

SECTION A MULTIPLE – CHOICE QUESTIONS

1. The following are examples of direct taxes **except**
 - A. Personal income tax
 - B. Companies income tax
 - C. Capital gains tax
 - D. Tertiary education tax
 - E. Value added tax

2. Which of the following is **not** a source of tax laws in Nigeria?
 - A. Customary laws
 - B. Statute laws
 - C. Case laws
 - D. Circulars issued by and practices of the Federal Inland Revenue Service
 - E. Pronouncement by governors of states

3. Taxes which are collectible by the Federal Government exclude
 - A. Petroleum profits tax
 - B. Tertiary education tax
 - C. Stamp duties on corporate bodies
 - D. Slaughter slab fees
 - E. Value added tax

4. One of the following is **not** a specific objective of the national tax policy issued by the Federal Government in 2017
 - A. Guide the operation and review of the tax system
 - B. Provide the basis for future tax legislations and administration
 - C. To settle disputes between the states as regards tax matters
 - D. Provide benchmark on which stakeholders shall be held accountable
 - E. Serve as a point of reference for all stakeholders on taxation

5. The instances when information on taxpayers may be disclosed by a tax consultant include the following **except** when
 - A. Disclosure is permitted by law and it is authorised by the client or the employing organisation
 - B. Disclosure is authorised by the client, that is, the taxpayer

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- C. Disclosure is permitted by a senator
 - D. Disclosure is required by law
 - E. There is a professional duty or right to disclose, if not prohibited by law
6. The following are information that shall be disclosed by a tax clearance certificate **except**
- A. Gross profit
 - B. Assessable profit or loss
 - C. Revenue (turnover)
 - D. Total profit
 - E. Tax payable
7. How many days notice should a Tax Appeal Tribunal give to an appellant and Federal Inland Revenue Service of the date and place fixed for hearing of the appeal?
- A. 28 days
 - B. 21 days
 - C. 14 days
 - D. 7 days
 - E. 3 days
8. How many members or their representatives shall constitute a quorum at a meeting of the Joint Tax Board?
- A. 7 members
 - B. 6 members
 - C. 5 members
 - D. 4 members
 - E. 3 members
9. Contents of withholding tax returns / payment schedule include the following **except**
- A. Names of the taxpayers who suffered the deductions
 - B. The addresses of the taxpayers
 - C. The amount of tax withhold
 - D. The taxpayer's tax file number [now tax identification number (TIN)]
 - E. The names of the directors of the company

10. Withholding tax deductions from payments due to companies are payable to
- A. Joint Tax Board
 - B. State Internal Revenue Service
 - C. Federal Inland Revenue Service
 - D. Tax Appeal Tribunal
 - E. Local Government Revenue Committee
11. Withholding tax is payable in
- A. USD
 - B. Euro
 - C. Naira
 - D. Any currency
 - E. Currency of transaction
12. The varying rates at which custom duties are levied on the import values of goods coming into the country at each port of entry (airport, land border, sea port or inland waterway) are
- A. 5% to 75%
 - B. 10% to 100%
 - C. 5% to 50%
 - D. 20% to 100%
 - E. 5% to 10%
13. One of the following is **not** a function of the Customs Service as provided for in section 3 of Nigeria Customs Establishment Act 2017
- A. Import goods for the Federal Government
 - B. Promote trade facilitation
 - C. Collate and publish in collaboration with relevant agencies accurate trade statistics
 - D. Engage in regular consultations with individual traders, trade associations and other relevant stakeholders
 - E. Collect and account for revenue from custom duties, excise duties, other taxes, charges, fees and special assessments as may be assigned to it by the government from time to time.

14. Which of the following is **not** considered by the government to be luxury goods and services?
 - A. Private jets
 - B. Champagnes, wines and spirits
 - C. First class tickets on airline travels
 - D. High – end jewelry
 - E. Beer

15. After the date of receipt of the land use charge demand notice, a person liable to pay the amount of the land use charge must pay to the designated banks within
 - A. 14 calendar days
 - B. 30 calendar days
 - C. 60 calendar days
 - D. 90 calendar days
 - E. 120 calendar days

16. Which of the following is **not** exempted from the payment of land use charge?
 - A. Property owned and occupied by a religious body and used exclusively for public workshop or religions education
 - B. Property used as public library or as private library certified by the commissioner to be not-for-profit making
 - C. Part of a recognized oba's palace leased out to private entities for revenue
 - D. Public cemeteries and burial grounds
 - E. Any property specifically exempted by the executive governor by notice published in the state official gazette.

17. One of the following is not a "tax – exempt" deduction under the provisions of Personal Income Tax Act Cap P8 LFN 2004 (as amended)
 - A. National housing fund contribution
 - B. Life assurance premium
 - C. Gratuities
 - D. Contributions to health insurance scheme
 - E. Overtime

18. The penalty payable by a corporate body that refused to file a return of all emoluments paid to employees in its employment in the preceding year with the relevant tax authority is
- A. ₦500,000
 - B. ₦200,000
 - C. ₦100,000
 - D. ₦ 50,000
 - E. ₦ 25,000
19. The basis of assessment on cessation of business for the ultimate year (year of cessation) is
- A. Higher of the assessable profits based on actual basis or preceding year basis
 - B. Actual profit for the year of cessation
 - C. Preceding year basis
 - D. Profit of the last twelve months
 - E. Profit of the first twelve months
20. Taxation problems posed by electronic transactions do **not** include one of the following:
- A. Identification of a taxpayer
 - B. Determination of jurisdiction
 - C. Determination of residence in the context of the internet
 - D. Determination of the place of effective management
 - E. Non – availability of network

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QUESTION 1

Mr. Philip James is an indigene of Kano. He was born in Lagos and schooled at Great Secondary School, Akowonjo, Lagos State.

In 1980, he was a corps member in Oyo State and was lucky to have been posted to AZD Nigeria Limited, where he did his primary assignment. He was employed by the company after his service year and by dint of hard work, he rose to the position of a general manager on January 1, 2015. The details of his salary per annum are as follows:

	₦
Basic salary	6,000,000
Leave allowance	600,000
Utility allowance	840,000

The company paid ~~₦~~2,500,000 per annum on his accommodation and provides him with an official car which had a market value of ~~₦~~3,600,000.

On retirement, he was paid a gratuity of ~~₦~~360,000 on December 31, 2015.

He is entitled to a monthly non – assignable luncheon voucher of ~~₦~~60,000.

You are provided with the following additional information:

(a) He received a loan of ~~₦~~25,000,000 in 2010 to build a property that generates a gross rental income of ~~₦~~4,800,000 per annum. He pays ~~₦~~600,000 per annum as loan repayment, out of which, ~~₦~~450,000 relates to the repayment of the principal whilst ~~₦~~150,000 is the interest element ;

(b) Expenses on the property:	₦
• Insurance	22,000
• Water rate	18,500
• General repairs	44,650
• Tenement rate	2,900

(c) Capital allowances as agreed with the Revenue 106,000

(d) Contributions to national housing fund - 150,000

(e) Contributions to national pension scheme 643,200

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- (f) Mr. Philip James has a life assurance policy on his life with a sum assured of ₦8,500,000 and an annual premium of ₦600,000.
- (g) Mr. Philip James is married with nine children, all of school age. He maintains his aged parents with the sum of ₦1,200,000 annually.

You are required to:

Compute the tax liability of Mr. Philip James for the relevant assessment year.

(20 marks)

QUESTION 2

Apex Nigeria Limited is an Ikeja-based company. It was incorporated on January 7, 2008, with an authorised share capital of ₦10,000,000. It is a reputable distributor of plastics in Lagos.

It commenced business on January 2, 2010. The company's statement of profit or loss for the year ended December 31, 2015, is as follows:

	₦
Revenue	25,000,500
Direct cost	<u>(4,800,000)</u>
Gross profit	20,200,500
Other income	4,750,000
Distribution cost	(1,800,000)
Administrative expenses	(7,500,600)
Other expenses	(2,040,100)
Finance cost	<u>(480,200)</u>
Net profit	<u><u>13,129,600</u></u>

You are given the following additional information:

(a) Other income comprises:

	₦
Sale of scraps	250,000
Profit on the disposal of plant	1,500,000
Interest received on treasury bills	1,800,000
Interest on foreign currency domiciliary accounts	<u>1,200,000</u>
	<u><u>4,750,000</u></u>

(b) Administrative expenses include:

	₦
Depreciation	841,600
Donation to ABC political party	200,000
Fines for contravening traffic rules	50,000

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(c)	Balancing charge on disposal of asset	₦ 240,200
(d)	Capital allowances as agreed with the Revenue	₦ 230,000
(e)	Unrecouped capital allowances brought forward, are as follows:	
	A.Y. 2014	₦ 182,000
	A.Y. 2015	₦ 190,000
(f)	Unrelieved losses brought forward are as follows:	
	A.Y. 2014	₦ 100,500
	A.Y. 2015	₦ 180,000
(g)	Extract of the statement of financial position as at December 31, 2015, has revealed the following:	
		₦
	Issued share capital	5,000,000
	Share premium	1,400,000
	Net assets	2,500,600

You are required to:

Compute the company's tax liabilities for the relevant assessment year. (20 marks)

QUESTION 3

The government of Nigeria, like others in different parts of the world, has legislative powers to impose on its citizens, any form of tax and at whatever rate it deems appropriate.

In simple terms, tax is a compulsory contribution levied by a sovereign power, on the incomes, profits, goods, services or properties of individuals and corporate persons, trusts and settlements.

Required:

- a) State **three** objectives of taxation (6 marks)
- b) State **three** sources of Nigerian tax laws (6 marks)
- c) Explain **four** principles of an ideal tax system (8 marks)

(Total 20 marks)

QUESTION 4

4(a.) Technology has led the way in providing a platform for voluminous and boundless transactions to happen leading to the creation of a system of trade known as e-commerce, which has made international trade easier, faster and less burdensome while at the same time, advancing the per capita income of participants therein.

Most often, the terms "e-business" and "e-commerce" are used interchangeably; however, they are not synonymous.

Required:

State **four** differences between e-commerce and e-business. **(8 marks)**

4(b.) Abdulahi James Nigeria Limited was incorporated by a group of friends with a view to manufacturing chemicals. The company which is based in Lagos commenced business on June 1, 2016.

The company's accounting year end is December 31. The following capital expenditures were incurred:

Date	Qualifying capital expenditure	Cost ₦
April 27, 2016	Building	25,800,000
July 1, 2016	Plant and machinery	18,750,000
September 1, 2016	Furniture and fittings	1,360,000
March 31, 2017	Motor vehicle	2,800,000
August 8, 2017	Motor vehicle	3,200,000

Required:

For the relevant assessment years:

(i) Determine the basis period for assessment and capital allowances **(3 marks)**

(ii) Compute the capital allowances **(9 marks)**

(Total 20 marks)

QUESTION 5

- a) In relation to the provisions of Personal Income Tax Act Cap P8 LFN 2004 (as amended), explain the following terminologies:
- | | |
|----------------------------------|-------------------|
| (i) Resident individual | (3 marks) |
| (ii) Non- resident individual | (2 marks) |
| (iii) Residence and nationality | (1 mark) |
| (iv) Place of residence | (1 mark) |
| (v) Principal place of residence | (3 marks) |
| | (10 marks) |

- b) Alhaji Abubakar Bako is an indigene of Bauchi. He worked as a staff of JKP Nigeria Limited for so many years before he retired.

On retirement, he built a property of 4 flats in Abuja, which he completed in November 2014. He engaged the services of an estate agent to manage the property.

You are provided with the following information:

	₦
i) All the four flats were rented out on January 2, 2015.	
ii) Rent received	3,600,000
iii) Expenses:	
Tenement rate	30,000
Estate agent's commission	360,000
Water rate	42,000
Cost of advertising for tenants	120,000
Insurance premium paid on the property	48,000
Interest on money borrowed	490,000
Repairs and maintenance on the building	72,000
Rent paid by Alhaji Abubakar Bako on his residence	500,000
Repairs on Alhaji Abubakar Bako's residence	44,000

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	Depreciation of the building	800,000
	Erection of a gate in 2015	760,000
iv	Capital allowances agreed with the Revenue for the relevant assessment year	225,000

You are required to:

Compute the amount of rental income assessable to tax for the relevant assessment year (10 marks)

(Total 20 marks)

QUESTION 6

- a) Value added tax (VAT) is an indirect tax on goods and services. It is a consumption tax.

VAT was introduced into the Nigerian tax system through Act (the Decree) No. 102 of 1993, with effective date of January 1, 1994. The Act repealed the Sales Tax Act 1986. In accordance with the provisions of Value Added Tax Act Cap VI LFN 2004 (as amended), VAT is being administered by Federal Inland Revenue Service Board (formerly FBIR).

You are required to:

- (i.) State **three** purposes why VAT inspectors visit the premises of every taxable person. **(3 marks)**
- (ii.) List **four** merits of value added tax **(4 marks)**
- (iii.) List **four** demerits of value added tax **(4 marks)**

- b) The primary objective of stamping of documents is specifically mentioned in Section 22 (4) of the Stamp Duties Act, 2004. It states that "An instrument executed in Nigeria or relating wheresoever executed, to any property situate or to any matter or thing done or to be done in Nigeria, shall not, except in criminal proceedings, be given in evidence, or be available for any purpose whatever, unless it is duly stamped in accordance with the law in force in Nigeria at the time when it was first executed.

You are required to:

- (i.) State the functions of Commissioner of Stamp duties. **(5 marks)**
- (ii.) List the methods of stamping. **(4 marks)**

(Total 20 marks)