

OBAFEMI AWOLowo UNIVERSITY, ILE-IFE
FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT
DEPARTMENT OF STATE MANAGEMENT
2010/2011 RAIN SEMESTER EXAMINATION

SUBJECT CODE/TITLE: ESM 304 National and Local Taxation II

TIME ALLOWED: 2 Hours

INSTRUCTIONS: Answer Question 1 and three other questions, two of which must come from each section.

SECTION A

■ The executive council of Ife Central Local Government Area of Osun State has recently launched its development fund and realized the sum of N600,000,000. However, against the background for a successful fund raising, the Council prepared its budget as follows:

A. Expenditure:	N
Capital development	1,500,000,000
Special expenditure	600,000,000
Salaries and emoluments	900,000,000
Other charges	500,000,000

B. Revenue:	
Federal government allocation	530,000,000
State government allocation	220,500,000
Licences, fees and fines	900,000
Capitation rate	24,000,000
Earnings from economic undertakings	40,000,000
Rent from local government properties	50,000,000
Interest and dividend	600,000
VAT	10,000,000
Miscellaneous	24,000,000

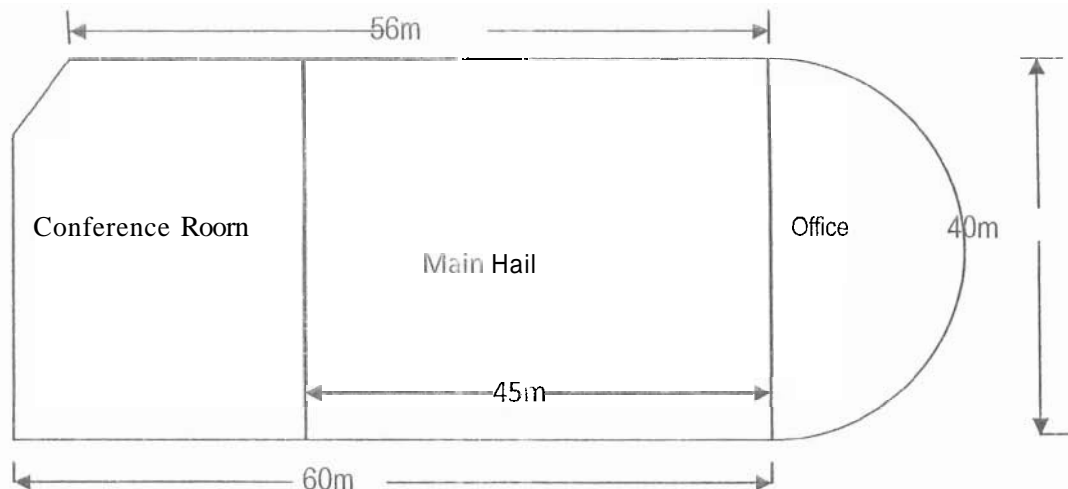
The Council has discovered that despite the sum realized from the fund raising exercise, it cannot balance its budget. At its executive meeting, it was resolved that the balance of the budget will be raised from property rating. Preliminary evaluation of properties within its jurisdiction for rating purposes reveals the following:

Total value of all properties	22,500,000,000
Non-rateable properties	600,000,000
Exempted properties	900,000,000

- What is the projected amount from property rating? (6 Marks)
- Determine the rate nairage for the fiscal year, 6 Marks)
- Ife Club wants to know the rate liability in respect of its property situated in Sabo, Ile-Ife. The building is on two plots and consists of a main hall with a projected semi-circular office at one end of the main hall, and a trapezoid-shape office at the other end (see the diagram below). The building is made of cement block walls and the foundation is strip type taken to a firm base. Flush doors and casement windows as well as corrugated iron sheets are used in the construction. The information gathered shows that the building was built two years ago on two plots. One plot was donated by Otumba Falade Fashina, the life patron of the club, and the other plot was purchased

from a member who volunteered to sell at 10 per cent less the market value. The volunteer member sold the plot to the club three years ago for N900,000. Values of plots today have risen by 120 per cent from the date of purchase. The property is in excellent state of decorative repairs. Assuming outgoings at 5 percent, construction cost at N200,000/m², advise Ife Club. Note that the dimensions are taken externally (6 Marks).

Floor Plan of Building belonging to Ife Cub, Sabo, Ile-Ife



2. Omisore Korede, a pupil estate surveyor, working with the estate surveying and valuation firm of Temitope Associates, Osogbo, was requested to give a fair assessment of a licensed hotel situated in the headquarter of Ife North Local Government Area for rating purposes. The premises are held on FRI for 21 years at a rent of N500, 000 per annum. The furniture and equipment are valued at N2,000,000, but were acquired for N5,000,000. Korode submitted the following rating assessment:

Receipts:

Restaurant

Bar

Apartment

Less Adjusted Stock

Purchases

Deduct Closing Stock

Add Opening Stock

Net Trading Profit

Less Working Expenses:

Wages and salaries

Gas and electricity

Personal drawings

Rent

Property Rates

Laundry and Stationery

Advertisement

Repairs (building)

Repairs (furniture)

N
1,800,000

200,000

3,500,000

600,000

200,000

400,000

100,000

N

5,500,000

500,000

5,000,000

200,000

150,000

800,000

200,030

20,000

15,000

6,000

85,000

50,000

Insurance (building)	300,000	
Insurance (contents)	15,000	
Depreciation (building)	35,000	
Spouse's trip to overseas	800,000	
Licence Duty	<u>9,000</u>	<u>2,680,000</u>
Gross Trading Profit		2,320,000
Less Interest on Tenant's Capital:		
Furniture and Equipment	3,000,000	
Stock average $(200,000 + 100,000 \div 2)$	150,000	
Cash float (10% of Purchases)	<u>60,000</u>	
	3,210,000	
Interest on Capital @ 7%	<u>0.70</u>	<u>2,247,000</u>
Divisible Balance		73,000
Less Tenant's share @ 50%		<u>36,500</u>
Rateable Value		36,500
Rate Nairage @ 10k		<u>1.00</u>
Rate Liability		36,500

Korede has been issued a query by the principal partner for professional incompetence. Substantiate the justification or otherwise for the query (15 Marks).

3a. Discuss the factors that are to be considered before introducing tenement rating in Ede North Local Government Area of Osun State (7 Marks).

b. The rent which is actually passing on a tenement must be accepted with caution to ascertain whether there are any factors which tend to show that the rent is not a bonafide indication of the current rental value. Discuss (8 Marks).

SECTION B

4.
 - a) Distinguish, with practical examples between exemption and Relief **5 Marks**
 - b) Examine the grounds upon which alteration to valuation list could be entertained and the procedure for doing so. **5 marks**
 - c) Differentiate between field inspection sheets and Rating Valuation Data Sheet. **5 marks**
5.
 - a) Identify and discuss briefly, the importance of the major information you require to fill into the rating valuation field inspection sheets **5 marks.**
 - b) What actions can be taken on failure to pay property rates? **5 Marks.**
 - c) What are the sources of exemption? **2 1/5 Marks**
 - d) How does relief operate? **2 1/5 Marks**
- 6) Discuss extensively the stages involved in the compilation of the valuation list **15 Marks**