

**UGANDA MARTYRS UNIVERSITY**  
**NKOZI**  
**UNIVERSITY EXAMINATION**  
**MAY 2023**  
**FACULTY OF LAW**  
**BACHELOR OF LAWS (LLB) YEAR III SEMESTER I FINAL ASSESSMENT AY**  
**2022/2023**  
**REVENUE LAW AND TAXATION 1**  
**LLB 3213**

**DATE:** Wednesday 17<sup>th</sup> May, 2023

**TIME:** 2:00 PM – 5: 30 PM

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**Instructions:**

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1. This is a partially open book exam. Students are only permitted to take into the examination only **CLEAN COPIES** of the relevant statutes/legislation and shall not exchange the same during the examination.
2. Candidates shall attempt any **FOUR** questions.
3. Each question carries 25 marks.
4. No **names** should be written anywhere on the examination book.
5. Ensure that your **Registration number** is written correctly and any script without it will not be marked.
6. Any type of examination malpractice will lead to automatic disqualification
7. Use the exam answer booklet for all your rough work

### **QUESTION 1**

- (a) **Critically analyse** the relevance and applicability of the notion of badges of trade to the taxation of business income in Uganda. **(13 Marks)**
- (b) Giving examples discuss the pros and cons of **direct** and **indirect** taxes, clearly laying out the differences between the two types. **(12 Marks)**

### **QUESTION 2**

- (a) Murungi is a resident employed by Global manufacturers, he earns a monthly salary of UGX. 200,000/=. Is the company obliged to deduct PAYE tax from Murungi? Explain your answer. **(05 marks)**
- (b) Suppose Murungi in addition to the monthly salary is given the following;
- (i) Traveling monthly allowance of UGX. 1,000,000/=.
  - (ii) Medical monthly allowance of UGX. 500,000/=.
  - (iii) Monthly leave pay of UGX. 800,000/=.
  - (iv) Monthly overtime pay of UGX. 1,000,000/=.
  - (v) Monthly entertainment of UGX. 1,200,000/=.
  - (vi) Monthly accommodation allowance UGX. 1,500,000/=.

**Compute his monthly amount of PAYE to be deducted from Murungi. (20 marks)**

### **QUESTION 3**

Jane Grace is a trader in Kireka dealing in selling of electronics and money lending business. In the year 2020, she earned the following income;

- i. UGX. 20,000,000/= as sales from electronics
- ii. UGX. 5,000,000/= from Ssebagala and Sons Electrical Center as money paid not to sell certain commodities
- iii. UGX. 300,000/= as interest on a loan availed to her friend Joyce
- iv. UGX. 10,000,000/= as a gift from FUFA as the best net baller of the year 2022.
- v. UGX. 5,000,000/= as alimony

In the production of the income stated above, Jane Grace spent money in the following expenses;

- i. UGX. 10,000,000/= as payment of staff salaries.
- ii. UGX. 3,000,000/= as school fees for her children.
- iii. UGX. 400,000/= as repairs on some electrical equipment.
- iv. UGX. 200,000/= per month as electricity bills.
- v. UGX. 500,000/= as taxes.

**Calculate Jane Grace's taxable income in the Year of Income. (25marks)**

#### **QUESTION 4**

Justus Mutiini works at Uganda Martyrs University Medical School as the Dean of the School of Medicine.

- i. In the year 2020, he earned UGX. 5,000,000/= as allowances for overtime pay.
- ii. He also received pension worth UGX. 20,000,000/= from UAP Insurance.
- iii. He is availed a house on campus worth UGX. 2,000,000/= per month of which he pays UGX. 500,000/= and a security guard whose salary is UGX. 200,000/= per month paid by Uganda Martyrs University.
- iv. He also received UGX. 3,000,000/= as reimbursement for his medical bills at Case Clinic.

In the course of his duties, he spent in the following activities;

- I. UGX. 800,000/= for the birthday party for his son.
- II. UGX. 4,000,000/= for buying suits for wearing during work.
- III. UGX. 2,000,000/= for the staff meeting.
- IV. UGX. 5,000,000/= for attending a Dean's conference in China.
- V. UGX. 3,000,000/= for a short course in education management.

**Calculate Justus's taxable income in year of income. (25 marks)**

#### **QUESTION 5**

- (a) "There are various individuals and or institutions that are not liable to taxation under the Ugandan tax law". Discuss the statement and highlight the justification for the law in that regard. **(15 marks)**
- (b) Examine the circumstances under which capital expenditures are deductible under the Income Tax Act. **(10 marks)**

#### **QUESTION 6**

With clear illustrations from the different kinds of taxes including Employment tax (PAYE), Business tax (Corporate tax) VAT and customs tax, discuss the seven principles of a good tax system and how each taxes satisfy or violates each principle. **(25 marks)**



### **QUESTION 7**

a) Biteba is a sole trader who owns a Bulo traders in which he earns a gross turn of UGX. 75,000,000/= per year in Kampala. Biteba has heard that the law is now favorable to the uneducated businessmen and makes it easier for them to pay taxes.

Biteba has had so many expenditures including;

- (i) Rent of UGX. 300,000/= per month
- (ii) Purchasing raw materials at UGX. 400,000/= per month
- (iii) Electricity at UGX. 600,000/= per month
- (iv) Water charges at UGX. 100,000/= per month
- (v) Salaries at UGX. 800,000/= per month minor repairs of a total of 350,000/= per annum.

However, the computation of all this confuses Biteba and he claims to have lost the receipts of some of his expenditures. Biteba wants to use the easy way to pay taxes on for his business.

- (a) Use the easiest method to calculate Biteba's tax liability from his business.
- (b) If Biteba was to opt to be taxed under section 4(2), would the tax be the same, give reasons for your answer.

State the advantages of using the method in (a) above. **(25marks)**