

**UGANDA MARTYRS UNIVERSITY**  
**FACULTY OF BUSINESS ADMINISTRATION AND**  
**MANAGEMENT**

**TAXATION AND TAX MANAGEMENT**  
**(SUPPLEMENTARY/ SPECIAL)**

**Examination**

**2013 - 2014**

**BAM III – NKOZI CAMPUS**

**Date: 06<sup>th</sup> / 08/ 2014**

**Time allowed: 3 hours**

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**Instructions**

1. Do not write anything on the question paper
  2. Answer Only Four Questions.
  3. Use of relevant provisions of tax Laws will enrich your answers.
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### **Question 1**

Mayanja is a BAM 3 Graduate Accountant working as a chief audit executive with Savanna Bank (U) Ltd. His appointment was effective 1 January 2009 on a permanent basis, The following are the entitlements due to Mayanja as per his appointment letter:

- (a) A gross salary of shs 120 million per annum.
- (b) A car for use on both private and official duties valued at a cost of Shs 60 million. The bank charges him a monthly nominal fee of Shs 150,000 for the use of the car. The number of days relating to private use for the year ended 31 December 2009 was 120.
- (c) Travel allowance for his spouse of Shs 3 million per annum,
- (d) He received a reimbursement of Shs 4 million as passage costs to Uganda from Kenya where he previously worked before joining Savanna Bank (U) Ltd.
- (e) The bank has a loan scheme to staff at an interest rate of 8% per annum. The rate of interest ruling in the market was 16% per annum and the statutory rate was 14% per annum for the year ended 31 December 2009. Mayanja took up a loan of Shs 70 million on 1 May 2009.
- (f) The bank pays for his membership to Kabira Club of Shs 1.7 million per annum.
- (g) The bank pays his subscription to the institute of Internal Auditors Uganda Chapter of Shs 240,000 per annum.
- (h) Salaries and wages to the security guard of Shs 200,000 per month.

Required:

- a) Compute the amount payable by Mayanja for the year ended 31<sup>st</sup> Dec 2009. (17 marks).
- b) What are some of the PAYE limitations. (8 marks).

### **Question 2**

- a) Hajjati Aisha Nalugambo is a landlady with steady tenants. She earned rental income from her houses in different locations as given, below for the year ended 31-12-2011 as follows;

Location	Monthly Rent (Shs)	Monthly Maintenance Expenditure (Shs)
Plot 6, Nanjjela	300,000	50,000
Plot 7, Mutungo	400,000	60,000
Plot 10, Kira	200,000	30,000

**Required:** Compute Hajjati's rental income tax for the year ended 31-12-2011.

(10 marks)

2. (b) If the land lord in (a) above was Kampala consolidated properties, comment as to whether it would make a difference in tax payable, and if so compute the tax that would be payable for the year ended 31-12-2011.(5 marks).

2. (c) What some of the rights and Obligations of the tax payer (5 marks)

2. (d) Comment as it would make any difference between individual rental income and Company rental income for tax purposes?(2 marks)

**Question 3 (a)**

Musa imported a car worth 2,000 dollars, paid 200 dollars for insurance and 300 Dollars as freight charges up to Mombasa and the exchange rate is 1 dollar = 2,500 shillings. Compute the taxes payable. (11 marks)

**Question 3(b)**

Kaggwa & Sons Ltd deals in the importation resell and sometimes export of sugar. During the month of December 2011, the company imported 1,000 bags of sugar from the United Arab Emirates (UAE) of 50 kgs per bag. The cost of the sugar was USD 35,714.

The cost of transporting the sugar from the UAE to Mombasa was USD 4,000 and insurance costs of USD 400 from Dubai to Mombasa, Kenya and USD 200 from Mombasa to Kampala, Uganda. The then import rates of sugar were as follows:

Import duty-75 %

Exise duty – Shs 25 per kg

VAT -18%

Withholding tax (WHT) – 6%. The company is exempted from 6% WHT on imports.

URA imports exchange rate for December 2011 was 1 USD = 2,800 Ushs.

Tax is computed based on cost, insurance and freight (CIF) value.

The freight value considered is up to Mombasa.

**Required:**

- (a) Using the above information, compute the tax payable by Kaggwa & Sons Ltd to URA Customs. (14 marks)

#### **Question 4**

- a) Discuss in detail any seven canons of taxation. (20 marks)
- b) List any 5 transactions listed under exempt supplies  
(5 marks)

#### **Question 5**

- a) Write Short notes on the following terms defined under the income Tax Act Cap 340

- i. Resident individual
- ii. Resident Company

(10 marks)

- c) In recent past, Uganda Revenue Authority has capitalized on improving the tax administration structure at the expense of widening the tax base. (15 marks).

**Discuss the validity of the above statement.**

#### **Question 6**

- a) Discuss the opportunities and challenges arising from the East African Community Customs Union. (12 marks)
- b) Explain any five characteristics of indirect taxes. (5 marks)
- c) What are some of the 4 problems associated with smuggling?  
(8 marks)

**TAX RATES****(To be attached to the question paper)****Resident Individual Income**

<b>Annual chargeable Income</b>	<b>Rate of Tax</b>
Not Exceeding Shs 2,820,000.	Nil
Exceeding Shs 2,820,000 but not exceeding She 4,020,000.	10% of the amount by which chargeable income exceeds Shs 2,820,000
Exceeding Shs 4,020,000 but not exceeding Shs 4,920,000.	Shs 120000 plus 20% of the amount by which chargeable income exceeds Shs 4,020.000.
Exceeding Shs 4,920,000	She 300,000 plus 30% of the amount by which chargeable income exceeds Shs 4:920,000  Where Chargeable income exceeds 120,000,000 per annum, an additional 10% to be charged on the amount by which the chargeable income exceeds Shs 120.000,000