

Principles and practice of taxation 2

7115

CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD

Technical and Vocational Education Examination

JUNEXXXX

ADVANCED LEVEL

Specialty Name (Specialty Code)	TAXATION AND INFORMATION MANAGEMENT SYSTEM
Subject Title	Principles and Practice of Taxation
Paper No.	2
Subject Code No.	7115

Three hours

INSTRUCTIONS TO CANDIDATES

This paper carries SIX questions.

Each question carries 20 marks.

You are required to answer any **Five (5)** questions of your choice.

If you answer MORE THAN five (5) questions, ONLY the first five (5) answers presented will be marked. Meanwhile, the other answer will be cancelled.

You are allowed to use **CALCULATORS**.

You must use **ONLY** Blue or Black ink. No answer in Pencil will be marked.

All Appendices filled or completed should be handed in with your answer booklet and must be put in the appropriate answered number.

All necessary calculations must be shown.

You are reminded of the necessity for good English and orderly presentation in your answers.

You are advised to read carefully through the question paper, before you begin your answers.

Turn Over

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1. Barrister Evans practice with the Big group law firm is assess under the simplified tax regime. The following information is provided for his income subject to Personal income tax for the 2019 financial year ended:

- His gross revenue from the firm amounts to XAF 15 560 000 , and total annual expenditures amounted to XAF 4 670 000 as shown by the books of accounts.
- He owns a building at Check-point Molyko which is rented out to several tenants. His annual rental income amounts to XAF 3 600 000 . Recorded real estate annual expenses on the said building stood at XAF 420 000 .
- He owns a poultry and tomatoes farm at Muea –Buea whose total income amounts to for the year is XAF 2 320 0000 and expenses amounted to XAF 977 980.
- He owns a car rental service based at Malingo Street–Molyko. The annual income amounts to XAF 1 000 000 and total expenses amounted to XAF 600 000 .

NB: The above records have been extracted from accounting records and validated by the taxation service.

Required:

- 1.1. Determine his advance income tax on revenue for the year 2019. **(05 Marks)**
- 1.2. Determine his annual net taxable income. **(09 Marks)**
- 1.3. Compute the annual personal income tax liability (PIT). **(04 Marks)**
- 1.4. Determine his net tax due and state the deadline for declaration and payment. **(02 Marks)**

2. Mme Mojoko is a owner of a 5 apartments storey building located in Avenue Kennedy-Yaounde. She is a retired civil servant and rents received from this storey building are his only source of revenue. These apartments being different, monthly rents are as follows:

Apartment 1: 180 000 F;

- Apartment 2: XAF 240 000 ;
- Apartment 3: XAF 80 000 ;
- Apartment 4: XAF 120 000 ;
- Apartment 5: XAF 90 000 .

This storey building is only used as a private residence.

During the 1st semester of the year 2019, all tenants regularly paid their rents at the end of each month as agreed.

It should be noted that tenants of apartments 2 and 4 paid in February 2019 arrears of rents for November 2018 and December 2018; and that in June 2019, tenants of apartments 1 and 5 paid in advance rents for July and August 2019.

The last 6 months of the year 2019 were paid normally; no problem of arrears was noticed in 2015.

Work required:

- 2.1. Compute the first tax advances and the second tax advances on income from real estates paid by Mme Mojoko in 2019 and indicate the deadline for the payment of each tax advance. **(08 Marks)**
- 2.2. Since Mme Mojoko was not keeping any reliable accounting records, he opted for a flat tax allowance for his deductible expenses. Calculate her net taxable revenue on income from real estate for the year 2019. **(04 Marks)**

2.3. Calculate the tax due on her real estate revenue and the balance to pay at the end of the year 2019, given that Mme Mojoko has regularly declared and paid tax advances during that year. **(08 Marks)**

NB: The flat tax allowance should be taken into account during the calculation of the taxable base.

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- 3.
- i) State the full meaning of the following abbreviations **(05 Marks)**
- a) LDT
 - b) AVCT
 - c) CCCIM
 - d) CT
 - e) GTC
- ii) Afriliqs Ltd is located in Bamenda with P.O Box 242. Afriliqs Ltd realised a turnover of XAF 212,076,000 for the financial year ending 31st December 2017. Calculate the business licence amount for 2018 and carry out the distribution to the beneficiary. **(15 Marks)**

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- 4.
- 4.1 State the bases of assessment and registration rates of the following; **(08 Marks)**
- a) Marriage contracts
 - b) Leases and rentals
 - c) Contracts
 - d) Transfer against payment of personal property and real estate
- 4.2 What is the penalty for the concealment of the price of a property sold? **(02 Marks)**
- 4.3 State three instruments that are registered free of charge **(03 Marks)**
- 4.4 State the two types of control/audit that can be carried out by tax authority **(02 Marks)**
- 4.5 State three situations where by arbitrary assessment can be applied by the tax authority. **(03 Marks)**
- 4.6 What is a subsidiary company? **(02 Marks)**

5 KEBACAM Plc is formed on the 1st June 2018. Contributions were as follows:

- Mr. MUAKO brought the assets and liabilities of his former business summarized below

ASSETS	AMOUNTS	LIABILITIES	AMOUNTS
Office buildings	58 000 000	Capital	50 000 000
Office equipment	2 000 000	Suppliers	30 000 000
Goods	15 000 000		
Customers' debts	5 000 000		
Total	80 000 000	Total	80 000 000

- HAKOCAM Plc brought a building located in Bamenda worth XAF 37 000 000 . this building was mortgaged at XAF 9 000 000
- Company Unga located in Douala brought part of its activities in the form of goodwill valued at XAF 32 000 000.
- Several other persons brought a total amount in cash of XAF 15 000 000 .

Required:

- 5.6 Do the fiscal analysis of these contributions and calculate the amount of the share capital. **(10 Marks)**
- 5.7 Calculate the registration duties payable assuming that KEBACAM Plc has specified lower taxed assets as costly contributions in the article of association. **(5 Marks)**
- 5.8 Calculate the registration duties payable assuming that KEBACAM did not give any specifications in the article of association. **(5 Marks)**

6. TANTO LTD is a private limited base in Bamenda with taxpayer number M27868976555K.

On the 31/12/2017, the net profit before company tax of TANTO LTD printers amounted to XAF 5 759 500. For the purpose of statistic and tax return, the following information was provided to you;

- TANTO LTD reimburse the marketing manager for travel expenses bills of XAF 1 300 000 respectively. Whereas the marketing manager received monthly traveling allowance of XAF 150 000.
- Included in the value of purchase is XAF 500 000 from supplier EBONGA who is not a register taxpayer and XAF 600 000 from Dante Ltd registered with the Mezam divisional tax centre.
- Cash donations paid to:
 - Bulu blind centre Buea XAF 800 000
 - Yong sport academics XAF 600 000
- Accounting assistance paid to an accountancy firm located in Buea : XAF 3 000 000
- TANTO Ltd employed 10 youths of below 35years who are duly registered with the NSIF and the company benefited from reduction taxes worth XAF 900 000

- A Machine acquired on the 01/01/2016 for 9 000 000F with life span 5years was depreciated in respect of the reducing balance method.
- Net dividend received from securities: XAF 1252500
- Provision previously tax written back amounted to XAF 175 000F
- Turnover for the period: XAF 17 875 000 tax inclusive.

Required:

- 6.1.State two benefits to taxpayers related to the measures to promote youth employment? **(02 Marks)**
- 6.2.Determine the intermediate taxable result. **(10 Marks)**
- 6.3.Determine the taxable profit for the year ended 31/12/2017. **(04 Marks)**
- 6.4.Determine the company tax liability **(02 Marks)**
- 6.5.Determine the company tax due or credit. **(04 Marks)**

Appendix 1 – Rates of the principal value of the business licence:

The business license to be paid shall be calculated by applying a rate to the turnover of the previous financial year ended, as defined below:

- 0.159% on the turnover of large enterprises, for a minimum contribution of CFAF 5 million and a maximum contribution of CFAF 2.5 billion;
- 0.283% on the turnover of medium-sized enterprises, for a minimum contribution of CFAF 141,500 and CFAF 4 500 000 maximum;
- 0.494% on the turnover of small-sized enterprises, for a minimum contribution of CFAF 50 000 and CFAF 140 000 maximum.

Appendix 2 - Schedule of Local Development Tax

Business license amount (in CFAF)	Local development tax
100 001 to 150 000	22 500
150 001 to 200 000	30 000
200 001 to 300 000	45 000
300 001 to 400 000	60 000
400 001 to 500 000	75 000
Above 500 000	90 000

Appendix 3- Distribution of the business licence principal

- Council 39.4%
- AVCT 49.27%
- FEICOM: 9.85%
- CCCIM: 1.48%
- CT: according to the tax table of the LDT
- Assessment and collection fees: 10% of the amount earmarked for each beneficiary.

Appendix 4: Extract of the liquor license contribution scale

Classes of liquor license	Basic Elements	Contribution of liquor license
1 st class	Alcoholic drinks	4 times the contribution of business license
2 nd class	Non alcoholic drinks	2 times the contribution of business license

Appendix 5: Scale for the calculation of personal income tax

Income bracket	Rate
0 -2000 000	10%
2000 001- 3 000 000	15%
3000 001 – 5 000 000	25%
Above 5 000 000	35%

Appendix 6: schedule of proportional duties on costly contributions

Nature of assets	Rates
Contribution of urban building or right on estate, goodwill or customers	15%
Contribution of non constructed urban building or rural constructed building or a lease with exception of rural for commercial use or enjoyment of a goodwill	10%
Contribution of office equipment or right on office equipment, unconstructed rural buildings, rural lease	5%
Contribution of customer's, goods, shares, social shares or debentures	2%

Appendix 7: scheme for calculation of degressive tax duties

Taxable range of the capital(in CfaF)	Rate to apply	Maximum amount payable
0 - 750 000 000	2%	750 000
750 000 000 - 1 500 000 000	1.5%	1 500 000
1 500 000 000 - 3 000 000 000	1%	3 000 000
3 000 000 000 - 5 000 000 000	0.5%	5 000 000
5 000 000 000 and above	0.25%	2 500 000

