

LIBRARY LIBRARY IT  
RESERVED

LIBRARY LIBRARY IT  
RESERVED

OBAFEMI AWOLOWO UNIVERSITY  
ILE-IFE, NIGERIA

FACULTY: Faculty of Environmental Design and Management  
DEPARTMENT: Department of Estate Management  
COURSE CODE/TITLE: ESM 303: National and Local Taxation I

HARMATTAN SEMESTER EXAMINATION 2010/2011 SESSION

**INSTRUCTIONS:** (1) Answer Question 1 and any other two questions  
(2) Assume Withholding Tax and Capital Gains Tax rates at 10% each

1. Oyekanmi Junaidu retired from the services of Nigeria National Petroleum Company, Abuja two years ago and was paid a gratuity of N150 million and placed on a monthly pension of N480,000 with effect from 1<sup>st</sup> March, 2004. He secured a job with Julius Berger PLC, Abuja as Chief Accountant on a gross annual salary of N432 million with effect from 1<sup>st</sup> June, 2010. He enjoys the following benefits on per annum basis in his current place of employment: Housing Allowance, N600,000; Meal Subsidy, N360,000; Utility Allowance, N480,000; Entertainment Allowance, N600,000 and Transport Allowance, N720,000.

Junaidu is married to three wives. He is blessed with twelve children - none of them is above 16 years of age. He has two aged dependants; who are incapacitated. Junaidu has not taken any life insurance policy. He is member of ICAN and pays N45,000 as annual professional subscription fees.

Junaidu owns a five bedroom duplex at Asokoro, Abuja which he let to his childhood friend, Mr Bamidele Banjoko, at a net rent of N50,000 per annum in 2004 with a proviso that the net rent will increase by 100% in 2009 and thereafter remain constant until Banjoko's demise. Similar properties in every respect in the immediate neighbourhood let at N2.7 million per annum net.

What is Oyekanmi Junaidu's personal income tax liability in the 2010 year of assessment? (26 marks)

2(a). Adeyinka Wasiu bought a semi-detached duplex in Ikoyi, Lagos from Babawale Olumide in 2000 for N14.5 million and incurred the following expenses: Legal fees, N200,000; Valuer's

RESERVED

RESERVED

UNIVERSITY LIBRARY  
RESERVED

RESERVED

fees, N300,000. Each wing consists of four bedrooms, dining, lounge and three toilets. The property is in excellent state of decorative repairs. Omoboriowo, the first son of Wasiu secured admission to read Ph.D (Land Economy) at Cambridge University, Cambridge. One wing of the house was sold on 15<sup>th</sup> December, 2010 to Olutoye Peter for N30 million in order to fund Omoboriowo's education. The following expenses were incurred on disposal: Valuer's fees, N800,000; Legal fees, N750,000 and Agent's fees, N750,000. The value of the undisposed part of the property at the date of sale was N145 million.

- i. Calculate, if any, the capital gains tax payable for the relevant year of assessment. (8 marks)
- ii. Who is the relevant tax authority? (2 marks)

(b). Enumerate the different types of property taxes in Nigeria. Discuss the advantages and disadvantages of property taxation. (7 marks)

3(a). Stephen Oluwaseun, owns two six-bedroom duplexes located at 8 and 10, Ojutalayo Street, Parakin, Ile-Ife. Both buildings are built to modern taste and are in excellent state of repairs. Six years ago, he let Nos. 8 and 10 Ojutalayo to Obafemi Awolowo University and Mrs Beatrice Opeyemi, his niece, for N450,000 per annum net and N50,000 per annum gross respectively. Oluwaseun has not reviewed rents since he let out the properties and has no plan of doing so in the immediate future. Similar properties in the immediate neighbourhood let at N650,000 per annum net in 2009 and N700,000 per annum net in 2010.

- i. Calculate the withholding tax payable in the 2010 year of assessment. (8 marks)
- ii. Identify the relevant tax authority? (1 mark)
- iii. Who is the payer of the withholding tax? (1 mark)

(b). Discuss the canons that are desirable characteristics of a healthy tax system. (7 marks)

4(a). Using practical examples, attempt the classification of taxes in Nigeria. (10 marks)

(b). What are the purposes of taxation? (7 marks)

UNIVERSITY LIBRARY  
RESERVED

UNIVERSITY LIBRARY  
RESERVED