



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS

BACHELOR OF COMMERCE

COURSE CODE: BCM 4103-1

COURSE TITLE: ADVANVED TAXATION

DATE: 14/12/2023

TIME: 1100-1300 HRS

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) Explain the meaning of “**Alternative dispute resolution**”. **(5 marks)**

(b) All tax disputes can be resolved through **Alternative dispute resolution** (ADR) with some exceptions. With reference to the above statement, describe the exceptions. **(6 marks)**

(c) With reference to income tax act describe the provisions of taxing resident individuals in Kenya **(5 marks)**

d) In case of back duty the tax department will reject the accounts presented to them and will advise the taxpayer to provide another set of accounts prepared by a reputable firm of auditors. Where presentation of accounts is not possible, the taxpayer’s income could be computed through capital statements. Required: Explain the procedure of preparing capital statements. **(4 marks)**

e) Tax audit is the process of verifying that the business is in compliance with the all tax legislation through the examination of books and records of a business to prevent tax fraud. In relation to the above statement, explain the objectives of a VAT audit. **(5 marks)**

QUESTION TWO

a) Mr Nchoe was a resident in Kenya during the year ending 31 December 2022 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) Discuss the measures that national government can put in place to enhance financial accountability at the county level. **(10marks)**

QUESTIONTHREE

(a) Explain the term **Tax planning** and discuss its benefits to a resident Company. **(5 marks)**

(b) MrSamoiei is an employee of Maasai Mara University and he earns a salary of Ksh 140,000 per month while his wife Faith works with Bantu ltd a company which MrSamoiei controls 18% of the share capital. Her salary is Ksh 60,000 per month. Faith owns the house where the family lives where she pays 45,000per 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's children.

Required

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

QUESTIONFOUR

(a) Some scholars have raised concern over the apparent mismatch between taxation policy and the economic agenda of a certain countries. Where increased tax revenue did not translate into higher standard of living for the citizens.

Required: Explain five factors that could have contributed to the above scenario **(5 marks)**

(b) The following was extracted from the books of Michezo sporting club for the year ended 31st December 2020. the club manager did not submit tax return as he argued that the Club was exempted from taxation. He has consulted you for professional advice. **(10 marks)**

1. The club received gross income during the year ended 31stDecember 2020 amounting to Sh 35 million which was analyzed as follows:

● Entrance fee	4,770,000
● Members subscriptions	15,900,000
● Interest on late subscription	795,000
● Interest income(Fixed deposit)	2,544,000
● Divided income	1,272,000
● Royalties	1,908,000
● Rent income	6,390,000
● Gain on property transfer	1,451,000

2. Operating expenses amounted to Sh 6,360,000

3. Interest and dividend income were stated Net of Tax

Required

a) Advise the club manager on the circumstance under which member club are taxed in Kenya **(3 Marks)**

b) Assess whether Michezo sporting club is subject to taxation for year ending 31st December 2020 **(7 Marks)**

QUESTIONFIVE

a) Taxation has generally contributed to economic development and empowerment of the population in most countries. However taxation may also result in negative consequences on the society. Discuss three negative and two positive impact of taxation in a country. **(10marks)**

b)Over the last few years Kenya rising public debt has been a point of discussion in most macro-economic outlook discussion with organization 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)**

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