



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2021_1 EXAMINATIONS

COURSE CODE: ACC 318

CREDIT UNIT: 2

COURSE TITLE: TAXATION II

TIME ALLOWED: 2HOURS

Instructions:

- 1. Attempt question number ONE (1) and any other TWO (2).**
- 2. Question number ONE is compulsory and carries 30 marks while the others carry 20 marks each.**
- 3. Present all your points in coherent and orderly manner.**

Question One

- a. You have been invited by a Club of young Nigerian Business Executives to give a talk on the topic “commencing a thriving business in Nigeria and the tax implications”. Your talk is expected to address the following issues with emphasis on the tax implications of each:
 - i. How the profits of the business will be taxed on commencement. **(5 mark)**
 - ii. How the profits of the business will be taxed when there is a change in accounting date. **(5 marks)**
 - iii. Options of election by a Taxpayer and Revenue on commencement of business, change in accounting date and cessation of business. **(6 marks)**
 - b. List any **TEN (10)** transactions in respect of which Tax Clearance Certificate must be produced. **(10 marks)**
 - c. Mention **FOUR (4)** information that is contained in a Tax clearance certificate. **(4 marks)**
- (Total 30 marks)**

Question Two

Mr. Jason was employed by Rocket Bank Limited as Head of banking operations, effective 1st June 2018. The details of his salary are as follows:

	₦
Basic salary per annum	24,000,000
Housing allowance	6,000,000
Transport allowance	1,000,000
Utility allowance	400,000
Meal allowance	250,000
Leave allowance	2,400,000
Clothing allowance	1,000,000

Mr. Jason was provided with official car. The cost of the car is ₦3, 750,000. He was also provided with a driver and a private personal assistant and was paid ₦150,000 and ₦250,000 per annum respectively.

Prior to joining Rocket Bank Ltd, Mr. Jason was on annual salary of ₦16,000,000 while working with Calrios Bank Plc. He resigned from the bank, effective 31 May 2018.

Additional information:

(a) Mr. Jason is married with 4 children, all of school going age. He maintains his aged parent who lives with him in Abuja.

(b) He paid life insurance premium of ₦1,400,000 in 2017 and ₦1,500,000 in 2018 on his life.

(c) His employers deducted and remitted on his behalf the following mandatory deduction of ₦2,450,000 and ₦583,333.5 for NHF and pension respectively for 2018.

(d) He paid NHIS premium of ₦175,000 in 2018 to a health service provider to provide medical cover for himself and his family.

Required:

Compute the tax liability of Mr. Jason for the relevant assessment year. **(20 marks)**

Question 3

a. What is Loss relief? **(1 mark)**

b. State the tax provision on terminal loss resulting from cessation of business. **(5 mark)**

c. Explain the term Current year loss relief **(4 mark)**

d. ChiKwe Enterprises is a company engaged in business since year 2000. The business accounts which are made up to 31st December annually showed the following:

Year ended 31/12/2013	(500,000)
Year ended 31/12/2014	(200,000)
Year ended 31/12/2015	220,000
Year ended 31/12/2016	240,000
Year ended 31/12/2017	158,000
Year ended 31/12/2018	360,000

Capital allowances for the relevant tax years are as follows:

2014	48,000
2015	62,000
2016	60,000
2017	48,000
2018	88,000
2019	46,000

You are required to compute the taxable profits of the company for all the relevant years of assessments. **(10**

marks)

(Total20 marks)

Question Four

ABURAYS Telecommunications Limited is based in Tokyo but has a representative office in Nigeria. For the year ended 30th September 2018, the following records were made available:

a.

	₦
Tokyo to Brazil	8,400,000
Tokyo to Nigeria	1,428,000
Nigeria to Tokyo	1,627,500
Nigeria to England	2,100,000
Tokyo to Arab through Nigeria	1,144,500
	14,700,000

b. The following are worldwide expenses incurred during the period:

	₦
Purchase of PPE	2,600,000
Other non-allowable expenses	3,512,000
Salaries and wages	1,460,250
Rent	400,000
Depreciation	2,178,750
Administrative expenses	1,753,000

Required:

Compute the tax payable in Nigeria by ABURAYS Telecommunication Limited. **(20 marks)**