

## Answer all questions

### Question one:

- Gidan automotive is a multinational engineering company registered under the Sudanese companies' law of 1925 and listed in Khartoum stock exchange market. The company consists of two main divisions, one of which works in the manufacture of car and the other in the manufactures of tires. The company is renowned for its ability to innovate and gives its managers the space to manage their departments and projects with much independence. There have been recent criticisms at executive management meetings for not listening to shareholders concerns about the fluctuation of dividend payments. In addition to pursuing the tax administration because of the difference and contrast in the methods of calculating the tax profit and accounting profit.
- Mss. Zeinab is the company's chief financial officer and has provided the board of directors with financial statements to discuss the company's net and distributable profit for the year 2018.
- Zeinab reported in its report that the total profit for the year ended 31/12/2018 amounted to 1,725,586 Sudanese pounds. Zeinab listed all the details that led to the total profit, including that the sales amounted to 5,526,902 and the total direct sales cost amounted to 3,801,316 Sudanese pounds.
- Mr. Mustafa Salih thanked Mss. Zeinab for her diligence and her commitment to work pressure as chairman of the Board of Directors and on behalf of the board, I would like to thank Mss. Zeinab for her efforts as well as for the implementation of the guidelines and decisions of the previous meeting and uploading them to the directors drawing on rental item the amount of SDG 66,500 that I withdrew has been used to rent a private apartment for my family, and in addition to the amount of SDG 12,350 to build a garage for my own car and I would also like to thank Mss. Zeinab for her commitment for the first time in the history of this company to control the general expenses within the budget approved at the board meeting at 18/11/2017 and Mss. Zeinab has aligning with Mr Faisal Abbas to adjust and control the general expenses to be less than the budget by 5% of the total 725,500 in the budget. Although the item of salaries in the budget has been developed on the basis of the concept of the incremental budget increase of 3% of the total salary for the year 2016 of SDG 112,500 to adjust inflation and rising commodity and living prices.
- Mr Faisal Abbas, the director-general had the opportunity to confirm that the performance of the previous year had been particularly good and that had been able to increase the efficiency and effectively of debt collection- he said "we have been able to get debt we had executed in 2017 estimated at about SDG 150,000 we got 85% of them and we have been charged with legal fees and procedures amounted to 2.5% of the total amounts collected, but the taxation chamber did not approved more than 25% and I want to convey the good news

to members and we are now discussing the balance sheet and accounts for the year 2018 in march 2019 we were able to collect the remaining 15% debt at a cost of 2%, as for the provisions, we are well hedged by the collection of prices, the high dollar price and the lack of liquidity in banks, we increased the provisions in the budget of year 2017 which was SDG 50,250 by 55% Ms. Faisal Abbas also commended the board for approving the increase in the distribution vehicles of tires. He said proudly that the value of our fleet as budgeted amount to SDG 9,898,024 since the beginning of the year without depreciation. Due to the specificity of these special vehicles, we have increased the depreciation this year by 2% over the depreciation of the previous year 2017”.

Table of fixed assets and depreciation as at 31/12/2018

Details	Taxation ratio	Company ratio	Value in 1/1/2017	Additions during the year	Value in 31/12/2018	depreccation during the year	Deprecation in 1/1/2017	Deprecation in 31/12/2018
Car refrigerator	12%	15%	5,939,911	930,364	6,870,275	960,763.9	3,969.1	4,929,785
Machinery and equipment	7%	10%	3,958,113	15,051	3,973,164	343,148	3,630	3,973,163
Total			0	0	0	0	0	0

- At the end of his speech, thanked the board for the allocation of the apartment on the top floor of the building which the company is renting and said thank you and your trust with me after the fire that broke out in my house at the end of 2017 where you allowed me to use this apartment for free and now that the financial situation has improved and I have signed discount voucher of SDG 3,500 as the value of the rent of the apartment since the beginning of the current year 2019 to deduct from my salary because I will bear the rent for this year 2019.
- Ms. Adam Yousif, member of the board of directors and secretary general of Al-bar charity organization, praised the director. General’s speech on financial and administrative and financial affairs and said that the report was fair but made a small comment and said I had asked you in support (donate) my organization during the torrential rains about SDG 70,000. But you only gave me 60% of that donation, and now that I am reviewing the general expenses, I found that the existing donations are the same amount of SDG 70,000, I really I want to understand what is happening.
- Mss. Zeinab replied that it is true that the sum of SDG 70,000 , as the remaining 40% is donated to the ministry of finance as support for the computerization project and E-collection after the a version that carried out by the ministry of finance.
- Ms. Mustafa Salih concluded the meeting, and thanked everyone and agreed to approved the report and all agreed to approve the salary of the part-time director Khalafalla Mohammed for the current your year 2019 amount of SDG

9,000, an increase of 20% over the previous year. The board has also secured the transfer of the treasury deficit of SDG 7,500 to the income statement under the item of overhead expenses because the treasurer is honest and above suspicion of embezzlement since he is the nephew of the chairman of the board.

- The board of directors requested Ms. Zeinab to reformulate the accounting profit to be consistent and match with the tax profit to cover the amount of tax paid in advance to the customs authorities amounting to SDG 86,279.3. the remaining amount of the 1% as tax paid to governmental institutions amounting to SDG 21,500 as credit balance to be carried forward for the company and thus reassure shareholders that no future tax prosecutions.

**Required:**

1. As a tax expert- presented to the board of directors a detailed explanation by figures and according to the requirements of the Sudanese tax law from the company's accounts that were discussed in the meeting of the board of directors?  

**(20 marks)**
2. Explain the board the general conditions under which the expenses shall be deemed to be the duty of deduction in accordance with the income tax act 1986 and in accordance with the provisions of article (18)?

**(5 marks)**

**Total (25 marks)**

**Question two:**

A partnership engaged in whole sale trade for several years, until the partners decided to turn (convert) the partnership into a company called BBC on 31/12/2018. These are the details of the partners:

Name	Date of accession	Accumulate profit	Salary	Equity ratio
Bashir	8/6/2015	12,000,000	-	50%
Bakri	1/2/2012	8,000,000	8,000,000	25%
Crishan	1/5/2017	0	-	25%

The value of the work at 31/12/2018 was estimated at SDG 840,000,000 and was transferred to BBC Company in exchange for 537,600,000 shares at a value of 1.25 pound per share. The remaining balance was a loan and half ( $\frac{1}{2}$ ) of the corresponding amount was paid by Ms. Bashir and the other half distributed between Bakri and Crishan. The transfer of this work resulted in capital gains estimated at 45% of the value of the work on the date of transfer, distributed a money the partners in the percentage of contribution to the capital.

**Required:**

- A. Calculate the Zakat due on each partner as they are Muslims- “They have not paid any Zakat before”?  

**(10 marks)**
- B. Calculate the capital gains tax to be paid by each partner?  

**(10 marks)**
- C. Assuming that Ms. Bashir wanted to protect the value of his shares in the B.B.C co from falling and losing- he bought sukuk bryq “financial instruments”. As a future hedge.
  - Explain and clarify legitimate position of profits or losses that may result from changes in the future market values of sukuks from the point of view “Zakawia”?

**(5 marks)**  
**(Total 25 marks)**

**Question three:**

Eltag Mohammed Ahmed is a Sudanese citizen born in 1970, bought a travel agency in Khartoum in 1990. He paid the sum of \$11,000 terms of goodwill on 15/7/2017, and he wanted to convert all his assets into a public company "corporation", and sold the agency on the basis that the value is as follows:

Details	Market value at 15/7/2017 \$	Value at 31/3/1997 \$
Freehold	284,000	-
Vehicles	6,000	2,000
Goodwill	44,000	11,500
Debtors and inventory	6,000	3,000
	340,000	

Free hold costed an amount of \$ 66,000 in 5/1998

- In return the company handed over Ms. Eltag and allocated him the number of 70,000 shares at price of \$ 2 per share. Note that the market value of the share amounted to \$ 3.5- in addition to the delivery of \$ 95,000 in cash. Noting that the new shares of the company is not fully registered so far, so Ms. Eltag sold the number of 10,000 shares in the amount of \$ 22,664 to another person does not have any relationship with him and gave his daughter the number of 10,000 shares as a gift.

**Required:**

A. Calculate the capital gains tax due to the Ms. Eltag as a result of these sales?  
**(20 marks)**

B. In the case of losses related to capital transactions- explained in accordance with the law of capital gains tax in Sudan- how to deal with capital losses and what are the conditions for treatment?

**(5 marks)**

**(Total 25 marks)**

**Question four:**

The board of directors of the international metals company met for the last meeting in Khartoum at the end of the last month before issuing the results of the end of the year. There were two main items for the meeting. The first item is to discuss the tax position of the company after a period of fluctuating work in Sudan from profits and losses due to divergent investment decision in the mining sector in Sudan the second item is to discuss the latest report of the gold reserves in the blocks own by the company in northern Sudan.

International Metals company is a multinational company listed on the stock exchange dealing in Minerals such as gold, which is extracted from the ground and processed in the form of alloys (Sabayik) for export to the Gulf to sell half (1/2) as export. And the other half are re-manufactured in the form of Jewelry and Kha wash to be sold in the local market through its various centers “sale points” in Khartoum and other cities in Sudan. In order to maintain regular supply of gold to its domestic and foreign markets, an important part of its domestic and foreign markets, an important part of its business strategy, is to look for new sources and measure gold reserves. Investment analysts have repeatedly pointed out that the value of the international metals company depends on the validity of its estimates of gold reserves because this is the best indicator of its cash flows and future income.

The company has a large management surveyology and according to the company’s website, this department has the best geologists and international metallurgists.

At the recent board meeting, the director of the Department of surveying and geology said that there are some problems in the latest mineral report, which is that there, is a large new reserve of gold, but found that its estimate was wrong. The investment analysts expected, according to progress and interim reports, the company has 4.8 million tons, of gold while the real reserve is 2.4 million tons.

They were agreed at the meeting that these differences will affect the market value of the company in the previous year.

The following is a summary of the company’s financial performance report for the year ended 31 December 2018:

	<b>Notes</b>	<b>SDG</b>
Revenues	(1)	366,000,000
(-) operating costs	(2)	(292,800,000)
Gross profit		73,200,000
(-) general expenses	(3)	(21,960,000)
Operating profit		51,240,000
Other revenue	(4)	15,500,000
Net profit before tax		66,740,000

**Additional information’s:**

(1) For the revenue item, it includes the following:

- a- The amount of SDG 216,000,000 is a return of gold exported to the gulf at \$45 dollar per gram at rate of SDG 40 pounds to the dollar.
  - b- The amount of SDG 150,000,000 is the value of sales of jewelry (sawaygh and chains gold) through their centers in the local markets weight of 83,333 Kilo grams gold at SDG 1,800 per gram.
- (2) For the item of operating expenses – includes several expenses:
- a- The amount of SDG 650,000 is purchases of spears for mining equipment from the local market including VAT.
  - b- The amount of SDG 2,400,000 is the value of chemical inputs (mercury material) and gold concentrates import from abroad and included VAT.
  - c- The amount of SDG 160,000 is the salaries of workers in the fields of production, in addition to the subsistence expenses in the mining camps provided by a company specializing in catering (meals) at SDG 10,200,000 plus VAT amount of SDG 1,730,000.
- (3) The item of general expenses includes the cost transporting gold from the production sites to Khartoum in the amount of SDG 6,500,000 including VAT, in addition to the amount of SDG 13,750,000 air freight cost from Khartoum airport to the Gulf.
- (4) The other revenue item is the revenues of technical services and consultancy provided by the company's scientists and experts to the other local mining companies in the amount of SDG 9,300,000 and the remaining is the revenues of advisory and technical services for foreign companies outside the Sudan.
- (5) During the year 2018, the company paid SDG 7,500,000 is monthly payment by the monthly VAT declarations 1,500,000. Note that the company is holding and Keeps all the correct documents, all the correct documents, books and tax invoices, in addition to the publication (circular) of the standards and metrology authority department of a lsuwg stamp, which states that the tax (VAT) collect on sales of gold in the local market gets by 0.25 per grams and the tax (VAT) paid on purchases of gold is gets at 0.15 per gram.

**Required:**

- A.** Calculate in figures- the value added tax (VAT) for the year 2018- explaining the position of the metals company towards the taxation chamber?
- (20 marks)**
- B.** According to the text of article (15) of the value added tax law, which allows the council of ministers to a mend the value added tax rates described in Article (14)-1- mention some VAT rates that have been modified for certain goods and services?

**(5 marks)**

**(Total 25 marks)**