

Principles and practice of taxation 3
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.	3
Subject Code No.	7115

Three hours

INSTRUCTIONS TO CANDIDATES

Answer ALL THREE Questions .

Calculators are allowed.

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.

Turn Over

1. Processing Monthly Tax Declaration

SAGE Group SA is a company registered in the real Taxation system of VAT. You have been given the following information for the year 2018.

- Sales of goods exonerated: XAF 11,640,000
- Exportation of taxable products: XAF 2,400,00
- Sales of taxable products in Cameroon: XAF 95,877,000

At the end of the month of March 2015, the following information on sales is available;

Nature of Activity	January	February	March
Purchase of goods VAT inclusive	8943750	7751250	7333875
Acquisition of furniture and equipment VAT Incl.	-	9540000	-
Sales of exonerated goods	3120000	2560000	2400000
Export of taxable goods VAT exclusive	1230000	4240000	3210000
Sales of taxable product in Cameroon	10136250	5890950	15502500

Work required:

- 1.1. Differentiate between temporal prorata and final prorata (2marks)
- 1.2. Calculate the temporal prorata for 2019 (8marks)
- 1.3. In a table, calculate the VAT to be paid to the state from the declaration of January, February and March 2019 and state their declaration deadlines. (15marks)
- 1.4. In the month of April, the company doesn't realise any taxable operation and didn't deem it necessary to do declarations even after being notified. What sanction are is to be applied? (5mark)
- 1.5. Process monthly tax declaration form for the month of March (appendix 1) (20 Marks)

2. Processing of Company Tax Return

As at 31st December 20X9, SOGAGEC Plc closes its first financial year. She has made a Profit or Loss Ordinary Activities of XAF 147 500 000 (credit balance) and a Profit or Loss Extraordinary Activities of XAF 7 500 000 (debit balance).

A fiscal examination of the different accounts, expenses and revenues, brings out the following observations:

- Head office expenses paid:
 - To CERAMICA based in Italy: XAF 15 000 000
 - To EDI, a consulting firm based in Douala: XAF 6 000 000
- Subscribed insurance premiums:
 - Life of the General Manager: XAF 5 000 000
 - Transport equipment: XAF 22 500 000
 - Fire insurance of the firm: XAF 35 500 000
- Fines and penalties: XAF 862 500
- After a mission carried out abroad, the Finance Manager, on presentation of a bill of expenditures made, was repaid a sum of XAF 1 500 000 whereas it perceives each month XAF 120 000 of flat allowances for displacement.
- Granted gifts:
 - To the Indomitable Lions of Cameroon: XAF 15 000 000
 - To Coton Sport of Garoua: XAF 1 200 000
 - To Happy Child Foundation Cameroon: XAF 1 000 000
 - To Little Heart Foundation Bangui (Central African Rep.): XAF 1 500 000
- Depreciation charges
The heavy transport equipment acquired on the 01/04/20X9 with a lifespan of 4 years, for XAF 40 000 000 has been depreciated following the reducing balance method.
- Financial fees
On the 1st March 20X9, some shareholders have advanced to the company the sum of XAF 25 000 000 remunerated at the rate of 15% per annum. The central bank rates were as follows:
 - From 01/01/20X9 to 30/06/20X9: 10.5 %
 - As from 01/07/20X9 till date: 12.5 %
- Provisions and provisioned expenses
 - Provision for paid leaves: XAF 11 000 000
 - Depreciation on customer NAPA under judicial liquidation: XAF 8 000 000
 - Flat provisions relative to accounts receivable: XAF 8 200 000
- Entertainment, fishing and hunting expenses incurred by the General Manager and other Managers stand at XAF 1 200 000.
- Revenues

- Exonerated revenues: XAF 30 000 000
- Income from deposits recorded at their net value: XAF 16 700 000
- Turnover of the financial year: XAF 2 600 000 000
- Advances paid during the year:
 - Prepaid tax of 5%: XAF 5 500 000
 - 2.2% of turnover: To calculate
 - Other levies: XAF 1 700 000
- SOCAGEC Plc recorded the following losses:

Year	Amount (XAF)	Year	Amount (XAF)
20X8	6 230 000	20X6	7 890 000
20X7	700 000	20X5	980 000

Work required:

- 2.1. Present in a table, the fiscal analysis of each of the above items for the determination of the taxable profit **(15 Marks)**
- 2.2. Determine the taxable profit for the financial year 20X9 by processing appendix2- *TABLE CF1 of the STR for the determination of the taxable income.* **(15marks)**
- 2.3. Determine the company tax by processing appendix3- *TABLE CF1A of the STR for the determination of the Income Tax Liability or appendix 4- table CFI TER for the determination of the minimum tax* **.(10 marks)**

3. Registration & Stamp Duties and Tax control, Administration & litigation

During the formation of company QR Group, the partners made the following contributions.

Partner A:

- Materials and furniture XAF 12,000,000
- Goods XAF 10,000,000
- Customer debts XAF 3,000,000
- Liabilities XAF 15,000,000

Partner B:

- Customers XAF 18,000,000
- Building XAF 25,000,000
- Supplier debts XAF 13,000,000

Partner C:

- Cash XAF 10,000,000

Work Required:

- 3.2) Carryout the fiscal analysis of contributions **(10marks)**
- 3.3) Calculate the registration duty using the degressive tax scheme below. **(10marks)**

scheme for calculation of degressive tax duties

<i>Taxable range of the capital(in XAF)</i>	<i>Rate to apply</i>	<i>Maximum amount payable</i>
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

Appendix 1

RETURN FOR BUSINESS AND LIQUOR LICENCE, INCOME, TURNOVER AND SPECIFIC ACTIVITIES TAXES (extract)

EXCISE DUTY(ED)

3a- EXCISE DUTY AD	T.O	COEF	BASE	Rates	Principal	Penalties	Total
ED at standard Rate	L5			25%			
ED taxable at reduced rate 25%	L6	25%		12.5%			
ED taxable at reduced rate 20%	L7	20%		25%			
ED reduced rate	L8			12.5%			
ED Super reduced rate	L9			2%			
Total ED	L10						
3b- EXCISE DUTY SPECIFIC(EDS)							
EDS beer	L11						
EDS Regularisation of importation	L12						
Total EDS							

VALUE ADDED TAX (VAT)

4 - TURNOVER REALISED	Base	Rate	Amountoftax
Transactionstaxableatstandardrate ¹		19.25%	
AmountofExciseDuty(=Principal of L16)		19.25%	
Othertaxableoperations			
Exports(taxableatzerorate):		0%	
ExemptedTurnover:			
TotalTurnovertaxexclusive= L15+L16+L17+L18			

5 - VAT Recoverable		
Estimated Pro rata (Partially liable) : refer to Annual Tax Return, fiscal year n-1	L24	%
Credit carried forward : (L38 of the previous tax return)	L25	
VAT Recoverable on local purchases :	L26	
VAT Recoverable on local services :	L27	
VAT Recoverable on purchases made abroad	L28	
VAT Recoverable on external services or other payments made abroad :	L29	
Total VAT Recoverable: L25+L26+L27+L28+L29	L30	
VAT Recoverable at the estimated prorata (partially liable): L21 X L27	L31	

6 -EXCEPTIONAL REGULARISATION		
Adjustment of Recoverable VAT or VAT withheld at source (-)	L32	
Adjustment VAT defrayed (-)	L33	
Adjustment on sale of fixed assets to be remitted (+)	L34	
Adjustment of VAT due and others (+)	L35	

7 - VAT DUE OR VAT CREDIT		
VAT collected : (L17 + L18 + L19 + L20)	L36	
VAT Recoverable : (L30) or (L31)	L37	
Adjustment of VAT to be deducted : (L32 + L33)	L38	
Adjustmen of VAT to be remitted :(L34 + L35)	L39	

VAT due : (L36 - L37 - L38 + L39)	L40	
VAT credit :	L41	
Refund requested : (Exact amount)	L42	
Credit to carry forward : (L41 - L42)	L43	

8 - TOTAL VAT PAYABLE		PRINCIPAL	ACT	PENALTIES	TOTAL
VAT Payable : (L40)	L44				
VAT withheld at source (competent enterprise):	L45				
VAT on Payments made abroad :	L46				
Amount Payable : (L44 + L45 + L46)	L47				

INCOME TAX(IT)

11-ADVANCE PAYMENTS AND PREPAYMENTS TO BE DEDUCTED	PRINCIPAL	ACT	PENALTIES	TOTAL
Advance payments on T.O withheld at source	L58			
Prepayments on purchases	L59			
Prepayments on rent 15%	L60			
Prepayments on earnings and fees (5%)	L61			
Total =(sum L58 to L61)	L62			

APPENDIX 3

Business name: _____ Financial Year ended 31 – 12 - _____
 Taxpayer Number : _____ Duration (in month): _____

**CF1
 TABLE FOR ADJUSTMENT OF THE ACCOUNTING PROFIT AND LOSS TO THE FISCAL NET
 INCOME**

		Line	AMOUNTS
BALANCE OF NET PROFIT BEFORE COMPANY TAX	NET PROFIT BEFORE TAX	01	
	NET LOSS BEFORE TAX	02	
PARTLY OR NON-DEDUCTIBLE EXPENSES OR LOSSES TO BE REINSTATED FOR THE COMPUTATION OF THE FISCAL PROFIT OR LOSS	Non-deductible Depreciation Expenses	03	
	Depreciation expenses recorded but deferred because of loss	04	
	Non-deductible Provisions	05	
	Non-deductible Interest on shareholders current accounts	06	
	Head office expenses	07	
	Non-deductible Taxes (other than income tax)	08	
	Non-deductible Fines and penalties	09	
	Non-deductible Gifts and donations:	10	
	Taxation at source of income from securities:	11	
	Sundry 1:	12	
	Sundry 2:	13	
	Sundry 3:	14	
	REINSTATEMENTS : TOOTAL lines 3 to 14	15	
	Intermediary POSITIVE TOTAL : line 15 + line 1 or line 15 – line 2		16
Intermediary NEGATIVE TOTAL :Line 2 – line 15		17	
FISCALLY DEDUCTIBLE EXPENSES OR LOSSES, REVENUE OR PROFITS	Depreciation formerly deferred & allocated for the period	18	
	Previously taxed or finally exonerated provisions reinstated.	19	
	Non-taxable part of gains on disposal of fixed assets	20	
	Subsidiary net income (after deduction of expenses & loss).	21	
	Other deductible incomes from securities	22	
	Deductible head office expenses	23	
	Sundry1	24	
	Sundry2	25	
	Sundry 3	26	
	DEDUCTIONS: TOTAL line 18 to 26	27	
FISCAL PROFIT OR LOSS	FISCAL PROFIT FOR THE PERIOD :line 16 – line 27	28	
	FISCAL LOSS FOR THE PERIOD : Line27 – Line 16 or line 18 + line 27	29	

SITUATION OF THE FIRM TOWARDS THE FIXED MMINIMUM TAX	<i>HEADING</i>		line	Bases of assessment	Rate	Tax principal
	Fixed minimum tax	Minimum proportion to turnover	30		2%	
		Company tax	31		30%	
		ICP and PNCP	32			
			33			
		Profit from craftworks	34		11%	
			35			
			36			
		Agricultural profits	37			
		TR	38		15%	
	TOTAL Lines 31 to 38	39				

APPENDIX 4

Business name: _____ **Financial Year ended 31 – 12 –** _____
Taxpayer Number : _____ **Duration (in month):** _____
CF1-BIS

TABLE FOR THE DETERMINATION OF INCOME TAX: TAX ON NET INCOME

HEADINGS					Line	AMOUNTS	
DETERMINATION OF PROFIT AFTER TAX	<i>TRANSFER OF FISCAL PROFIT OF THE PERIOD</i>					1	
	Deductions on account of reinvestments made during the past 3 periods						
	HEADINGS						
			Year N-3	Year N-2	Year N-1		
	<i>Authorised reinvestment b/f</i>	2					
	Deductible reinvestment = 50% x line 2	3					Total line 4
	Reinvestment actually deducted	4					→
	Reinvestment to be carried f/d 2 x (line7- line8)	5					
	DEDUCTIONS FROM REINVESTMENTS OF THE PERIOD						
	<i>Reinvestments of the period authorised</i>		6				
	Deductible Reinvestment = 50% x line 6		7				Total line 8
	Reinvestment deducted (not exceeding 1/2 of fiscal profit of the period)		8				→
	Reinvestment to be carried f/d = 2 x (line 7- line 8)		9				
	Allocation of losses brought forward						
	HEADINGS		N-4	N-3	N-2	N-1	
	10					Total line 11	
<i>Losses brought f/d</i>							
Losses allocated for the period	11					→	
Losses to be c/f	12						
FINAL FISCAL PROFIT(Total line 1,4,8 & 11)					13		
CALCULATION OF TAX ON FINAL FISCAL PROFIT							
HEADINGS		Assessment basis		Rate	Line	Amounts	
<i>Company tax</i>					14		
PIT not deducted at source					15		
Deduction of PIT deducted at source					16		
Other deductions					17		
Net tax owed (line 14 + line 15) – (line 16 + line 17)					18		
Additional council tax					19		
TOTAL TAX (line 18 + line 19)					20		
Taxes in advance (b/f line 13, Note 25 CF1 QUATER)					21		
Net payable					22		
Tax credit					23		
Account 89 : Income tax							
Headings						Amounts	
891	Income tax for the period				24		
892	Income tax arrears for prior periods				25		
895	Fixed minimum tax				26		
899	Tax credit and cancellation of tax on prior profits				27		
Total					28		

Appendix 5

Name of the Company-----
 Address-----
 Identification number-----period closed on the 31/12/----duration (in month)--

CFI-TER

DETERMINATION OF THE MINIMUM INCOME TAX

HEADINGS					AMOUNT
Transfer of fixed minimum tax					01
TAX reduction from reinvestments made in the past periods					
Headings		Allowed reinvestment brought forward 1	Basis of Tax reduction =50% x column 2	Actual basis of tax reduction 3	Reinvestment to be c f 2x (col 2- col 3)
n ₃	02				
n ₂	03				
n ₁	04				
Totals	05				
					X (Tax rate) 6
Tax reduction from reinvest of the period					
Reinvestments of the period allowed					07
Basis of tax reduction (50% x line 7)					08
Actual basis of the tax reduction					09
Reinvestment to be c/f, 2 x (line8-line9)					10
HEADINGS					
Proportional tax on income from security not taxed at source					11
Graduated surtax by companies or corporate bodies for undisclosed remuneration paid					12
Capital not taxed at source					13
Deductions					
Proportional tax on income from securities					14
Others					15

COMPUTATION OF FIXED MINIMUM TAX			
Headings	Assessment basis	Rate	
Fixed minimum tax		2%	16
PTIS not deducted at source		14%	17
PTIS deducted at source		15%	18
Other deductions			19
Net tax payable (line 16 + line 17) – (line 18 + line 19)			20
Additional council tax			21
TOTAL TAX FOR THE PERIOD (line20 + line21)			22
Tax paid in advance			23
NET TAX DUE (line 22 – line 23)			24
TAX CREDIT (line 23 – Line 22)			25

STATEMENT OF LOSSES B/F FOR FIRMS NOT ASSESSED ACCORDING TO ACTUAL PROFIT

Transfer of fiscal profit of the period					26
Transfer of fiscal loss of the period					27
ALLOCATION OF LOSSES BROUGHT FORWARD					
HEADING		N-4	N-3	N-2	N-1
Losses brought b/d	28				
Losses allocated	29				
Losses to be f/d	30				
Definitive fiscal profit of the period					31
Definitive fiscal loss of the period					32

Account 89; Income Tax Payable

	Heading		AMOUNT
891	Income Tax of the period	33	
892	Tax demands for prior period	34	
895	Minimum fixed tax	35	
899	Tax credit and cancellation of tax on prior profits	36	
TOTAL		37	