

Answer all questions

Question one:

Global trading Co. Ltd is a Sudanese public company listed in the Khartoum stock Exchange since 2006. Submitted its tax return to the taxation chamber for the financial year ended 31 December 2017:

Details	SDG	SDG
Sales revenue		73,000,000
Less: cost of goods sold		(21,620,000)
Gross profit		51,380,000
Less: general and Administration Expenses:		
Salaries and wage	(16,000,000)	
Rents	(5,900,000)	
Maintenance and spare parts	(1,200,000)	
Full and electricity	(3,700,000)	
Deprecations	(7,000,000)	
Disposal losses	(3,400,000)	
Other overhead cost	(2,540,000)	
Transfer losses	(4,800,000)	
Total general and Administration		<u>(44,540,000)</u>
Net income (profit)		6,840,000
Tax with 15%		1,026,000
Less: prepaid tax (on the customs)		(16,200,000)
Company's credit balance		(15,174,000)

- After submitting company's data and documents for review and inspection , you will show the followings:
 1. The revenue item did not include the value of sales of house hold furniture at SDG 2,500,000. One of the company's shareholders took it to his own home for the purpose of preparing it to receive a Russian expert and a Turkish engineer. In addition to SDG 800,000 chairs value as a contribution for a primary school and furniture for SDG 600,000 for the neighborhood mosque. In addition to the collection of bad debts SDG 600,000 had been adopted "approved" by the taxation chamber in the previous years.
 2. The cost of goods sold includes the value of damaged goods worth SDG 8,530,000, the company did not submit its documents from the standard and metrology authority which prove to be damaged in addition to the cost of goods at the consignment of the amount of SDG 4,500,000 with in the closing inventory.
 3. Salaries and wages include the annual salary of the department director of SDG1,200,000 who signed his contract on July 1,2017. In addition to incentives (bouns) for three (3) part-time managers of SDG 3,600,000.

4. The rent includes an amount of SDG1,200,000 annual rent fees for the home of one the shareholders of the company, which has been leased to the company, although the similar rent for the same period is equal SDG 800,000.
5. Maintenance expense includes the amount SDG 2,800,000 vehicle (car) maintenance expenses owned by the general manager and initial (unoriginal) invoice of SDG 630,000.
6. Depreciation item is calculated on straight line basis and at the following carrying amounts:
 - i- Car “corolla” for SDG 600,000.
 - ii- Min-bus Haice for SDG 1,000,000.
 - iii- Prado car for SDG 1,000,000.

Not that the rates (percentages) approved by the taxation chamber for the same period was as follows.

- Public transport vehicles within cities by 20%.
- Private cars within the cities by 15%.

The company sold the Haice car after a traffic accident on July 1,2017 with SDG 2,800,000.

7. The item of other overhead expense includes the followings:
 - a- The fees of the Russian and Turkish experts at an amount of SDG 400,000 are divided equally by SDG 200,000 per expert. The company has paid personal income tax on behalf of foreign experts at SDG 30,000 per expert.
 - b- Contribution and donations to various bodies with the following details:
 - i. 10 tons cement at cost of SDG 4,250 per ton for the restoration of the neighborhood mosque.
 - ii. Paving and restoration of a thousand 1,000 meters for a main hospital after agreeing with the state government on all the required details at a cost of SDG 850 per meter.
8. Disposal losses of SDG 3,400,000 are a loss resulting from the sales of a piece of land in a disputed area with the government authorities over the sale thereof.
9. There is a pre-paid tax of 1% on the company’s total sales value of government institutions estimated at SDG 500,000 for the last two years 2016 and 2017.
10. The losses account is losses resulting from changes in foreign exchange rates against the Sudanese pound, in addition to the high costs of transport and insurance. These losses include the following:
 - Loss was achieved in 2009 by SDG 2,750,000.
 - Loss was achieved in 2013 by SDG 150,000.

Required:

1. Calculate the business profit tax of the company due for the year ended 31 December 2017? **(18 marks)**
 2. According to the income tax Act of 1986 and a mended for the year 2011. Explain the following:
 - a) The concept of prepaid taxes? **(2 marks)**
 - b) Specify tax t treatment for all types of prepaid taxes in Sudan. **(5 marks)**
- Total (25 marks)**

Question two:

Mr. Abraham is an Ethiopian investor who has been (living) resident in Khartoum for several years. He owns three non-furnished properties (houses) distributed in Khartoum, Bahri and Omdurman cities. The leases of Bahri and Khartoum houses have committed to carry out all the necessary repairs and maintenances. While the other tenant committed to all the necessary financing for the Omdurman city. Note that all three properties are leased for commercial rent, where the rent of Khartoum and Omdurman real estate is payable on a quarterly ($\frac{1}{4}$) basis, and the rent of Bahri city on the basis of a month's deposit "advance" is paid on the first day of each month.

The income of rent received and expenses incurred during the last two years ended 31/12/2016 and 2017 it as follows:

Details	Khartoum house		Bahri house		Omdurman house	
	12/ 2016 Million SDG	12/ 2017 Million SDG	12/ 2016 Million SDG	12/ 2017 Million SDG	12/ 2016 Million SDG	12/ 2017 Million SDG
Rent revenue	4,600	5,800	-	16,800	7,600	8,400
Management and maintenance expenses	(5,620)	(1,460)	(2,020)	(2,420)	(1,800)	(1,740)
Restoration expense	-	-	(3,200)	-	(3,400)	-
Fees and consultancy expense	-	-	(400)	-	-	-
Total expense	<u>(5,620)</u>	<u>(1,460)</u>	<u>(5,620)</u>	<u>(2,420)</u>	<u>(5,200)</u>	<u>(1,740)</u>
Net income or loss	<u>(1,020)</u>	<u>4,340</u>	<u>(5,620)</u>	<u>14,380</u>	<u>2,400</u>	<u>6,660</u>

To clarify the tax situation of Ms. Abraham more accurately, the following discolors and information were provided:

1. For the rental item, the following information has been added:

- a) As for the rental income of the house of Khartoum, the tenant did not rent for the year ended 31, December 2016 and he was due the amount of SDG 200,000 thousand remaining rent for previous periods paid in March, 2016. They are included in the SDG 5,800,000 and the quarterly rent was SDG 1,200,000 increased to SDG 1,400,000 in the following Quarter in March 2016. On February 7, 2015, interior decoration and plaste work was done at cost of SDG 4,000,000 include in the amount SDG 5,620,000.
- b) The tenant (leasee) of the house of Bahri city was vacated the house on 30 February 2015 and was entitled to the amount of SDG 1,200,000 refused to pay was complained to the Bahri civil court. For this reason, Mr. Abraham was charged with SDG 400,000 of the SDG 250,000 as advocate fees and SDG 150,000 as legal procedure duties (charges). As well as the work of repairs and restoration cost of SDG 2,200,000 as a result of the losses and damage caused by the tenant (leasee). Therefore, the Bahri house remained vacant until it was

reentered on February 1, 2016 under the same conditions as maintenance and repairs at the expense of the owner at SDG 1,400,000 per year.

c) For the Omdurman house, the repairs and renovations that were carried out included the following:

i- Installation (setup) of air conditioner at cost of SDG 1,040,000.

ii- Setup and installation cost of doors and windows are SDG 700,000.

These repairs and maintenance have resulted in an increase in quarterly rental amount from SDG 1,900,000 to SDG 2,100,000 in the first quarter of March 2016.

Required:

As the tax expert of Mr. Abraham – in accordance with the income tax act of 1986 find and calculate the following:

a) Adjustments and accounting treatments for each property (house).

(8 marks)

b) Calculate taxable real estate income (rental tax) for the years 2016 – 2017.

(12 marks)

c) Based on the provisions of the income tax act 1986- Explain how the transfer losses are treated.

(5 marks)

(Total 25 marks)

Question three:

Mohammed Ahmed is a 59 years old Sudanese citizen who is married to Maria Coptic and has three children. They equalized involved in an investment work in an effort and capital. Their investment in property ownership is distributed as follows:

Property (house) No (1):

Is a house in the Manshiya city, where they lived in for 7 months a year. This house was bought in June 1997 at SDG 750,000 and now has been valued at SDG 2,000,000. This house contains 6 rooms and there are two rooms have been rented on a furnished basis at SDG 6,320 per month. And there are expenses for this house at cost of SDG 720 per month. Besides, there is an annual funding of SDG 4.000 borrowed from the Islamic bank to buy this property (house) and knowing that Mr. Mohammed Ahmed has no plan to sell this property (house).

Property (house) No (2):

Mohammed Ahmed has another house in Riyadh, where the remaining part of the year, was bought this house on 1/7/2016 with SDG 800,000 and has a large garden include 150 meters. They living in this house appeared on 1/7/2016 and the current house value is SDG 2,500,000. Part of the park (garden) was sold to orchards in May 2016 for SDG 1,800,000 and the rest (remaining) of the house was worth (value) SDG 1,300,000 and this sale is the only sale made in 2016/2017 and the Engineer was given the right to buy the remaining part in the next period in the future or buy the whole house.

Property (house) No (3):

Is commercial property leased at SDG 9,000 per month. The property was purchased in June 2017 for SDG 5,000,000 and the current value is SDG 10,000,000. On June 5, 2015, the property was vacated by the old tenant (leasee). On September 5, 2016, a financial lease was signed with a commercial company for ten (10) years. And the company paid a rent of SDG 100,000 an advance and through the terms of the contract in which the company committed to carry out structural repairs for the property, which makes the value of the property increase by SDG 1,000,000, and Mr. Mohammed Ahmed made maintenance in 2016 and 2017 by SDG 15,000.

Property (house) No (4):

Is a commercial property leased at SDG 5,000 per month. The property was purchased in June 2006 for SDG 3,500,000 and the current value is SDG 6,500,000. Mr. Mohammed Ahmed had great difficulties in making the rent of this property, which was vacant for two years. He decided before entering into a new financing lease with another trading company and had no relationship with it. On 6 October 2016 and to encourage the company to sign the financial lease committed to pay the amount of SDG 25,000 as a kind of contribution to the publicity of the new work, the advertising expenses amounted to SDG 10,000 and maintenance expenses SDG 30,000 for the year 2016 and 2017 and now Mr. Mohammed Ahmed is thinking of selling this property in the near future.

Required:

1. As an a certified auditor of Mr. Mohammed Ahmed – explain to him the situation of the income Zakat- your answer must contain all the necessary adjustments.
(9 marks)
2. Advise him on how to deal with the capital gains (profit) resulting from the sale of the garden located in the property number (2) for the tax purposes (tax aspect).
(9 marks)
3. Explain the expected tax effect of the capital gains of the fourth real estate (property No (4)).

(7 marks)

(Total 25 marks)

Question four:

Blue Nile petrochemical company is one of the leading companies in the field of solid soap manufacturing in Omdurman it is registered with the general administration of value added tax. The office of the industrial zone of periodic inspection and review for the period from January 2017 to March 2018. Details of its data as follows:

1. Total tax (VAT) paid on imported purchases of 12,000 tone of grease (suits) at SDG 200,000.
2. The total tax paid on the manifesto (invoice) for the transfer of grease from port-Sudan to Khartoum is SDG 45,000.
3. The total tax paid on customs clearance is SDG 5,000.
4. The total tax paid (on advance) under the business profit tax (BPT) account is SDG 13,500.
5. Customs duties according to the customs category for import at SDG 65,000 after adjusting the custom dollar against Sudanese pound from 8.6 to 18 pounds.
6. Bank commission to open the external credit of SDG 7,500.
7. The total tax paid on local purchase of vegetable oils is SDG 16,300.
8. Total tax collected (output) from sales of soap is SDG 375,000.
9. The total monthly payment by the tax returns is SDG 96,700.
10. Total tax collected by the VAT certificates (oils companies) is SDG 60,000.
11. The total credit balance that shown in March 2018 declaration is SDG 62,500.

Upon inspection and review of the company's invoices and documents and inventory checking of the company's main store in Omdurman and the other cities, the following information has been found:

Firstly: the data of the raw materials of the grease in the production.

- i. The opening balance of inventory of grease is 4,500 tones.
- ii. The closing balance of inventory of grease is 2,500 tones.
- iii. The purchases during the period of greases are 6,000 tones.

Secondly: the total production stock of soap carton weight 45 soap includes the followings:

- i. The opening inventory of 55,000 cartons.
- ii. The closing inventory of 15,000 cartons.

Thirdly: when the engineer inquires about the production processes in the factory, he explained that the production process depends mainly on the imported grease and added some local vegetable oils and sodium salts with chemical concentrates. Typically one soap is produced by using 120 grams of net grease, after excluding the estimated damage and humidity ratio of 2% of the total input in production.

Note that the sale price of soap carton weight 45 pieces for SDG 250 on the basis of whole sale selling price and distribution centers.

Required:

1. Determining the tax payer's position on VAT as the result of the auditing review?
(20 marks)
2. According to the amended value added tax for the year 2000 – article No (10) of the VAT regulation provides several duties and obligation that the tax payer must comply with – in brief, clarify these obligations and duties?

(5 marks)

(Total 25 marks)