

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

FACULTY OF BUSINESS AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

YEAR III SEMESTER II EXAMINATIONS 2021/2022  
BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT

COURSE CODE: TAX 3201

COURSE NAME: TAXATION AND TAX MANAGEMENT

Date: 13<sup>th</sup> JULY 2022

Time: 3 HOURS

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**INSTRUCTIONS:**

1. Time allowed: **3 hours**
  2. Attempt any **four** questions.
  3. All questions carry equal marks.
  4. Use of relevant examples will be credited.
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**Question One**

- a) Discuss the various taxable employment benefits in kind as per the income tax ACT?  
(9Marks)
- b) Judith has her home in Lira. She is an employee of Tullow Oil (U) Ltd. Below is an extract from the payroll for her monthly earnings for the month of March 2020:
- |                       |                |
|-----------------------|----------------|
| i) Salary             | 3,000,000 p.m. |
| ii) Medical allowance | 30,000 p.m.    |
- iii) She lives in a company house in Kololo. If she was to rent the same house, she would pay sh. 1,200,000 per month. The company deducts a modest sh. 50,000 per month as her contribution to the house.
- iv) On March 1<sup>st</sup>, 2020, she was given a car available to her for private use all the time. It was brand new costing sh. 80,000,000 when it was first availed to her.
- v) Every month, the company pays 100,000 to Old Mutual as a life insurance premium for her or her dependents.
- vi) During March, she received a cost-of-living allowance sh. 40,000
- vii) Having woken up with a slight headache on March 9<sup>th</sup>, she went to Platinum hospital for a medical examination. It cost her sh. 100,000. It was refunded to her the following day by the company cash office.

- viii) The company advanced her a salary loan of sh. 999,000 at 5% interest. The statutory rate was 8%. That's the only loan she can access for the year of income.
- ix) The company operates a share acquisition scheme. Each employee has a right to acquire shares in the company. Judith's right in March was valued at sh. 1,000,000.
- x) The company paid her Umeme power bill for March sh. 200,000.
- xi) Tullow Oil (U) Ltd is a very compliant taxpayer

**Required:**

- a) Ascertain Judith's employment income for the month of March 2020 **(13 marks)**
- b) Compute the P.A.Y.E due on her income for the month **(3 marks)**

**Question Two**

- a) Differentiate between the provisional tax return and final tax return **(3 marks)**
- b) Outline the information contained in the notice of assessment **(10 marks)**
- c) Section S.100 of the Income Tax Act provides that were a person disputes an assessment made upon him, he may apply to the commissioner to have it amended. Outline the conditions to be satisfied for an objection to be valid and how the commission general will react if the conditions are met. **(12 marks)**

**Question Three**

- a) You have been appointed to act as a tax advisor to a newly incorporated trading company, Jemez Limited. You heard the managing director commenting "Tax avoidance and tax evasion are confusing terms in taxation". Write a short memo to the Managing Director explaining the differences between Tax avoidance and tax evasion thereafter give reasons why people evade tax **(13 marks)**
- b) Peter buys a piece of land for Ushs. 26,000,000 in October 1995 (RPI 149.8). He sells one quarter of the land for Ushs. 12,000,000 in August 2009 (RPI 161.6), incurring incidental costs of disposal of Ushs. 500,000. The value of the remaining three quarters of land in August 2009 is Ushs. 40,000,000. Calculate the taxable gain **(12 marks)**

**Question Four**

- a) VAT was introduced in Uganda in 1996 to replace sale tax and Commercial Transaction Levy, explain the reasons for introducing VAT in Uganda? **(5 marks)**
- b) Explain to your client the circumstances under the VAT Act 1996 when a person is required to register or considered a taxable person **(5 marks)**
- c) Kyenjojo Beverages Ltd, the producer of Kahogo brands had the following transactions during the month of March 2019: **(unless stated otherwise, prices are exclusive of VAT).**
  - i) Imported filtering equipment from Italy on customs entry C2456 of 16/03/2019 and customs value was sh. 4,000,000. Import duty was at 25%.
  - ii) Purchased 5 tonnes of millet flour stock at sh. 6,000,000
  - iii) Purchased 500 kg of maize grains for sh. 250,000
  - iv) Paid Umeme yaka for march sh. 300,000 (VAT inclusive)
  - v) Sold half of the maize grain for 140,000 and 2 tonnes of the millet flour at sh. 3,000,000
  - vi) Sold 200 cartons of processed kahogo drink for sh. 1,400,000



vii) Bought from Nanking machinery a bottle sealer at sh. 800,000. They were given a cash sale receipt only.

viii) Sold some by-products to Mabonwa distillers' group at sh. 200,000 VAT inclusive

ix) Bought some dairy machinery to set up a milk processing line sh. 10,000,000

x) Bought some millet seeds to supply to their out-grower groups sh. 2,000,000

**Required:**

Determine Kyenjojo beverages Ltd.'s input and output tax and determine tax due/refundable. **(15 marks)**

**Question Five**

- a) Income Tax is tax imposed on taxable income of individual, company, partnership, trustee, Government and sub divisions of Government at specific rates based on residency. Define the term resident for tax purposes when applied to:
- i). An individual. **(6 marks)**
  - ii). A Trust **(3 marks)**
  - iii). A Company. **(6 marks)**
- b) What are the ingredients to be included in the principles of a good tax system? **(10 marks)**

**Question Six**

Juliet derives her income from both property and business income. For the year of income ended January 31, 2022, the following summarizes her incomes:

Owns 4 rental properties. One rented at sh. 500,000 per month was occupied for 9 months only. The second one rented at sh. 600,000 per month has been rented by the one tenant for the last four years. By January 31, 2022, the tenant had not paid rent for December 2021 and January 2022. The third property is occupied by a diplomat from South Korea at sh. 1,000,000 per month. For the year ended January 31, 2022, the diplomat had paid sh. 18,000,000. Regarding the fourth property, it is rented at sh. 500,000 per month. The tenant had been in arrears for some time. But on December 31, 2021, the tenant paid sh. 9,000,000 to cover up to April 30, 2022. Juliet pays sh. 800,000 per year for security of the property; sh. 2,000,000 for maintenance and sh. 4,000,000 property manager's salaries and wages; having built one of the properties with a loan from Housing Finance Bank, she also pays loan interest of sh. 5,000,000 per year. She also owns a building at Kyaka in Kagera district of Tanzania which generated Ugx. 6,000,000 incomes for that year. She paid provisional tax of sh. 60,000 for the year.

**Required:**

- a) Ascertain Juliet's chargeable rental income for the year of income under consideration and rental tax arising and due **(15 marks)**.
- b) With the same information above, determine the chargeable income and tax payable if it was Juliet Limited that owned the same properties **(10 marks)**.

**THE END**