

**UGANDA MARTYRS UNIVERSITY, NKOZI/LUBAGA
CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING & FINANCE

BAM III SEMESTER TWO 2017/18

LUBAGA EVENING

COURSE UNIT: TAXATION AND TAX MGT

DATE: 7TH MAY 2019

Time allowed: 3 Hours

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, all questions carry equal marks

Question one

Mayanja is a 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:

- (i) Compute Mayanja's annual tax liability for the year ended on 31st December 2009 (20 marks)
- (ii) Explain some of the limitations of PAYE system in Uganda (5marks)

Question two

- a) Examine some of the penalties regarding non compliance to withholding Pay As You Earn (PAYE) (5 marks)
- b) Examine some of the challenges that the Ugandan government face in the collection and distribution of the taxes collected and what can be done to overcome these challenges (10 marks)
- c) Write short notes on following: stamp duties, stamp duty certificate issuance, objections and appeals as applied in taxation (10 marks)

Question three (a)

Acul Ocolo imported textile materials whose taxable value at importation was Shs. 20,000/- import and import Duty was 10%. He sold the goods to Nampere (Wholesaler) at 35,000/- (VAT exclusive). Nampere sold the goods to Kawere (retailer) at Shs. 40,000/= (VAT exclusive). Kawere sold the goods to Kasedde (final consumer at Shs. 50,000/- (VAT exclusive). Compute the VAT required **(10 marks)**

Question three (b)

Abbey who registered for VAT has the following transactions in the month of March 2018. All amounts are exclusive of VAT

Payments made;	U.Shs
Duplicating paper	650,000
Fuel	2,910,000
Water	612,000
Telephone	936,000
Electricity	1,341,000
Receipts received for the months of March:	5,100,000
Sales	5,100,000
Exports	6,000,000

Required

- (a) Calculate the VAT payable by Abbey for the year of income. **(15 marks)**
- (b) Advice Abbey on the date when his tax return should be filled with U.R.A **(5 marks)**

Question four

(a) Masolo identified a car through the internet from Toyota Motors Ltd's website, a company registered in Japan. Masolo made an order in January 2016 for a BMW 2002 invoiced at a consideration of \$18,000 free on board (FOB) Nagoya Japan. Masolo paid \$11065 for shipment from Japan to Mombasa and \$ 1184 insurance premium on board. Kangaroo Cargo Movers Ltd charged Mark Shs 4 million to transport the vehicle from Mombasa to Kampala.

Additional information:

1. Import duty rate for the vehicle is 25%.
2. Environmental levy is 20% for used vehicles older than 8 years.
3. Vehicle registration fees is Shs 4,000,000.

Mark was given an assessment to clear taxes on importation of the vehicle by Uganda Revenue Authority. He, however, was in doubt of Uganda Revenue Authority's computations since it was her first time to make an import. You are working with Kampala Certified Public Accountants as a tax consultant. Assume the exchange rate for a dollar is shs.3,700.

Required:

Compute the necessary taxes to enable Mark to register the car.
(25 marks)

Question five.

a) Nabageraka 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, Ntinda	1300,000	150,000
Plot 7, Muyenga	1400,000	160,000
Plot 10, Makerere	1200,000	130,000

Required: Compute Nabageraka's rental income tax for the year ended 31-12-2012.

(10 marks)

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 31-12-2012. (15marks)

c) What are some of the problems faced by tax authorities when assessing and administering taxes. (10 marks).

Question six.

a) Discuss in detail any seven canons of taxation.

(10 marks)

b) The expansion of the East African community Customs Union to include states like Rwanda and Burundi presents a number of opportunities to Uganda's economy.

Required:

Discuss the opportunities and challenges arising from the East African Community Customs Union. **(15 marks)**

In computing monthly PAYE tax, the following monthly rate of tax are used -

Total Monthly Employment Income	Monthly Income Tax
Where total income does not Exceed Shs.235, 000 per month	NIL
Where total income Exceeds Shs.235, 000 but does not exceed Shs.335,000= per month	10% of the amount by which chargeable income exceeds shs. 2,820,000
Where total income exceeds Shs.335,000= but does not exceed Shs.410,000= per month	Shs.10,000 plus 20% of the amount by which income exceeds shs. 335,000
Where total income exceeds Shs.410,000= per month	Shs.25,000= plus 30% of the amount by which total monthly income exceeds shs. 410,000 Where chargeable income exceeds shs. 10,000,000 per month, an additional 10% of the amount by which chargeable income exceeds shs. 10,000,000 per month

Residents:**Annual Rates**

Chargeable Income	Rate of Tax
Not Exceeding Sh282,000=	Nil
Exceeding Sh282,000= but not exceeding 4,020 000=	10% of the amount by which chargeable income
Exceeding Shs.4,020.000= but not exceeding Shs 4,920,000=	shs 120 000= plus 20% of the amount by which Chargeable income exceeds shs4,020,000
Exceeding Shs.4,920, 000=	Shs.300,000= plus 30% of the amount by which Chargeable income exceeds shs 4,920, 000= Where chargeable income exceeds Shs 120,000,000 per annum, an additional 10% charged on the amount by which chargeable income exceeds Shs 120,000,000.

Non Resident PAYE Rates: (Annual Rates)

Chargeable Income	Rate of Tax
Not exceeding Shs,4,020.000=	10%
Exceeding Shs 4,020,000= but not exceeding Shs.4,920,000	Shs.402,000 plus 20% of the amount by which chargeable income exceeds shs.4,020,000=
Exceeding Shs.4,920,000=	Exceeding Shs 4920,000= Shs.582,000= plus 30% of the amount by which chargeable income exceeds Shs.4,920,000= Where chargeable income exceeds 120000,000 per annum, an additional 10% to be charged on the amount by which chargeable income exceeds Shs 120,000,000

END!!!! WISHING YOU SUCCESS.