



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

UNIVERSITY EXAMINATION FOR:

BACHELOR OF BUSINESS ADMINISTRATION

BACHELOR OF COMMERCE

BAC 4406: ISSUES IN TAXATION

END OF SEMESTER EXAMINATION

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: DEC 2024

TIME: 2 HOURS

DATE:

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of FIVE questions. Attempt Question ONE and any other TWO questions from this paper.

Do not write on the question paper.

QUESTION ONE (30 MARKS)

a) Explain the terms below:

(i) Compensating tax (2 Marks)

(ii) Presumptive tax (2Marks)

b) Highlight the importance of residency in taxation. (6 Marks)

c) Joseph Kamau a married resident had in 2010 an income of Shs.2'500'000 and a net of tax income from U.K was Shs.600'000 (sterling Pound 30,000). The tax deducted in the U.K was Shs 300'000(Sterling Pound 15'000).Kenya has double taxation relief treaty with the U.K.

Required:

a) The double taxation relief in Kenya

b) The tax payable by Kamau in Kenya (20 Marks)

QUESTION TWO (20 MARKS)

a) Explain the concept and purpose of back duty investigation b) Explain the purpose of double taxation relief as stipulated in the Income Tax Act (4 Marks)

c) Explain the purpose of customs and excise duty in Kenya. (8 marks)

QUESTION THREE (20 MARKS)

a) Explain the gains or profits of a resident insurance business other than life insurance business. (12marks)

b) Explain four deductions allowances of a non-resident insurance company. (8marks)

QUESTION FOUR (20 MARKS)

a) Explain the importance of "residence" in relation to taxation to:

i) An individual (5marks)

ii) A body corporate (5marks)

b) State and explain the fundamental principles of professional ethics (10marks)

QUESTION FIVE

Briefly discuss emerging issues in taxation in Kenya in the context of globalization and information technology. (20 marks)