

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF BACHELOR OF COMMERCE

BCOM 412: TAX MANAGEMENT

STREAMS: BCOM Y4S1

TIME: 2 HOURS

DAY/DATE: THURSDAY 08/07/2021

11.30 A.M – 1.30 P.M

INSTRUCTIONS:

QUESTION ONE

(a) In the year of income 2020, Mr Kerosi Kemosi earned of ksh 5 million from employment in Australia where he paid tax equivalent to ksh 400,000. He earned ksh 2 million in consultancy fee in Kenya and employment income of ksh 900,000 (PAYE ksh 220,000. His Kenyan employer provided his family with accommodation where rent paid is ksh 85,000 per month. He is married to 2 wives and has 10 children. The wives don't earn any income.

Required :

- (i) Double taxation liable. [10 marks]
- (ii) Tax liability for Mr. Kerosi Kemosi for the year of income 2020. [6 marks]
- (b) Explain the objectives of tax planning. [8 marks]
- (c) In relation to customs and excise duty explain the circumstances that can make an importer forfeit his imported goods. [6 marks]

QUESTION TWO

- (a) Give three distinctions between Audit and tax investigation. [6 marks]

- (b) Describe the various activities or actions that leads the taxpayers to make tax fraudulent commitments. [7 marks]
- (c) Under section 9 cap 472 of customs explain the powers conferred to commissioner of customs and excise (CCE) duties in Kenya. [7 marks]

QUESTION THREE

- (a) Gesima power mills plc . Is a registered VAT company. The company deals with both taxable, zero rated and non –taxable goods. The following information was extracted from the books for the financial year ended 31st December 2020.

Particulars	Ksh 000
Purchases zero rated	6,900
Sales standard rate current 16%	31,500
Purchases standard rate last September 15%	4,500
Audit fees paid	900
Salaries	3,600
Fuel for motor vehicles	300
Electricity	120
Motor cycles purchases	600
Purchases standard rate 16%	18,000
Exempt sales	5,100
Sales standard rate 0%	9,000

For the purpose of tax planning and claim of refund, compute the VAT payable or claimable. [10 marks]

- (b) Describe the various forms of double taxation in close border activities. [10 marks]

QUESTION FOUR

- (a) Describe the specific key provisions set up by the East African community agreements to mitigate the problem of double taxation. [8 marks]
- (b) In relation to tax management discuss the events that may trigger tax investigation in an organization. [6 marks]
- (c) Highlight various offences that can be committed in VAT and PAYE tax processes. [6 marks]

