Skills - Module

Zakat & Tax

Time allowed : 15 minutes for reading and planning

3 hours for writing

December 15 – 2025

Do not open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

Paper F6

The Accountancy & Audit Profession Org. Council - Sudan

AAPOC

Zakat & Tax F6

Section (A)

Question One:

Al-Mishkat Food Products Company, a Sudanese public joint-stock company operating in the oil industry, (It) was established in 2005 and has been registered for Value Added Tax (VAT) since then.
The company expanded its activities by stablishing new branches in several Sudanese cities to increase sales volume and cover new markets.

Below is information relating to the company for the period 1–30 September 2024:

The company purchases oilseeds (groundnuts, sesame, and sunflower seeds) through scattered agents in Western Sudan. The seeds are collected at various collection stations and then transported to Khartoum. Purchases are made after inspecting the oilseeds.
The total purchases from agents for September amounted to SDG 656,700,000.

The company contracts with local oil mills — *Al-Yaqeen*, *Al-Asala*, and *UTS* — for pressing the oilseeds.
According to the contracts (terms), the mills are obligated to purchase the by-product (oil cake) to reduce production costs.
The oil remains stored in tanks at the mill premises and is withdrawn only after quality verification. Both oil inventory and oil cake inventory are included in the company's financial statements.
The extraction rate for oil production is 30%.

The cost of pressing during September was as follows:

Mill	Amount (SDG)	Notes
Al-Yaqeen	8,580,567	Inclusive of oil cake value
Al-Asala	10,800,789	Inclusive of VAT
UTS	2,000,600	Inclusive

The company imported crude oil from Ukraine as follows:

- **Customs value = SDG 117,768,869,000**

- **Duties = SDG 386,613,115**
- **VAT = SDG 123,657,874**
- **PBT = SDG 13,500,968**

The company purchased packaging materials worth SDG 133,876,000 (inclusive of VAT). Printing of sales books and other subsidiary records was done at Al-Hurriya *Press* for SDG 4,213,500 (inclusive of VAT).

Sales for September were as follows:

- **Export sales to Ethiopia: SDG 15,115,500**
- **Export sales to South Sudan: SDG 8,567,800**
- **Local sales to agents: SDG 718,250,000**

For promotional purposes, the company distributed free samples worth SDG 13,353,000to agents.
It also pays 1% of local sales as a service commission to a local distribution company.

Additional Information:

- **The company disposed of two vehicles during September:**
  - **Vehicle (1): Book value SDG 4,500,120; sold for SDG 7,500,000 → gain SDG 2,999,880**
  - **Vehicle (2): Book value SDG 3,500,000; sold for SDG 2,000,000 → loss SDG 1,500,000**
- **The company also sold crude oil to another company for SDG 2,400,000 (inclusive of VAT).**
- **Sold damaged packaging materials worth SDG 250,600.**
- **Received warehouse rent from another company of SDG 5,500,000.**
- **Inventories at month-end:**
  - **Crude oil (from mills): SDG 750,400,500**
  - **Imported crude oil: SDG 300,456,700**
  - **Packaging materials: SDG 240,600**
  - **Spare parts: SDG 600,250**
- **Each of the 320 employees receives a 4-litre oil container monthly as a social support benefit.**

- The company has a peanut butter (Dakwa) production line using non- expressible groundnuts. Sales for Dakwa amounted to SDG 490,500,800.
- The VAT return balance for August 2025 shows a credit of SDG 1,234,600.

Required:

As a tax consultant, determine:

(A)

- The output tax,
- The input tax,
- Any exemptions,

(b)

Then calculate the VAT payable for September 2025, providing clear justifications for each transaction.

(25 Marks)

Question Two

Al- Nukba Trading Co. Ltd. has a Zakat accounting year ending on 31 December 2025.
The company presented the following statement of financial position (balance sheet) in US dollars as at 31 December 2025, along with additional information.

Balance Sheet (figures in USD)

Assets	Amount (USD)
Cash on hand	45,000
Bank accounts (current)	320,000
Short-term investments that can be liquidated within 3 months	210,000
Trade receivables	540,000
Less: written-off bad debts	(40,000)

Assets	Amount (USD)
Receivable under legal dispute (expected collection 60%)	150,000
Inventories:	
– Raw materials	180,000
– Work-in-progress	95,000
– Finished goods	420,000
Prepaid expenses	28,000
Fixed assets (net of depreciation)	1,850,000
Long-term investments (in associate, not liquid within a year)	600,000
Retained earnings (previous years)	360,000
Current year profit (distributable)	95,000

Liabilities

Liabilities	Amount (USD)
Trade creditors (accounts payable)	410,000
Accrued salaries and wages	22,000
Accrued expenses (utilities and other payables)	18,000
Short-term bank loan (due within 9 months)	250,000
Current portion of long-term loan (due within 1 year)	70,000
Long-term loan (maturing in 4 years, non-current)	430,000
Deferred tax liability (non-cash)	60,000

Additional Information:

- The Zakat (threshold) is equivalent to 85 grams of gold.
  For the purpose of this question, assume 1 gram of gold = USD 50, hence = 85 × 50 = USD 4,250.
- The company follows the lunar year (Hawl) principle — i.e., accounts as at 31 December 2025 are used to determine Zakat eligibility and liability.
- Zakat is calculated at 2.5% on the total Zakatable assets (cash, bank balances, short-term investments, collectible receivables, inventories), after deducting current liabilities due within the year.

- **Long-term liabilities (non-current portions) are not deductible.**
  Fixed assets used in operations are not subject to zakat
  Long-term investments are not subject to zakat unless readily convertible to cash.
- **Retained earnings are part of equity and not treated separately unless they represent liquid assets.**
- **Bad and doubtful debts are treated as follows:**
  - **Fully written-off debts: excluded entirely.**
  - **Disputed debts: only the collectible portion (expected recovery) is included in the base.**
- **Ignore any Zakat previously paid or deferred; compute only the Zakat for the current period.**

Required:

(1). Precisely identify which assets are Zakatable and which are not subject to zakat, with a brief justification for each.

B. Compute the Zakat base (Zakatable net worth) in USD and determine whether the Nisab threshold is met.

C. Calculate the Zakat due (2.5%) for the year ended 31 December 2025, showing all steps clearly.

D. Provide justifications for key accounting treatments (e.g., doubtful debts, exclusion of fixed assets, treatment of retained earnings and long-term investments).

E. State whether the company is obliged to pay Zakat and explain why.

(20 Marks)

Also Required:

(2) Explain what is meant by Zakat on productive assets (Zakat al-Mustaghillat), its characteristics, and the steps for determining its base.

(5 Marks)

(Total Marks 25)

Section (B)

Question Three

United Trading and Investment Company Ltd. (Public Shareholding Company)

Below are the financial statements and additional information provided by *United Trading and Investment Co.* for the year ended 31 December 2023 (all amounts in Sudanese Pounds – SDG).

Income Statement (Summary)

Item	Amount (SDG)
Revenue from sales	12,000,000
Cost of goods sold	(5,500,000)
Gross profit	6,500,000
Selling and administrative expenses	(1,200,000)
Finance expenses and interest paid	(300,000)
Depreciation of fixed assets	(700,000)
Profit before exceptional loss and other income	4,300,000
Fire loss (net of insurance compensation)	(450,000)
Dividend income from investment in a joint-stock company	150,000
Profit from foreign branch (remitted to parent)	800,000
Net profit before tax (as per company)	4,800,000

Additional Information

1. Selling and administrative expenses (SDG 1,200,000) include:
   - Client entertainment expenses: 80,000
   - Cash donations to an unregistered charity: 50,000
   - Traffic fines on company vehicles: 15,000
   - Staff training expenses: 40,000
   - End-of-service gratuity for retired finance manager: 120,000 (not yet paid)
2. Finance expenses (SDG 300,000):

   All relate to interest on a fixed-rate loan from a local bank used to finance working capital.

3. **Depreciation expenses (SDG 700,000):**
    - **Buildings straight-line method, useful life of 25 years): 400,000**
    - **Machinery and equipment declining balance method,, useful life of 10 years: 250,000**
    - **Vehicles straight-line method, useful life of 5 years: 50,000**

    According to the Income Tax Act depreciation schedule, the legal rates are:

    - **Buildings: 5%**
    - **Machinery: 15%**
    - **Vehicles: 20%**

    Tax-depreciable cost of assets:

    - **Buildings: SDG 8,000,000**
    - **Machinery: SDG 2,000,000**
    - **Vehicles: SDG 500,000**
4. **Fire loss (SDG 450,000):**
    - **Book value of destroyed assets: 700,000**
    - **Insurance compensation received: 250,000**
5. **Investments:**
    - **Dividend income (SDG 150,000) received from a Sudanese joint-stock company, subject to 10% withholding tax.**
    - **Profit from foreign branch (SDG 800,000) earned in a jurisdiction with a 20% income tax rate, tax already paid there.**
6. **Tax losses:**
    - **The company has unutilized tax losses from 2021 amounting to SDG 900,000.**

Required:

1. **Compute the taxable income (gross income subject to tax after all adjustments and exemptions) for *United Trading and Investment Co.* for the year ended 31 December 2023, showing all adjustments clearly.**
2. **Compute the net taxable base after deducting carried-forward tax losses (if allowable).**
3. **Compute the income tax payable for the year, considering any tax credits available.**

(25 Marks)

Question Four

Mr. Ahmed Abdelrahim, a Sudanese resident, works as a General Manager for a private joint-stock company.
During the 2024 tax year, he earned multiple sources of income as follows:

1. Employment Income

Item	Details
Basic monthly salary	SDG 550,000
Representation allowance (non-insurable)	SDG 120,000 per month
Housing allowance	The company provides rented accommodation; rent paid by the company is SDG 350,000 per month
Annual bonuses	Equivalent to two months of basic salary
Company's contribution to an unregistered private pension fund	SDG 180,000 per year
End-of-year bonus	SDG 1,000,000

2. Business Income

He owns a building materials trading shop registered under his name.

Item	Amount (SDG)
Net accounting profit	18,400,000
Included disallowed expenses:	
– Personal family expenses	420,000
– Donations to an unregistered organization	230,000
– Lavish hospitality without documentation	300,000

3. Rental Income

He owns a commercial property rented out for SDG 1,500,000 per year.

Item	Amount (SDG)	Notes
Gross rent	1,500,000	—
Major repairs (borne by owner)	(150,000)	Deductible
Real estate agent commission (10%)	(150,000)	Deductible
Net rental income	1,200,000	—

4. Foreign Income

- Received a personal transfer from his son in Saudi Arabia: SDG 6,000,000 (non-taxable gift).
- Earned consulting income for an online advisory service to a foreign company, USD 3,200, transferred to his Sudanese bank account at 1 USD = SDG 1,150 → SDG 3,680,000, taxable.

5. Investment Income

Source	Amount (SDG)	Treatment
Dividends from Sudanese joint-stock company	800,000	Exempt from tax
Savings account interest (Sudanese bank)	180,000	Exempt from tax

6. Additional Information

- Married with one non-working spouse and three children (ages 12, 15, and 20 – eldest in university).
- Contributes 8% of basic salary to social insurance.
- Pays private health insurance premiums for himself and his family amounting to SDG 450,000 per year.
- Donated SDG 400,000 to a registered charity.
- The company paid SDG 600,000 to repair his personal company car after an accident.

Required:

1. **Compute the gross taxable income.**
2. **Determine the taxable income after allowable deductions and exemptions.**
3. **Compute the final income tax payable for the 2024 year.**
4. **Provide legal justification for inclusion or exclusion of each income item.**
5. **Explain the impact of dependants, donations, and insurance contributions on the tax liability.**

(25 Marks)