



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF BUSINESS ADMINISTRATION  
BACHELOR OF COMMERCE

**BAC 4405: ISSUES IN TAXATION**

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES: FEBRUARY 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

***This paper consists of Two printed pages***

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**QUESTION 1 (Compulsory)**

- a) Using a relevant example, comment on the usefulness of double taxation relief treaty agreements in light of regional economic co-operation. **(10 marks)**
- b) Write notes on the following:
  - i) Retirement benefit rules. **(4 marks)**
  - ii) Taxation of co-operatives. **(4 marks)**
  - iii) Taxation of venture capital firms. **(4 marks)**
  - iv) Budget analysis. **(4 marks)**
  - v) Capital gain through back door. **(4 marks)**

## QUESTION 2

The following cases are independent:

- a) Mr and Mrs Kalu are employed by Msambweni schools. They have hired a house help who is paid Ksh. 5,000 per month.
- b) Mrs. Mutiso accompanied Mr. Mutiso to Australia on a business trip. While in Australia, the husband spent Ksh. 60,000 for the upkeep of the wife.
- c) Mr. Mdigo is an Operations Manager of Bandari Ltd. During the year of income 2013, he abandoned company car and started using his personal car in the course of duty because his personal car was comfortable. He incurred maintenance and fuel expenses amounting to Ksh. 40,000
- d) Mr. Mathenge is a part-time Pastor at Kizingo Pentecostal Church. He joined a theological college to advance his theological studies. The total cost of tuition and text books was Ksh. 70,000. His monthly salary is Ksh. 120,000

### Required:

Assess the above cases and conclude.

**(20 marks)**

## QUESTION 3

- a) Discuss tax issues relating to value added tax of hotels and construction services. **(10 marks)**
- b) Using a relevant example, explain the computation of compensating tax. **(10 marks)**

## QUESTION 4

Discuss the following:

- a) Tax issues relating to global financial crisis. **(10 marks)**
- b) Presumptive tax. **(10 marks)**

## QUESTION 5

- a) Explain the taxation of unit trusts in Kenya. **(10 marks)**
- b) Discuss tax issues arising from external financing in an organization. **(10 marks)**