

UGANDA MARTRYS 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

Judith is a resident employee with TXT investments, a resident tax paying company in Uganda. Judith works as a chief executive 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) Judith is given two air tickets in December for himself and wife for a 5day 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) Judith 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 Judith upcountry for 10 days to supervise company projects. He was given 2,000,000/= expected to cover travel, accommodation and meals

Required:

- a) Compute Judith's taxable income for the year ended 31st December, 2016.(15 Marks)
- b) Liability for the year ended 31st December, 2016 (5Marks)
- c) The difference between employment and employment income. (5 Marks)

Section B: FIVE QUESTIONS, Attempt any three questions only

Question Two

Joyce is a landlady in Mbale town with steady tenants. She earned rental income for 2016 from her houses located in different places as follows:

Plot 10 Republic street with monthly rent of 300,000. She incurs 50,000/= maintenance cost monthly, Plot 8 Naboa road with monthly rent of 400,000/=. She incurs 60,000/= maintenance cost and plot 5 Manafa road with monthly rent of 200,000/=. She incurs 30,000/= maintenance cost and plot 2 court road with monthly rent of 450,000/= with maintenance cost of 75,000/=

Required:

- a) Compute Susan's taxable rental income for the year ended 2016 (10 Marks)
- b) Tax liability for the period (5 Marks)
- c) If Susan was a company, determine her taxable income and tax liability for the same period (6 Marks)
- d) What challenges are encountered in collecting rental tax in Uganda? (4 Marks)

Question Three

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

Question Four

- a) Discuss the process of objections and appeals by the taxpayer according to the income tax Act (6 Marks)
- b) Illustrate and explain the different sources of withholding tax according to the income tax Act (8 Marks)
- c) Using relevant examples, discuss the challenges of tax administration in Uganda (5 Marks)

- d) Discuss at least six measures that can be taken by tax authorities against non-compliance in tax administration (6 Marks)

Question Five

- a) Explain the purpose of tax identification number (TIN) in tax administration (4 Marks)
- b) Discuss the arguments for introducing VAT in Uganda (8 Marks)
- c) What are the challenges of collecting this tax by the URA? (6 Marks)
- d) With the help of atleast four examples differentiate between domestic and customs tax (7 Mark)

Question Six

Jackeline Ltd 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 from Stanbic 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:

- a) Differentiate between gross income and chargeable income (4 Marks)
- b) Determine Jackeline's gross income and chargeable income (8 Marks)
- c) Compute the tax liability for the year ended 31st December, 2014 (3 Marks)
- d) Outline the offences and penalties relating the income tax in Uganda (6 Marks)
- e) Justify the role of taxation in Uganda (4 Marks)