

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

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING & FINANCE

BAM III EVENING SEMESTER TWO 2017/18

BAM III SEMESTER TWO 2017/2018

COURSE UNIT: TAXATION AND TAX MANAGEMENT

DATE: Thursday, 8th May 2018

Time allowed: 4:00pm-7:00pm

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

Kisi is a managing director of a food processing company in Uganda, having moved from Rwanda. His four-year contract of employment commenced on 1 January 2011; and the following are part of his entitlements:

- 1 Monthly salary Shs 45 million.
- 2 Reimbursement of cost of passage to Uganda to take up the job Shs 10 million.
- 3 Housekeeping allowance Shs 250,000 per fortnight.
- 4 Annual gratuity of Shs 40 million payable at the end of each year of the contract.
- 5 Club membership at Kampala Club of Shs 5 million per annum.
- 6 Allowance for a security guard of Shs 300,000 per month.
- 7 Medical allowance of Shs 2 million per month over and above the medical scheme provisions for the entire staff.
- 8 Loan facility offered at a rate of 10% per annum of Shs 200 million taken effective 1 June 2014. The statutory rate as at 1 July 2014 was 12%.
- 9 Travel allowance for spouse Shs 4 million.
- 10 Residential accommodation at Kololo provided by employer where he pays a monthly nominal rate of Shs 1,500,000. The open market rate of similar houses is Shs 10 million per month.
- 11 A Mitsubishi Pajero station wagon provided by employer for both duty and private use. The vehicle was acquired at Shs 150 million on 1 July 2015. Mr Kisi pays a nominal Shs 200,000 per month towards fuel.

Other Information:

- i) During the month of June 2015, Kisi worked for 10 days at the company's branch in Juba, South Sudan. He was paid a daily allowance of Shs 300,000 to cover accommodation and meals.
- ii) Kisi was involved in an accident, while on his way to supervise the company's projects in Mbarara, in October 2010. The company incurred Shs 2 million towards his medical expenses.

Required:

Compute the tax payable by Kisi for the year ended 31 December 2015. **(25 Marks)**

Question two

(a) Namwanje is a landlady with steady tenants. She earned rental income from her houses below for the year ended.

31st December 2016 as follows;

Location	Monthly rent (Shs)	Monthly Maintenance. Expenditure (Shs)
Plot 6, Ntinda	3,000,000	500,000
Plot 7, Muyenga	4,000,000	600,000
Plot 10, Makerere	2,000,000	300,000

REQUIRED:

- i) Compute Namwanje's rental income tax for the year- ended 31st December 2016. **(10 marks)**
- ii) 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 31-12-2016.**(10 marks)**
- iii) Explain any five rental taxpayer's obligations **(5 marks)**

Question three

- a) Explain the sources of income that are exempt from taxation not as a result of social policy. **(10 Marks)**
- b) State the procedure under which a taxpayer may be granted an extension of time to furnish a return of income under the Income Tax Act. **(5 Marks)**
- c) Mr Jimmy Kibaate is a taxpayer in Kampala West Domestic Tax Office. He has regularly submitted accounts. However for a year ended 31st December 2014, he did receive assessments on 19th August 2015 after he had failed to submit returns. He feels he should object to the assessments.

Required:

Discuss the steps he should go through in his objection to the assessments. **(10 Marks)**

Question four

Mwalimu identified a car through the internet from Toyota Motors Ltd's website, a company registered in Japan. Mwalimu made an order in January 2016 for a BMW 2002 invoiced at a consideration of \$8,000 free on board (FOB) Nagoya Japan. Mwalimu paid \$1065 for shipment from Japan to Mombasa and \$ 84 insurance premium on board. Kangaroo Cargo Movers Ltd charged Mwalimu Shs 2 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 2,000,000.
- Mwalimu 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.

Required:

Assuming the bank of Uganda Exchange rate for a dollar was UGX 3,000 compute the necessary taxes to enable Mwalimu to register the car. **(25 marks)**

Question five.

- 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)**

Question six

- a) Define the term taxation and explain the main characteristics of a tax. **(12 marks)**
- b) Explain the seven (7) main objectives of taxation. **(14 marks)**

END!!!! WISHING YOU SUCCESS.

The following tax rates may be used:

RESIDENTS	
Chargeable Income (monthly)	Rate of Tax (monthly)
Not exceeding shs. 235,000	NIL
Exceeding shs. 235,000 but not exceeding shs. 335,000	10% of the amount by which chargeable income exceeds shs. 235,000
Exceeding shs. 335,000 but not exceeding shs. 410,000	10,000 plus 20% of the amount by which chargeable Income exceeds shs. 335,000
Exceeding shs. 410,000	<p>A. 25,000 plus 30% of the amount by which chargeable income exceeds shs. 410,000 and</p> <p>B. Where the chargeable income of an individual exceeds shs. 10,000,000 an additional 10% is charged on the amount by which chargeable income exceeds shs. 10,000,000</p>

Resident Individual Income

Annual chargeable Income	Rate of Tax
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 120,000 plus 20% of the amount by which chargeable income exceeds Shs 4,020,000.
Exceeding Shs 4,920,000	<p>She 300,000 plus 30% of the amount by which chargeable income exceeds Shs 4,920,000</p> <p>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</p>

Non — resident Individual	
Annual chargeable Income	Income Tax Rates
Not exceeding shs 4,020,000.	10%
Exceeding She 4.020000 but not exceeding Shs	Shs 402,000 plus 20% of the amount by which chargeable income exceeds Shs 4,020,000.
Exceeding She 4,920,000.	Shs 582000 plus 30% of the amount by which chargeable income exceeds She 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. 1,120,000,000