



ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

FACULTY: HUMANITIES, SOCIAL & MANAGEMENT SCIENCES

DEPARTMENT: ACCOUNTING & FINANCE

FIRST SEMESTER EXAMINATIONS 2020/2021 ACADEMIC SESSION

COURSE CODE: ACF 405

COURSE TITLE: ADVANCED TAXATION AND TAX MANAGEMENT

DURATION: 2^{1/2} HOURS

INSTRUCTION: Attempt Question 1 and any other THREE (3) questions in Section B

SECTION A

COMPULSORY QUESTION

QUESTION 1

Sagmus Limited located in Onitshag Town has been in business since 1978 and is involved in manufacturing of plastic containers. The company's accounts for the year ended December 31, 2019 showed the following results:

	₦	₦
Turnover		1,909,425
Less Expenses:		
Transport and travelling	93,000	
Salaries and wages	224,000	
Printing and stationery	25,000	
Donation to ICAN building fund	5,000	
Audit fees	20,000	
Stamp duty on increase in share capital	75,000	
Rent	50,000	
Depreciation	234,450	
Tertiary Education Tax	<u>37,325</u>	<u>763,775</u>
Operating profit		<u>1,145,650</u>

The following additional information was extracted from the computations of Capital Allowance and Income Tax for Assessment Year 2019:

- (i) Unutilised Capital Allowance brought forward ₦ 70,000
- (ii) Tax Written Down Values of the following assets purchased in 2016 are as follows:

	₦
Motor vehicles	40,000
Furniture and Fittings	60,000
Plant	70,000

- (iii) In year 2019, the company purchased the following assets:

	₦
2 Motor vehicles	840,000
4 Furniture and Fittings	160,000
1 Generating set	300,000

You are required to:

- a. Compute Capital Allowances if assets purchased in 2016 have been used for two years. (7 Marks)
- b. Compute the Total Profits, Companies Income Tax (CIT) and Tertiary Education Tax (TET) for the relevant year of assessment. (8 Marks)
- c. The Tax Appeal Tribunal has power to adjudicate on tax disputes and controversies where appeal is not discontinued by the Appellant.

Required:

- i) State **TEN (10)** of the procedures for hearing the appeal before the Tax Appeal Tribunal (5 Marks)
- ii) Explain the jurisdiction of the Tax Appeal Tribunal (4 Marks)

(Total: 24 Marks)

Section B: Answer any THREE (3) questions.

QUESTION 2

(a) What do you understand by the term capital gains? Mention three institution, societies or bodies exempted from capital gains tax. (5 Marks)

(b) Haruna Ltd purchased a building on 1st May, 2006 and sold it on 30th June, 2018 to Ahmed Ltd. The following details are given:

	N
Purchase price of the building in 2006	2,500,000
Legal exp on acquisition	150,000
Improvement exp on the building in 2008	350,000
Fire insurance premium on building sold	240,000
Sales proceed on disposal	4,300,000
Cos of advert the building for sale	200,000
Professional charge on disposal	100,000

Required:

- Compute the CGT payable and the year of assessment (7 Marks)
(Total = 12 Marks)

QUESTION 3

(a) Identify the ratios that are used to determine the profit element of the income of foreign shipping, air transport or courier companies deemed to be derived in Nigeria. (2 marks)

(b) The SCI of Hagag Airways Ltd for 2018 is as follows:	N'000	N'000
Income from passenger freight into Nigeria	1,200,000	
Income from goods loaded into aircraft in Nigeria	880,000	
Income from passenger freight out of Nigeria	720,000	
Income from goods loaded into aircraft on other roots	1,600,000	
Income from carried solely on transit terms	<u>600,000</u>	
		5,000,000
Less expenses:		
Salaries and wages	1,600,000	
General provisions	500,000	
Deposit for a new aircraft	480,000	
Depreciation	340,000	
Other disallowable expenses	<u>100,000</u>	<u>3,220,000</u>

Profit for the year

1,980,000

Additional Information:

- i. Salaries and wages include payment of ₦6,000,000 as rent for accommodation in Abuja used as a transit flat by the airline crew.

Required: Prepare a statement showing:

- (i) the total profit for Nigerian tax purpose
income tax payable by the Airline for the relevant year of assessment. (10 marks)

(Total: 12 marks)

QUESTION 4

- (a) Write short note on any **two (2)** of the following as they relate to petroleum operations in Nigeria (i) Production sharing contract (ii) Joint venture agreement (iii) Service contract (iv) Sole risk (2 marks)
- (b) The audited accounts of **Akpos Ltd**, a company engaged in petroleum operations, indicated a net profit of ₦100 Million for the accounting year ended 31/12/18. The qualifying capital expenditures at costs are as follows:

Nature of Assets with Dates of Acquisition	Depth of location at the territorial waters and continental shelf areas			
	onshore	up to 100 Meters	100-200 Meters	Over 200 Meters
	₦	₦	₦	₦
Building (2015)	1,250,000			
Plant and Machinery (2013)	30,000,000	15,000,000		
Fixtures and Fittings (2014)	6,000,000			
Pipeline and Storage Tank (2012)	5,000,000		15,000,000	2,000,000
Pipeline and Storage Tank (2018)		5,000,000	5,000,000	
	<u>42,250,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>

Expenses deducted in arriving at the above net profit include:

- i. Intangible drilling cost not capitalized ₦3,500,000
ii. Depreciation on qualifying capital expenditure ₦1,600,000
iii. Operating expenses of ₦5,000,000 which includes the sum of ₦1,000,000 incurred for the purpose of purchasing information relating to the existence of petroleum deposits.
iv. Non-productive rent ₦3,000,000
i. Custom and excise duties incurred on importation of storage tanks and additional pipelines ₦2,000,000.

Other additional information include:

- i. Memorandum of understanding credit agreed with the Federal Government ₦2,000,000
ii. Losses brought forward ₦2,000,000

Required:

For the 2018 year of assessment, compute the following for the company:

- i. Adjusted profit
ii. Assessable Profit
iii. Chargeable Profit
iv. Assessable Tax
v. Chargeable Tax

(10 marks)

(Total: 12 marks)

Profit for the year

1,980,000

Additional Information:

- i. Salaries and wages include payment of ₦6,000,000 as rent for accommodation in Abuja used as a transit flat by the airline crew.

Required: Prepare a statement showing:

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(Total: 12 marks)

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(10 marks)

(Total: 12 marks)

QUESTION 5

Briefly explain the following assessments in relation to company taxation:

- | | | |
|-------|-----------------------------|-----------|
| (i) | Best of Judgment Assessment | (2 Marks) |
| (ii) | Turnover assessment | (2 Marks) |
| (iii) | Self-assessment (SAS) | (2 Marks) |
| (iv) | Additional Assessment | (2 Marks) |
| (v) | Back Duty Assessment | (2 Marks) |
| (vi) | Pioneer Status | (2 Marks) |

(Total: 12 marks)