TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DEGREE IN BUSINESS ADMINISTRATION

DEGREE IN BACHELOR OF COMMERCE

BAC 4405 ISSUES IN TAXATION

END OF SEMESTER EXAMINATION

SERIES: AUGUST 2024

TIME: 2HOURS

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 (Compulsory) and any other TWO questions.
Do not write on the question paper.

QUESTION ONE

a) VAT refund occurs when a person or a business entity pays more VAT when they purchase vatable goods then they collect whenever they sell the goods. Briefly explain the VAT refund structure in Kenya highlighting the benefits and challenges faced. (10 Marks)

b) Discuss the key features and implications of the Minimum Tax regime in Kenya, especially for companies with losses or low-profit margins. (8 Marks)

c) Given the provisions of the Kenya Finance Bill 2024, analyze how the proposed changes in corporate taxation may have affected the operations and financial planning of a mid-sized manufacturing company in Kenya. (12 Marks)

QUESTION TWO

a) There are items which commonly referred to as income but are not included in the list of taxable income. A number of such non -taxable incomes come to mind however the Act has listed the income upon which tax is charged. Discuss the non-taxable incomes in Kenya. (10 Marks)

b) Analyze the role of tax incentives in attracting foreign direct investment (FDI) in Kenya. What policy changes could be made to strike a balance between encouraging investment and ensuring fair taxation? (10 Marks)

QUESTION THREE

a) Briefly explain the factors that determine tax shifting. (5Marks)

b) Giving appropriate examples, distinguish between forward and backward tax shifting (5 Marks)

c) As part of institutional reforms of tax systems, government usually establishes advisory units within tax departments such as Tax Policy Units (TPUs). What role would such TPUs play in your county? (10 Marks)

QUESTION FOUR

a) Kenya has entered into a double taxation avoidance agreement (DTAAs) and Multilateral Instrument (MLI) with a number of countries. Discuss the challenges and opportunities for Kenya in implementing DTAAs and MLI (8 Marks)

b) Briefly describe the treatment of the following classes of tax payers with regards to PAYE.

    i. Tax payers with multiple sources of income (4 Marks)
    ii. Casual workers. (4 Marks)

iii. What tax set -offs are available to an individual taxpayer which may reduce the gross tax liability? (4 Marks)

QUESTION FIVE

a). Discuss Retirement benefits schemes in Kenya with respect to taxation. (12 Marks)

b). It is advantageous for a trader whose turnover is below the legislated turnover limits under the sixth schedule of the VAT Act to register for VAT voluntarily. Under what circumstances could this be beneficial? (8 Marks)