

UGANDA MARTRY'S UNIVERSITY, MBALE CAMPUS
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT
COURSE NAME: TAXATION & TAX MANAGEMENT
COURSE CODE 3201: YEAR OF STUDY: III

DATE: May 2018

TIME: 3 HOURS

SECTION A COMPULSORY 25 MARKS

Question One

Watenga operates a rental business located in Mbale town. He reported the following in 2017

	Location	Rent per months	Administrative Expenses per month
1	1 house on Manafa road	400,000	200,000
2	1 house at Malukhu estate	450,000	150,000
3	1 house on Republic street	500,000	50,000
4	1 house on Central road	750,000	225,000
5	1 house at Clock tower	450,000	115,000

Required:

- a) Compute Watenga's taxable rental income and tax liability for the year ended December 31, 2017 (8 Marks)
- b) Assuming that the above incomes and corresponding expenses were for Watenga and Co. Ltd, Compute the company's taxable rental income and tax liability for the same period (8 Marks)
- c) What challenges do tax administrators encounter while administering rental tax (4 Marks)
- d) Discuss the objectives and benefits of the customs union (5 Marks)

Section B: FIVE QUESTIONS, Attempt any three questions only

Question Two

Moses is a resident employee with UMU investments, a resident tax paying company in Uganda. Moses works as a human resource officer and for the year ended 31st Dec, 2016, the following transpired:

- a) He earned a basic salary of 500,000/= per Month
- b) Entertainment allowance of 100,000/= per month
- c) Rent of 600,000/= per month paid by the company
- d) He drives a Prado which has a market value of 20 million for both official and public use. It is estimated that 100 days in a year are for private use.
- e) He pays 3,000,000/= for school fees for his children p.a. this money is paid by TXT investments.
- f) Moses is given two air tickets in December for himself and wife for a 5 day private holiday in South Africa. The air tickets cost the company 5,000,000/=. He also received a leave pay of 1,000,000/.
- g) The company pays 100,000/= life insurance premium per month on his behalf.
- h) Moses is covered by the company's medical insurance scheme where the company pays 500,000/= p.a. to the insurance company on his behalf.
- i) During the year the company sent Moses upcountry for 10 days to supervise company projects. He was given 2,000,000/= expected to cover travel, accommodation and meals

Required:

- a) Compute Moses's taxable income for the year ended 31st December, 2016. (10 Marks)
- b) Liability for the year ended 31st December, 2016. (10 Marks)
- c) The difference between employment and employment income. (5 Marks)

Question Three

Radio Maria earned income from different sources for the year 2014 as indicated below:

Business income.....	25,000,000
Employment income.	2,400,000
Property income (interest received from Bank).....	500,000
Dividend from Total (U) Ltd.....	275,000
Interest on treasury bills	150,000

In addition, he incurred expenses amounting to Shs 1,200,000 to earn the income.

Required:

- Illustrate with the aid of examples the difference between gross income and chargeable income (8 Marks)
- Determine Radio Maria's gross income (7 Marks)
- Compute Radio Maria's Chargeable income (6 Marks)
- Tax liability for the year ended 2014 (4 Marks)

Question Four

- Using relevant examples, define the word Tax as used in taxation and management (4 Marks)
- With the help of practical examples, demonstrate at least eight (8) canons of a good tax in Uganda (8 Marks)
- Illustrate the purpose of taxation to the government of Uganda (8 Marks)
- What challenges does the tax collector face in collecting tax (5 Marks)

Question Five

- Discuss the arguments for introducing VAT in Uganda (6 Marks)
- Illustrate and explain the different types of VAT and the rates applicable to each according to the income tax Act (6 Marks)
- Using relevant examples, discuss the challenges of tax administration in Uganda (7 Marks)

- d) Discuss at least three offences and penalties each due to tax payers for non-compliance
(6 Marks)

Question Six

- a) Justify the purpose of tax identification number (TIN) in tax administration (4 Marks)
- b) Discuss the implications of not filling returns on time and the necessary measures to curb this practice
(6 Marks)
- c) Demonstrate the stages of regional integration and its benefits to the east African community members
(6 Marks)
- d) What are the roles of URA?
(4 Marks)
- e) Explain the meaning of the following terms: Presumptive tax, corporation tax, provisional tax, withholding tax and VAT
(5Marks)