

**UGANDA MARTYRS UNIVERSITY
NKOZI/LUBAGA CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

**DEPARTMENT OF ACCOUNTING & FINANCE
SEMESTER TWO 2018/19
BAM III NKOZI & LUBAGA CAMPUSES**

COURSE UNIT: TAXATION & TAX MANAGEMENT

DATE: 2nd May 2019

Time allowed: 3hours

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

- a) Using examples briefly distinguish between direct and indirect taxes. (5marks)
- b) Explain any five (5) merits and five (5) demerits of direct taxes. (10 marks)
- c) Identify and explain various rights/obligations embedded in the tax structure of Uganda (10 marks)

Question two

- a) Identify and explain the non-tax revenues that are collected by URA. (5marks)
- b) In what five (5) forms does smuggling occur? (10marks)
- c) Why does Uganda Revenue Authority (URA) impose heavy penalties on smuggling? (10marks)

Question three

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

Payments made;	U.Shs
Reams of office stationery	436,000
Fuel	1,940,000
Water	408,000
Airtime	624,000
Yaka Units (UMEME)	894,000
Receipts received for the months of March:	3,400,000
Sales	3,400,000
Exports	1,360,000

Required

- (a) Calculate the VAT payable by Amos for the year of income. (10 Marks)
- (b) Advice Amos on the date when his tax return should be filled with U.R.A. (10 Marks)

Question four

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

Marha 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.3,500.

Required:

Compute the necessary taxes to enable Martha to register the car.

(25 marks)

Question five.

- a) Nabagereka 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	300,000	50,000
Plot 7, Muyenga	400,000	60,000
Plot 10, Makerere	200,000	30,000

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. (10marks)
- c) What are some of the problems faced by tax authorities when assessing and administering taxes. (5 marks).

Question six

Mapengo was contracted as an Electrical Engineer on a 3 months contract, expiring on 30th April 2019 by the Uganda Muslim Supreme Council. His appointment letter in part reads as follows:

- a) Your monthly basic salary shall be shs.300,000
- b) You are entitled to monthly medical insurance and life insurance premiums of shs.1,200,000 and shs.1,000,000 respectively
- c) You will be granted bonus of 150% of your monthly salary on expiry of the contract.
- d) The company will meet your domestic electricity, telephone and water bills worth shs.200,000 per month in addition to the accommodation which will cost the employers shs.125,000 per month.
- e) You are entitled to use the employer's car for private purposes only on Sunday. The car has a market value of shs.40,000,000 and you will receive a monthly shs.50000 transport allowance
- f) The employer will contribute 10% of the basic salary towards NSSF while you will contribute 5% of your basic salary.
- g) You will enjoy services of two shamba boys and a house girl each paid shs. 40,000 per month. You will pay shs.65,000 per month to qualify for this scheme.
- h) The employer provides meals both at work and at your residence

Meals provided to him were worth shs.120,000, 40% of which were provided to him during working hours in the company café, open to all employees on equal terms. In addition he was extended a shs.10,000,000 interest free loan for the month of April 2019. The statutory rate was 20% and 15% as at 1st July 2019 and 1st July 2018 respectively. His contract has expired at the end of April 2019 and he accumulated terminal benefits worth 250% of his basic salary. The employer gave him an air ticket to South Africa worth shs.3,000,000, plus a reimbursement of medical expenses worth shs.500,000.

Required:

- (i) Compute Mapengo's taxable income from employment and the tax payable by him for the month of April 2019. (15 marks).

- (ii) Explain any five (5) limitations of PAYE system (10 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=	10% of the amount by which chargeable income exceeds shs.

per month	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	<p>Shs.25,000= plus 30% of the amount by which total monthly income exceeds shs. 410,000</p> <p>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</p>

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=	<p>Shs.300,000= plus 30% of the amount by which Chargeable income exceeds shs 4,920, 000=</p> <p>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.</p>

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 4,920,000= Shs.582,000= 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 chargeable income exceeds Shs 120,000,000

END!!!! WISHING YOU SUCCESS.