sections 24; 39 and 50 of Act 870 as amended)

a)

- Where a taxable person's deductible input tax exceeds output tax due for a tax period and;
 - the excess is attributable to exports exceeding 25% of total supplies in the tax period;
 - the excess remains outstanding for a continuous period of three months or more
 - the total export proceeds have been repatriated by the importer's banks to the taxable person's dealer banks in Ghana;
 - a Return/Claim for refund has been filed with the Commissioner-General by the taxable person

- Where the registration of a person is cancelled and the person has excess credits that were not recovered under the provisions of the Act relating to cancellation of registration.
- Where the amount of tax paid by a person exceeds the amount properly subject to tax under the Act, (other than in the case of excess of deductible input tax over output tax) and a claim for refund is made within six months after the date on which the excess arose.

(12 marks)

b)

- Supply of services by an employee to an employer by reason of the employment of that employee.
- The transfer of goods to a person acting in a representative capacity to the transferor.
- The supply of money.
- The supply of services of an agent to a principal as agent of the principal.

(Any two correct answers for two (2) marks each)

(4 marks)

c) Time of supply for the repossession of goods by a taxable person under a credit arrangement occurs;

- when the goods are repossessed;
- the day after the last day of any period during which the debtor may be reinstated with that debtor's rights and obligation under the credit arrangement, in circumstances where such a law exists and where the debtor is so reinstated.

(4 marks)

(Total 20 marks)

QUESTION 3

a)

A manufacturer of excisable goods is entitled to a refund of excess excise duty paid on raw materials applied in the manufacturing business of that person in a calendar month where;

- more than 25% of the excisable goods entered by that manufacturer in that calendar month were entered for export ;
- the export proceeds have been repatriated by the bank of the buyer to the authorized dealer bank of the manufacturer in Ghana; and
- an application for a refund of excise duty is made to the Commissioner-General in the prescribed form (and containing any other information that the Commissioner-General may require), within twelve months after the month to which the refund relates.

(Ref: Sect. 11 & 12 of Act 878)

(8 marks)

b) Ref: Sect. 6 of Act 878

(6 marks)

c) Ref: Sect. 16 of Act 878

(6 marks)

(Total 20 marks)

QUESTION 4

a)

i. Ref: Sect. 10 of Act 754 (6 marks)

ii. At least twenty percent (20%) of 6 percentage points of the revenue generated from the Communications Service Tax is to be used to finance the national youth employment programme. (Ref: Sect. 5 of Act 754 as amended.) (2 marks)

b)

i. Exempt Supply: a supply of goods or services specified in the First Schedule of the VAT Act 2013, (Act 870) which is not subject to tax. Exempt supplies fall outside the scope of the tax. (2 marks)

ii. Zero-rated supply: a supply of goods or services specified under the Second Schedule of the VAT Act 2013, (Act 870) subject to tax at the rate of zero percent (0%).

Zero-rated supplies include the supply of goods entered for export under the customs law of the country and exported out of the country by the supplier and supply of goods shipped as stores on vessels or aircraft leaving the territories of Ghana to a destination in a foreign country. (3 marks)

iii. Relief Supply: a supply of goods or services to persons or for purposes listed under the Third Schedule of the VAT Act 2013, (Act 870) who or which are entitled to relief from the tax. Relief supplies are taxable supplies for which the recipient with title to relief does not pay the tax that is otherwise chargeable on the supply. (3 marks)

c) The Commissioner-General may permit a person to import excisable goods without payment of excise duty under the following conditions: Where the;

- Commissioner-General is satisfied that the goods to be imported;
 - are for the purposes of further processing or for exhibition; and
 - shall be re-exported within three months from the grant of the permission.
- importer has provided a bond or security to cover an amount equal to the excise duty payable on the goods as determined by the Commissioner-General.

(4 marks)

(Total 20

marks)

QUESTION 5

a) VAT/NHIL paid by a taxable person on business inputs **cannot be treated** as deductible input tax in determining the person's tax liability where:

- the inputs are applied in making exempt supplies;
- the input tax is in respect of a taxable supply or import of specified categories of motor vehicles or vehicle parts, unless the person is in the business of dealing in or hiring motor vehicles or selling vehicle spare parts and the vehicles or spare parts are for use in that business.
- the input tax is in relation to entertainment including restaurant, meals and hotel expenses, unless the taxable is engaged in a taxable activity of providing entertainment and the entertainment is for use in that taxable activity.
- The input tax is in respect of subscriptions or payment of club fees, etc.
- the person is registered to operate under the VAT Flat Rate Scheme.
- A period of six (6) months has elapsed from the date the tax was paid on the input. (6 marks)

b)

i. Refund of a charge, other than a duty or penalty:

Where the CG determines that the charge was assessed or collected erroneously or excessively. (2 marks)

ii. Refund of an amount that has been paid as a penalty:

Where the Commissioner-General determines that the penalty;

- did not accrue;
- accrued in an amount less than the amount paid; or
- is mitigated to an amount less than the amount paid

(4 marks)

c) A person incurs a customs liability for duty when:

- Dutiable goods are entered for consumption by the person and the declaration is accepted.
- Imported goods are unlawfully introduced into the country by the person.
- Imported goods are unlawfully removed from a customs-controlled area or a free zone to another part of the country.
- A person fails to comply with conditions that govern a customs procedure under which the goods have been placed.
- Goods imported into a customs-controlled area or a free zone are used, consumed or lost other than as permitted under the Customs Act.

(8 marks)

(Total 20 marks)