

**UGANDA MARYRS UNIVERSITY, NKOZI**  
**FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT**

**TAXATION AND TAX MANAGEMENT**

**BAM 111**

**SPECIAL/SUPPLEMENTARY EXAMINATION**

**DATE: 5<sup>th</sup>/08/2015**

**TIME ALLOWED: 3 HOURS**

**INSTRUCTIONS CANDIDATES:**

Read the following before answering the examination questions.

1. Do not write anything on this question paper
2. Attempt four questions

### **Question one**

Mayanja is an Accountant working as a chief audit executive with Savanna Bank (U) Ltd. His appointment was effective 1 January 2009 on a permanent basis, The following are the entitlements due to Mayanja as per his appointment letter:

- (a) A gross salary of shs 120 million per annum.
- (b) A car for use on both private and official duties valued at a cost of Shs 60 million. The bank charges him a monthly nominal fee of Shs 150,000 for the use of the car. The number of days relating to private use for the year ended 31 December 2009 was 120.
- (c) Travel allowance for his spouse of Shs 3 million per annum,
- (d) He received a reimbursement of Shs 4 million as passage costs to Uganda from Kenya where he previously worked before joining Savanna Bank (U) Ltd.
- (e) The bank has a loan scheme to staff at an interest rate of 8% per annum. The rate of interest ruling in the market was 16% per annum and the statutory rate was 14% per annum for the year ended 31 December 2009. Mayanja took up a loan of Shs 70 million on 1 May 2009.
- (f) The bank pays for his membership to Kabira Club of Shs 1.7 million per annum.
- (g) The bank pays his subscription to the institute of Internal Auditors Uganda Chapter of Shs 240,000 per annum.
- (h) Salaries and wages to the security guard of Shs 200,000 per month.

Required: Compute the tax payable by Mayanja for the year.

**(25marks)**

### **Question two**

- a) Income tax Act outlines forms of income excluded from employment income. Using relevant examples and illustrations, explain briefly these exceptions. **[5 marks]**
- b) What are non-allowable expenses for a limited liability company, state and explain five examples of non-allowable expenses. **[3 marks]**
- c) State and Explain six badges of Trade. **[2 marks]**

d) Assuming AculOcolo and Sons Ltd imports wine from Australia at CIF Value of US \$ 25,000 attracting 25% import duty, 70% excise duty, VAT of 18% and withholding tax of 6% and the current Exchange rate is UGX 2,500. **Determine: [15 marks]**

- i) Custom Value of Import
- ii) import duty
- iii) Excise Duty
- iv) VAT
- v) Withholding Tax
- vi) Total Tax payable

**Question three.**

- a) Discuss in detail any seven canons of taxation. **(10 marks)**
- b) The expansion of the East African community Customs Union to include states like Rwanda and Burundi presents a number of opportunities to Uganda's economy.

**Required:**

Discuss the opportunities and challenges arising from the East African Community Customs Union. **(15 marks)**

**Question four**

(a) Mande identified a car through the internet from Toyota Motors Ltd's website, a company registered in Japan. Mande made an order in December 2013 for a Toyota Prado Model 2000 invoiced at a price equivalent to \$ 8,000 free on board (FOB) Nagoya Japan. Mande paid an equivalent of \$ 1065 for shipment from Japan to Mombasa and \$ 84 for insurance premium on board. KangarooCargo Movers Ltd charged MandeShs3 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 Shs6,000,000.

Mande 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 his first time to make an import. You are working with Wiser Certified Public Accountants as a tax consultant.

**Required:**

Compute all the necessary taxes and advise Mande on the tax due, including registration charges to enable him register his motor vehicle.

**Question five**

Write notes on each of the following:

- a) Any five Offences committed by Value Added Tax registered persons and possible penalties. (5 marks)
- b) Important features that must appear on any Tax Invoice. (5 marks)
- c) John and Mark were in Partnership with the profit sharing ratio of 2/3 and 1/3 respectively. Mark earned a salary of shs. 300,000/=, the interest earnings were as follows;

	John	Mark
Interest on drawings	100,000	50,000
Interest on Capital	500,000	250,000

The net profit before any distribution to the partners was shs. 36,000,000/= for the year ended December 2012.

**Required:**

Calculate the taxable income and the tax liability of each partner, assuming that John is a Non-resident and Mark is a resident tax payer. (15 marks)

**Question six**

James Kingundu who registered for VAT has the following transactions in the month of March 2005. All amounts are exclusive of VAT.

Payments made	U.shs
Duplicating paper	218,000
Fuel (Petrol)	970,000
Water	204,000

Telephone	312,000
Electricity	447,000
Receipts received for the months of March	
Sales	1,700,000
Exports	680,000

### Required

- a) Calculate the VAT payable by James for the year of income.
- b) What are some of the five circumstances that may force the commissioner general not to register any person for VAT purposes?
- c) What is the difference between exempt and zero-rated supplies. (25 marks)