



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS

BACHELOR OF COMMERCE

COURSE CODE: BCM 4103

COURSE TITLE: ADVANVED TAXATION

DATE: 15TH DECEMBER, 2022

TIME: 1430-1630

INSTRUCTIONS TO CANDIDATES

1. Answer Question **ONE** and any other **THREE** questions
2. Do **NOT** write on this Question paper

This paper consists of 4 printed pages. Please turn over.

QUESTION ONE

- (a) Summarize five tax benefits which may accrue to a tax payer who converts his business from partnership to a company **(5 marks)**
- (b) With reference to taxation of non resident companies in your country distinguish between a branch and a subsidiary . **(5 marks)**
- (c) Wakulima saving and credit co-op society prepared the following income statement for the year ending 31st December 2021

Income

Interest on member loans	1,700,000	
Interest from commercial banks	40,000	
Interest from treasury bonds	18,000	
Dividends from bidii kenya ltd	4,200	
Rent income	220,000	
Gain on sale of land	60,000	2,042,200

Expenditures

Administration expenses	235,000	
Depreciation	12,000	
Rent and rates	65,000	
Printing and stationery	9,000	
Interest expenses	14,000	
Miscellaneous expenses	6,000	341,000

Net surplus

1,701,000

The sacco intends to distribute ksh 100,000 as dividends to its members. All investment incomes are stated gross of withholding tax where applicable.

Required

Determine the taxable profit and tax liability for the sacco as at 31st December 2021 **(15 marks)**

QUESTION TWO

- (a) Mr Nchoe was a resident in Kenya during the year ending 31 December 2021 he received the following incomes from Kenya amounting to ksh 720,000 and from South Africa amounting to ksh 540,000 (net of tax of ksh 78,000).

Assuming that Kenya has a double taxation agreement with South Africa calculate tax payable in Kenya. **(5 marks)**

- b) Explain the procedure of preparing capital statements applicable in computation of tax arrears. **(10 marks)**

QUESTION THREE

(b) Some experts have argued that COMESA has been overtaken by globalization and should be dissolved citing two reasons support the above view. **(5 marks)**

- (c) In alternative tax dispute resolution discuss the roles played by legal advisor.

QUESTION THREE

(a) Explain the term **Tax planning** and discuss benefits of a company operating in an export processing zone **(5 marks)**

(b) Mr Samoiei is an employee of Maasai Mara university and he earns a salary of ksh 140,000 per month while his wife Sabina works with Lindi Ltd a firm which Mr Samoiei controls 18% of the share capital. Her salary is ksh 60,000 per month. Sabina owns the house where the family lives where she pays 45,000 per month. The wife has obtained a Sacco loan 6,000,000 to construct a house where the family will move to in course of the year. Maasai Mara university pays the school fees for the couple children.

Required

Suggest four tax planning schemes that could minimize the tax liability of the family **(10 marks)**

QUESTION FOUR

(a) Summarize five ethical principles that are specifically applicable to a tax practitioner acting on behalf of a client **(5 marks)**

b) Mawela property developers purchased a residential house on 1st January 2020 through a 12% mortgage loan of 4,000,000. The company incurred the following expenses in obtaining the loan.

- Audit fee ksh48,400
- Valuation of the house ksh120,000
- Legal fee ksh80,000

Additional information

(i) The company replaced all doors in the residential house with metallic doors at cost of ksh96,000

(ii) On 31st December 2016 the company sold the houses at a price of ksh8million after incurring the following expenses:

- Repair of the house ksh78,000
- Advertising ksh24,200
- Agent commission ksh12,000
- Valuation fee ksh148,000
- Legal fee ksh42,800

Required

Compute the capital gain or loss from the sale and the capital gain tax **(10 marks)**

QUESTION FIVE

a) Explain three objectives of tax modernization programmes which have been recently undertaken in a number of developing countries. **(10 marks)**

b) Over the last few years country Z's rising public debt has been a point of discussion in most macro-economic outlook discussions with organizations such as World Bank and global rating agencies raising concern.

Required

Discuss two measures that the government could take to reverse the above trend **(5marks)**