

P6

Paper

Optional Professional - Module

Advanced Taxation

Time allowed : 15 minutes for reading and planning

3 hours for writing

December 15 – 2025

Section (A) The Question Compulsory .

Section (B) Answer Only Two Question .

Do not open this paper until instructed by the supervisor.

The Accountancy & Audit Profession
Org. Council - Sudan

AAPOC

Advanced Taxation (P1)

Section (A)

Answer all questions

Question One:

Your manager has received a letter from . Adam owns and runs an unincorporated business which was given to him by his father, Raid. Extracts from the letter and from an email from your manager are set out below.

Extract from the letter from Adam I have decided that, due to my father's serious illness, I want to be able to look after him on a full-time basis.

Accordingly, I am going to sell my business and use the proceeds to buy a house nearer to where he lives.

My father started the business in 2008 when he purchased the building referred to in the business assets below.

He gave the business (consisting of the goodwill, the building and the equipment) to me on 1 July 2019 and we submitted a joint claim for gift relief, such that no capital gains tax was payable. I have no sources of income other than this business.

I have identified two possible methods of disposal.

- a) My preferred approach would be to close the business down. I would do this by selling the building and the equipment on 31 January 2024 at which point I would cease trading.
- b) My father would like to see the business carry on after I sell it. For this to occur, I would have to continue trading until 30 April 2024 and then sell the business to someone who would continue to operate it. In each case I would prepare accounts for the year ending 30 April 2023 and then to the date of cessation or disposal.

I attach an appendix setting out the information you requested in relation to the business.

Sadly, I have been told that my father is unlikely to live for more than three years. Please let me know whether his death could result in an inheritance tax liability for me in respect of the gift of the business.

My father's only lifetime gift, apart from the business given to me, was of quoted shares to a discretionary (relevant property) trust on 1 May 2006. The shares had a market value of £190,000 at the date of the gift and did not qualify for business property relief.

Appendix

Business assets (all figures exclude value added tax (VAT))

	Goodwill	Building	equipment
	£	£	£
Original cost of the business assets	Nil	60,000	18,000
Market value at the time of my father's gift on 1 July 2019	40,000	300,000	9,000
Expected market value as at 31 January 2024 and 30 April 2024	40,000	330,000	10,000

Financial position of the business

The tax adjusted trading profits for the year ended 30 April 2013 were £55,000.

From 1 May 2013, it can be assumed that the business generates trading profits of £5,000 per month. The only tax adjustment required to this figure is in respect of capital allowances.

The tax written down value of the main pool as at 30 April 2013 was nil. I purchased business equipment for £6,000 on 1 August 2013. There have been no disposals of equipment since 30 April 2013.

Extract from an email from your manager.

Required:

Prepare the meeting notes requested in the email from your manager. The following marks are available.

a) Sale of the business.

(i) Comparison of the financial implications of the alternative methods for disposing of the business.

Note: Ignore national insurance contributions. (17 marks)

(ii) Value added tax (VAT). (8 marks)

(iii) Professional marks will be awarded for adopting a logical approach to problem solving, the clarity of the calculations, the effectiveness with which the information is communicated, and the overall presentation of the notes. (3marks)

(Total 28 marks)

Question Two:

Nile Electronics Company (N), a Sudanese company headquartered in Khartoum, manufactures and exports computers to Ethiopia since 1/1/2020. On 3/2/2020, the company appointed a distribution agent in Addis Ababa and leased a warehouse there.

The company sent a general manager and two sales managers from its headquarters to Ethiopia to oversee sales. By 1/1/2021, the company decided to establish a 100% subsidiary in Ethiopia under the name "Systems Company (S)". The subsidiary began operations on 1/8/2021 and prepared its first financial statements for an 18-month period ending on 28/2/2023.

Additional Financial Data for 2023 :

Parent Company (N) :

- Domestic Sales: 1,200,000 SDG .
- Export Sales to Ethiopia (pre-subsidiary): 800,000 SDG .
- Approved Expenses (salaries, depreciation, marketing): 400,000 SDG .
- Non-Approved Expenses (fines, political donations): 50,000 SDG .
- Royalties Paid to a Foreign Company: 100,000 SDG .

Subsidiary (S) :

- Sales in Ethiopia: 2,000,000 SDG .
- Cost of Goods Sold (including spare parts purchased from (N)): 1,200,000 SDG .
- Operating Expenses (rent, local salaries): 300,000 SDG .
- Interest on Foreign Loan: 150,000 SDG (10% annual interest on a 1,500,000 SDG loan) .

Required :

- 1) Calculate the taxable income for both the Parent Company and Subsidiary, considering:
 - Approved and non-approved expenses .
 - Treatment of royalties and loan interest .
 - pricing of spare parts between N and S (20% profit margin) . (18 marks)
- 2) Explain how Value Added Tax (VAT) in Sudan applies to spare parts exported from Parent Company (N) to Subsidiary (S), considering Ethiopia's non-membership in a trade agreement with Sudan . (4 marks)

(Total 22 marks)

Section (B)

Answer Only Two Questions

Question One :

Mr. Omar owns three properties in Khartoum :

- Properties (1) and (2): Leased with tenant responsibility for maintenance .
- Property (3): Leased with landlord responsibility for maintenance .

Rental income and expenses for the years ending 30/6/2022 and 30/6/2023 :

Item	Property (1)	Property (2)	Property (3)
Annual Rent	24,000 SDG	18,000 SDG	12,000 SDG
Maintenance Costs	3,000 SDG	2,500 SDG	4,000 SDG
Decoration Costs	1,000 SDG	-	2,000 SDG

Notes :

- Rent for Property (1) in 2021 was unpaid and settled in 2022 .
- Mandatory repairs in Property (3) cost 1,500 SDG due to tenant-caused damage .

Required :

a)

1. Perform necessary tax adjustments for each property . (4 marks)
2. Calculate taxable income for the year 2022/2023 . (6 marks)

b) Ms. Fatima plans to lease her house in Khartoum. Options :

- Furnished Lease : Maintenance cost: 5,000 SDG; rental income: 40,000 SDG annually .
- Unfurnished Lease: Unit separation cost: 6,000 SDG; maintenance: 7,000 SDG; rental income: 50,000 SDG annually .
- Discuss the tax implications of each option, considering Ms. Fatima's plan to sell the property after 5 years . (15 marks)

(Total:25 marks)

Question Two :

(a) Al-Daw Technology Company sells electronics online. Its net profit for 2023 was 120,000 SDG. The company plans to hire part-time employees at a total cost of 30,000 SDG (salaries + insurance) .

Required:

1- Calculate tax payable after deducting employment costs . (9 marks)

2- Discuss the eligibility of employment costs for tax deduction . (5 marks)

(b) Mr. Ahmed inherited agricultural land and sold it for a gain of 80,000 SDG. Is this gain subject to income tax or capital gains tax? Explain under Sudanese law . (6 marks)

(c) Ms. Mona, a Sudanese resident, sold a property in Egypt for a gain of 100,000 SDG. Discuss her tax obligations in Sudan, assuming no double taxation agreement exists between the two countries . (5 marks)

(Total:25 marks)

Question Three :

(a) Investor Ali purchased a factory in 2010 for 200,000 SDG and sold it in 2022 for 600,000 SDG. He bought a new factory in 2023 for :

1 . 500,000 SDG

2 . 300,000 SDG

Required:

- Calculate taxable capital gains in each case, applying "asset replacement rules" where applicable . (10 marks)

(b) Ms. Samira purchased shares in "Sharq Technology Company" as follows :

- 2015 : 1,000 shares at 10 SDG/share .

- 2018 : 500 shares at 15 SDG/share .

- 2022 : Sold 1,200 shares at 25 SDG/share .

• Calculate capital gains tax payable, assuming an annual exemption of 20,000 SDG .

(15 marks)

(Total:25 marks)