

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 412: TAX MANAGEMENT

STREAMS: BCOM (ODEL)

TIME: 2 HOURS

DAY/DATE: TUESDAY 14/04/2020

8.30 AM – 10.30 AM

INSTRUCTIONS:

Answer Question One and any other Two Questions

Question One

- (a) Tax planning requires a deep understanding of tax legislation and decided case law. Using illustrations, describe any four techniques that an individual can apply in tax planning. [6 marks]
- (b) Using illustration, distinguish between specific customs duty rate and advalorem customs duty rate. [6 marks]
- (c) Chris Njau, a Kenyan resident earned an income of kshs. 720,000 for year of income 2019 and also received income from South Africa net of tax kshs 618,000. The tax deducted in South Africa was ksh 78,000. Kenya has a double taxation relief treaty with South Africa.
Required:
The double taxation relief in Kenya. [6 marks]
- (d) The following information was extracted from the records of Bright ltd for the year ended 31st December 2019.

| | Sh '000' |
|--------------------|----------|
| Dividend paid | 21,000 |
| Dividends received | 3,500 |
| Profit after tax | 7,000 |
| Tax refund | 2,000 |

The corporation tax (if any) payable by Bright ltd for the year ended 31 December 2019.
[6 marks]

- (e) With the aid of an illustration, distinguish between tax audit and tax investigation.
[6 marks]

Question Two

- (a) Excise duty are selective taxes on the sale or use of specific services and goods manufactured in Kenya or imported into Kenya and specified in the fifth schedule to CAP 472. Using illustrations, explain any six reasons for levying excise duty on the specified goods and services.
[12 marks]
- (b) Karen imported a pick-up motor vehicle from Japan for use in business at cost, insurance and freight of sh. 2.5 million.

Required:

- (i) Import duty at 25 percent [2 marks]
(ii) Excise duty applicable rate is 20 percent [2 marks]
(iii) VAT payable on this transaction at 16 percent [4 marks]

Question Three

- (a) Mr Peter Ndidi works partially in Kenya and partially in Norway. His family is based in Kenya. During the year ended 31 December 2019, Mr. Ndidi earned an equivalent of kshs 3,600,000 from his employment in Rwanda. He paid an equivalent of ksh 480,000 as tax on the income. He earned sh 1,200,00 from his employment in Kenya (PAYE) sh. 400,000). His employer in Kenya provided his family with accommodation. His monthly rent on the accommodation was ksh. 60,000 per month which as paid by the employer.
Required:

Total taxable income and liability for Mr. Ndindi for the year ended 31st December 2019.
[14 marks]

- (b) Describe any four characteristics of a tax haven status. [6 marks]

Question Four

- (a) Describe four categories of goods which are subject to customs control under the customs and excise act. [6 marks]
- (b) Write short notes on the following:
- (i) Events which may trigger a tax investigation [5 marks]
(ii) Expatriate taxation [5 marks]

(iii) Anti-dumping measures imposed by a government.

[4 marks]
