

UGANDA MARTYRS UNIVERSITY, NKOZI AND LUBAGA
CAMPUS

FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

BSC. ACC & FIN I SEMESTER TWO 2022/2023

COURSE UNIT: ELEMENTS OF TAXATION

DATE: Monday, 22nd May 2023

Time allowed: 9:30am -12:30pm

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. Attempt 4 questions in all.
6. Write neatly and show all workings.
7. Every question attempted should be started on a new page.

Question One

Mwalimu identified a car through the internet from Toyota Motors Ltd's website, a company registered in Japan. Mwalimu made an order in January 2016 for a BMW 2002 invoiced at a consideration of \$16,000 free on board (FOB) Nagoya Japan. Mwalimu paid \$2,130 for shipment from Japan to Mombasa and \$168 insurance premium on board. Kangaroo Cargo Movers Ltd charged Mwalimu Shs 4 million to transport the vehicle from Mombasa to Kampala.

Additional information:

1. Import duty rate for the vehicle is 25%.
2. Environmental levy is 50% for used vehicles older than 8 years.
3. Vehicle registration fees is Shs 4,000,000.

Mwalimu 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.

Required:

Assuming the bank of Uganda Exchange rate for a dollar was UGX 3,700 compute the necessary taxes to enable Mwalimu to register the car. (25 Marks)

Question Two

- a) Acul imported textile materials whose taxable value at importation was Shs. 20,000/- import and import Duty was 10%. He sold the goods to Nampere (Wholesaler) at 30,000/- (VAT exclusive). Nampere sold the goods to Kawere (retailer) at Shs. 40,000/= (VAT exclusive). Kawere sold the goods to Kasedde (final consumer at Shs. 60,000/- (VAT exclusive).

Required: Compute VAT liability. (10 Marks)

- b) Abbey who registered for VAT has the following transactions in the month of March 2022. All amounts are exclusive of VAT

Payments made;	U.Shs
Duplicating paper	436,000
Fuel	700,000
Water	408,000
Telephone	624,000

Electricity	894,000
Receipts received for the months of March:	
Sales	3,400,000
Exports	800,000

Required

(a) Calculate the VAT payable by Abbey for the year of income.

(b) Advise Abbey on the date when his tax return should be filled with U.R.A

(10 Marks)

c) **Write about the following terms by distinguishing them as applied in VAT**

- i) Standard Rated supplies
- ii) Zero rated supplies
- iii) Exempt supplies

(5 Marks)

Question Three

Nalongo is employed by Fandex Ltd., a Kampala based company. Her appointment letter in part reads as follows:

Subsequent to your successful interview, the board of directors of Fandex Ltd are happy to appoint you Financial Accountant. You will report to the Director of Finance who will assign you duties. The following are your terms and conditions of service:

- Your monthly basic salary shall be shs. 500,000.
- You and your family will enjoy the company's medical facilities through the company's established medical insurance scheme where the company has committed an annual insurance premium of shs.1,200,000 on your behalf.
- You will be granted 30 days annual leave plus leave allowance of 10% of your annual basic salary.
- The company will meet your electricity, telephone, and water bills in addition to the monthly shs.300,000 rent for your accommodation.
- You are entitled to a company car but due to the current break down of cars, you will receive a monthly shs. 50,000 in lieu of transport until after your first anniversary when a car will be available for your use.
- The company will contribute 10% of basic salary towards National Social Security Fund (NSSF) while yourself will contribute 5% of your basic salary.
- This appointment letter is effective 1.1.2022. The terms and conditions of service shall be subject to change after you have completed your one-year probation period.

During the year, management reviewed the performance of Nalongo and having been found excellent, she was extended on 1.7.2022 a shs. 10,000,000 interest-free loan to enable her furnish her house. The bank interest rate was 20% p.a.
Like other employees, Naginda was offered a bonus of shs.600,000 in December 2022.

The company paid her annual utility bills as follows:

Electricity	Shs
Water	300,000
Telephone	250,000
	180,000

Nalongo was allowed to proceed for leave on 1.1.2022 having successfully completed her probation.

Required:

Compute Nalongo's annual taxable income from employment and the tax (PAYE) payable by her for the year ended 31.12.2022
(25 marks)

Question Four

- Explain any six (6) circumstances under which withholding tax should be considered (withheld).
(15 marks)
- Explain some of the options that are available to URA to use to collect taxes if the taxpayer refuses /fails to comply with the payment of taxes
(10 marks)

Question Five

- Outline some of the offences that can be committed by the tax payer
(15 marks)
- Explain some of the rights and obligations of a tax payer
(10 marks)

Question Six

- Define the term taxation and explain the main characteristics of a tax
(12 marks).
- Explain the seven (7) main objectives of taxation.
(14 marks).

The following rates can be used:

RESIDENTS

Chargeable Income (monthly)

Rate of Tax (monthly)

Not exceeding shs. 235,000

NIL

Exceeding shs. 235000 but not exceeding shs. 335,000	10% of the amount by which chargeable income exceeds shs. 235,000
Exceeding shs. 335.000 but not exceeding shs. 410.000	10,000 plus 20% of the amount by which chargeable income exceeds shs. 335.000
Exceeding shs. 410.000	<p>A. 25,000 plus 30% of the amount by which chargeable income exceeds shs. 410.000 and</p> <p>B. Where the chargeable income of an individual exceeds shs. 10,000,000 an additional 10% is charged on the amount by which chargeable income exceeds shs. 10,000,000</p>

END