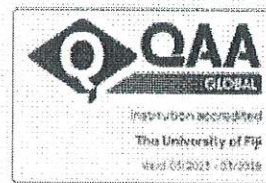




The University of Fiji
(An Entity of Arya Pratinidhi Sabha of Fiji)



JDP SCHOOL OF LAW
Semester 1, 2025



FINAL EXAMINATION PAPER

LAW310: REVENUE & TAXATION LAW

Important Instructions to Students:

1. Read the questions, instructions carefully and answer the questions.
2. You are allowed an **extra 10 minutes reading time** (during this time, you are not allowed to write with pen) and **180 minutes (3 Hours) to complete this paper**.
3. All kinds of electronic gadgets (including smart phones, mobiles, tablets etc.) are strictly prohibited.
4. Write all your answers in the answer booklet provided. If you need extra sheets, please ask from the supervisor. Write your name, course code and student identification number in the answer booklet and in the attendance sheet.
5. This paper contains six (6). All questions are compulsory.
6. Write all your answers legibly. The marker has the right to award zero for answers that are not legible.
7. This is a **RESTRICTED OPEN BOOK EXAMINATION**. Students are allowed to bring into the examination room, an unmarked copy of the **Tax Administration Act, Income Tax Act, Value Added Tax Act and Water Resource Tax Act**.
8. The University views plagiarism, cheating and dishonest practice as serious offences and if found, offenders are penalized.

Examination Paper Content (Format):

<u>Question</u>	<u>Content</u>	<u>Marks</u>	<u>Suggested Time</u>
1	Reasoned Answers	15	40 minutes
2	Short Answer Questions	15	40 minutes
3	Depreciation	5	30 minutes
4	Income Tax Liability Calculation	10	30 minutes
5	Long Term Leases	7.5	20 minutes
6	Capital Gains Tax	7.5	20 minutes
	TOTAL	60	180 Minutes

Question 1

Journalism 101 teaches students how to write a news item for a newspaper. Students are taught that the opening sentence of a news item must address the four 'w's.

Here is an example.

A young man was shot in Suva yesterday.

Here is the analysis:

What? A person was shot.

Who? A young man.

When? Yesterday.

Where? In Suva.

- a. Income Tax 101 also makes the point that in designing an income tax one must attend to the four 'w's.

Looking at the general tax on income established by the ITA, where do we find each of the four 'w's being addressed?

(3 marks)

- b. Is tax avoidance wrong? Provide reasons in support of your answer.

(2 marks)

- c. In the case of *Fiji Sugar Corporation v CIR* the Court held that a gift of \$100,000.00 by the Company was a deductible expense. The CIR did not appeal the decision by the Court of Review. Do you think the case was correctly decided? Provide reasons in support of your answer.

(3 marks)

- d. In the House of Lords case *Mallalieu v Drummond* the taxpayer stated that her only purpose in purchasing the clothing was to satisfy the court's dress rules and that the clothing had only ever in fact been used for court appearances. The court accepted this evidence.

(i) Why then did the taxpayer lose the case?

(ii) The court also stated that a different result might be reached if the case had concerned a nurse's uniform. How is this logically possible?

(3 marks)

- e. In 2010 Mango Co Ltd ('Mco') acquires a 60 year lease of agricultural land. The company plants 250 mango seedlings on the land. The seedlings develop into young mango trees and produce their first crop of mangoes in 2015.

Over the five years from the planting, Mco incurs expenditure in caring for the developing mango trees. This involves applying mulch around the young trees, occasionally spraying for bugs and diseases, watering the young trees during dry weather, and annual pruning of the trees.

There is now a tax dispute between the CIR and Mco concerning the expenditure incurred in caring for the growing trees up to 2015 when the trees first produced mangoes. The CIR rules this is capital expenditure. Mco disagrees.

(i) What argument/s may be put in favour of the CIR's position?

(1 mark)

(ii) What argument/s may be put in favour of Mco's position?

(2 marks)

(iii) Who do you think should win this dispute?

(1 mark)

Question 2

- a. Mrs. B was born in Fiji and has resided in Fiji since her birth. She is employed in ACo Ltd as a lawyer in Fiji. Her employment income for tax year 2018 is \$80,000. She has a house in Fiji in which she resides and she also has a house in Australia from where she derives rental income. She declares and pays income tax in Australia for the rental income earned there. Will Mrs. B be a resident for tax purpose in Fiji? Explain your answer by citing the appropriate section in the Act. (1 mark)
- b. Explain the jurisdiction of the Tax Court and how it may be varied? Explain your answer by citing the appropriate section in the Act. (1 mark)
- c. Company X acquired generator on 30th June, 2021 for \$8,000 and company's tax year is same as calendar year. How would you advise the Company X to depreciate the generator? Explain your answer by citing the appropriate section in the Act. (1 mark)
- d. What are the elements of taxable activity under the Value Added Tax Act? Explain your answer by citing the appropriate section in the Act. (1 mark)
- e. Mr. X resigns and departs from Fiji on a working holiday. He intends to return to Fiji after his holiday, but he is not sure as to when he will return. He had been residing in his home in Suva before he left Fiji. He maintains his bank account in Fiji. He intends to return to Fiji and reside in his family home. He finally returns to Fiji after 20 months. Will Mr X be a resident for tax purpose in Fiji? Explain your answer by citing the appropriate section in the Act. (1 mark)
- f. Income Tax Accounting.
- (i) What are the methods of income tax accounting? (1 mark)
 - (ii) What method does an employee use? (1/2 mark)
 - (iii) What method does a sole trader use? (1/2 mark)
 - (iv) What method does a partnership use? (1/2 mark)
 - (v) What method does a company use? (1/2 mark)
 - (vi) Can you change the method of tax accounting used for an employee, sole trader, partnership, company or anyone registered for value added tax? How? (1 mark)

Explain your answer by citing the appropriate section in the Act.

- g. For joint tenancies of property earning rental income. If rent is received, how is it treated in the Income Tax Act? Explain your answer by citing the appropriate section in the Act. **Note that this is not undivided interests or tenancies in common – it is joint tenancies with its specific feature of not ascertaining portion of interest or divided interest.** (1 mark)
- h. Contractor Y's financial period is 1 February – 31 January. The contract is for refurbishing of business premises. The work commenced under the contract on 1 November 2020 and is expected to be completed on 31 March 2021. Does this contract qualify as a long term contract? Explain your answer by citing the appropriate section in the Act. (1 mark)
- i. Mr. C died on 1 January 2019. He owned a residential home and was residing in it. As per his will, his daughter, Catherine inherited the properties after his passing. The property was transferred from the estate to Catherine on 31 August 2019. Catherine disposed of the property on 1 August 2021. How would this transaction be treated for capital gains tax? Explain your answer by citing the appropriate section in the Act. (1 mark)
- j. X bought 500 shares of a company at \$1,000 in the year 2015. The current value of the shares is \$2,500. X disposes the shares at \$2,500 in 2020, where he paid brokerage fee of \$50. What will the CGT on the gains made? Explain your answer by citing the appropriate section in the Act. (1 mark)
- k. HapCo. Ltd. celebrates its 10th anniversary in a restaurant. Cost of dinner per person is \$50. In all 200 persons (employees + their spouse) attend the party costing the company \$10,000. HapCo Ltd. wants to know if the meal and refreshments benefit provided in the restaurant will qualify as exempt fringe benefit. Explain your answer by citing the appropriate section in the Act. (1 mark)
- l. In its 5th year since inception, Mindtree Ltd. was awarded the most promising company of the year in IT sector. The company hosted a party in its premises to announce the news and to thank its 55 employees where light refreshment - cakes, biscuits, fruits and cold drinks, was provided. The cost incurred by Mindtree was \$250. Mindtree wants to know if the one-off event will attract fringe benefit tax. Explain your answer by citing the appropriate section in the Act. (1 mark)

(1 mark)
[15 marks]

Question 3

For the purposes of this question a compressor has an effective life 6 of years and a van has an effective life of 7 years.

- i) Suva Motor Repairs Ltd ('Sco') conducts a business maintaining and repairing motor vehicles. On February 15, Sco acquires a secondhand compressor for \$15,000 for use in its business. (The compressor is in fact five years old.) Sco quickly comes to regret the purchase since the compressor performs very badly. On April 15, Sco sells the compressor to a trade competitor for \$12,000.
- ii) A few years ago, Sco purchased a van for \$28,500 for use in its business. Sco has been depreciating the van at the maximum permitted rate. At the beginning of the year the van has

a written down value for tax purposes of \$12,900. In July Sco purchases a new van from Dealer for \$35,000 for use in its business. Dealer agrees to accept the old van as part payment for the new van. For this purpose, the old van is valued at \$16,000. Sco uses the new van for the remainder of the year.

What is the value of any allowances/charges for Sco under the Depreciation Instructions for the year? Clearly label all parts of your calculation(s).

Note: If Sco needs to make any choices, presume Sco wishes to minimize its tax liability in the present year.

[5 marks]

Question 4

All facts concern the year 2024. The taxpayer is a Fiji resident.

Sam is a single father. He has a son aged 17 studying at Marist Brothers High School and a daughter aged 22 studying at USP. Both the son and daughter live at home.

Sam has a full-time job with Blueco. In addition to an annual salary, Blueco provides Sam with free use of a company car after hours. Being a single dad, Sam has to work hard. Starting in March, Sam obtained a part-time job with his friend Jone, cooking at Jone's BBQ stand. (Jone is a sole trader.) Working two jobs, however, proved to be too exhausting and in June Sam resigned from his part-time cooking job.

Sam owns shares (inherited from his mother) in FMF, Familyco and Samoaco. FMF is a public company listed on the SPSE. Familyco is a private company incorporated in Fiji and carrying on business in Viti Levu. Samoaco is a private company incorporated in Samoa and carrying on business in Samoa and American Samoa.

Sam has a current account with Bank of Baroda that pays a very small rate of interest

More particular details concerning Sam's income for 2014 appear below.

Employment

1. Annual salary from Blueco	36,000
2. Annual value of free use of co car	1,600
3. Wages received from Jone	1,500

Property

1. Interest on current account with Baroda	110
2. Dividends from FMF (P value 85%)	2,000
3. Dividends from Familyco (P value 75%)	3,000
4. Dividends from Samoaco*	4,000

Other

1. Maintenance from ex-wife no.1	1,200
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Sam in fact received a dividend cheque from Samoaco for FJD 3,600. A covering letter stated the dividend had been subject to a 10% withholding tax in Samoa.

Sam's private and domestic expenditure for 2014 include the following:

1. monthly rent on family home \$400.
2. monthly pledge to All Saints Church \$100.
3. monthly maintenance to ex-wife no.2 \$100.

In November, Sam made a donation of \$250 to the St. John's Ambulance Brigade.

Calculate Sam's Fiji income tax liability for the year 2024.

Important: Provide headings to the calculation and where appropriate provide statutory references in brackets to explain the calculation.

[10 marks]

Question 5

- Contractor X (a company) enters into a road construction contract to be completed over four tax years.
- The construction contract is Contractor X's only activity in Fiji.
- All the amounts derived under the contract are included in gross income.
- All expenditures incurred are deductible either outright or on a depreciation or amortisation basis.
- The total estimated profit (estimated chargeable income) under the contract is \$1,000,000.
- The percentage completed for each year is based on costs incurred as a percentage of total estimated costs.
- The total estimated cost of the contract is \$2,000,000.
- Contractor X's percentage of completion of the contract is computed as follows –

Year	1	2	3	4	Total
% Completed	10%	20%	30%	40%	100%

In accounting for long term contracts:

- i) What is the estimated gross income per year?
(1.5 marks)
- ii) What is the estimated expense per year?
(1.5 marks)
- iii) What is the chargeable income per year?
(2 marks)

Assume a corporate tax rate of 25%:

- iv) Calculate the tax payable and attributed per year of the contract.
(2.5 marks)

[7.5 marks]

Question 6

Harry and Sally are shareholders of a company having 60/40 ownership in the share capital of the company where Harry owns 60,000 shares and Sally owns 40,000 shares. The company has 4 properties forming part of its business assets. Sally wishes to exit the business and as part of the Deed of Settlement, the following facts are to be noted:

- (i) Sally will sell her 40% stake (40,000 shares) in the company to Harry;
- (ii) Harry will become 100% owner of the company;
- (iii) Incidental expenses for transfer of 40,000 shares will be \$2,000;
- (iv) The 4 business properties will be split between the 2 shareholders where Sally will become owner of 2 properties and 2 properties will be retained in the business.
- (v) Fair market value of each business property is \$100,000.
- (vi) Cost of acquisition is \$25,000 for property 1 and \$30,000 for property 2.

Harry and Sally want to know the CGT implication pursuant to splitting of business. Explain your answer by citing the appropriate section in the Act.

[7.5 marks]

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Explain your answer by citing the appropriate section in the Act.
