



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF THE
DEGREE IN BACHELOR OF COMMERCE & BACHELOR OF ACCOUNTING
AND FINANCE MANAGEMENT
FIRST SEMESTER 2022/2023
(SEPTEMBER - DECEMBER, 2022)

BCOM 415: TAX MANAGEMENT

STREAM: Y4 S1

TIME: 2 HOURS

DAY: MONDAY, 3:00 P.M – 5:00 P.M

DATE: 19/12/2022

INSTRUCTIONS:

- 1. Do not write anything on this question paper.***
- 2. Answer Question ONE (Compulsory) and any other THREE Questions.***

QUESTION ONE

- a) Mr. James has not been keeping proper books of account since the inception of the business in 2000. The following balances relate to James' business for the period 2000 to 2005.

	2000	2001	2002	2003	2004	2005
	Shs	Shs	Shs	Shs	Shs	Shs
	`000'	`000'	`000'	`000'	`000'	`000'
Assets						
Leasehold land	15,000	15,000	15,000	15,000	15,000	15,000
Lorries (cost)	5,000	7,000	4,000	3,000	6,000	6,000
Saloon cars (cost)	2,000	2,000	2,000	2,000	2,000	2,000
Swimming pool	800	800	800	800	800	800
Stocks	12,000	2,300	2,000	1,800	1,800	1,800
Computers	500	500	500	400	400	400
Bank account	400	300	20	20	20	20

Business deposit account	2,200	2,200	2,200	2,200	2,200	2,200
Treasury bills investment	3,000	3,000	3,000	4,500	4,000	3,000
Debtors	200	150	250	300	280	520
House mortgage	--	--	--	7,000	7,000	7,000
Creditors	340	--	-	400	-	-
Bank overdraft	20	60	80	120	160	200
Interest on bank deposit	10	5	8	7	6	3
Loss on sale of investment	150	120	-	-	200	160
Gain of foreign exchange	50	60	40	30	20	10

Required:

- i. Estimate the taxable income for each of the three years 2003, 2004 and 2005.
- b) Describe duties of a tax agent (5marks)
- c) What circumstances may trigger a Pay as You Earn (PAYE) audit? (5 marks)
- d) What tax set-offs are available to an individual taxpayer which may reduce the gross tax liability? (5marks)
- (a) Discuss the merits and demerits of the income tax self-assessment method of income tax that was introduced in Kenya with effect from year of income 1992.(5 marks)

QUESTION TWO

Chris Ouma a married Kenyan resident had income of Ksh360, 000 for year of income 2005 and also received income from Zambia net of tax Ksh180, 000. The tax deducted in Zambia was Ksh 60,000. Kenya has a double taxation relief treaty with Zambia.

Required:

The double taxation relief in Kenya. (15marks)

QUESTION THREE

Write short notes on the following

- i. Causes of tax arrears. (3marks)
- ii. Sources of information resulting to back duty. (7marks)
- iii. Tax incentives under the export processing zones. (5marks)

QUESTION FOUR

Having read in the press about the benefits accruing to Kenya businessmen as a result of regional initiatives such as the East African Community and COMESA, Mr. Jitendra Kumar, a prominent foreign businessman has contacted you seeking your advice on how he could reduce his liability to tax arising from expansion of his business operations into Kenya.

Required:

Advice Mr. Jitendra Kumar on the following.

- a) The tax objectives under the COMESA treaty. (5marks)
- b) Rules of origin provisions under the COMESA treaty. (5marks)
- c) Tax treatment of expatriate staff. (5marks)

QUESTION FIVE

- a) Briefly, explain the circumstances under which a taxpayer may be justified in making an appeal to the local committee.
- b) Write short notes on the following:
 - i. Most favoured nation status
 - ii. Offshore taxation
 - iii. Transfer pricing