

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL THREE

PRINCIPLES OF TAXATION – PAPER 10

SATURDAY, 6 JUNE 2015

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
2. This examination contains Sections **A**, **B** and **C**.
3. Section **A** is bound separately from Sections **B** and **C**.
4. Attempt all the 20 multiple-choice questions in Section **A**. Each question carries 1 mark.
5. Attempt the **two** questions in Section **B**. Each question carries 25 marks.
6. Attempt **two** of the **three** questions in Section **C**. Each question carries 15 marks.
7. Some tax rates are provided on page 6.
8. Write your answer to each question on a fresh page in your answer booklet.
9. Please, read further instructions on the answer booklet, before attempting any question

Notes:

1. The company sold 2 10 ton trucks for Shs 93,000,000. The net book value at the time of sale was Shs 22,500,000.
2. Office furniture consisted of executive office chairs each of which cost Shs 1,500,000.

The company's tax written down values brought forward were:

	Shs million
Class I	32
Class II	44
Class III	387
Class IV	200

Industrial buildings from previous years were being granted industrial building allowance at a cost of Shs 370 million.

Required:

- (a) Compute the capital allowances due to Simba Ltd for the year ended 30 June 2014.
(9 marks)
 - (b) Compute the tax payable by Simba Ltd for the year ended 30 June 2014.
(13 marks)
 - (c) Advise Simba Ltd on the due dates for filing its tax returns.
(3 marks)
- (Total 25 marks)**

QUESTION 3

Mosh Paul has been employed by a company which is a sub-contractor in the oil and gas industry. He came to Uganda with his wife and three children, and started work on 1 January 2015. The company gave him a contract of employment with the following terms:

1. Air ticket for self and family to come to Uganda Shs 30 million.
2. Cost of bringing his property to Uganda Shs 6 million.
3. Relocation allowance Shs 5 million.
4. Hardship allowance Shs 2 million.
5. Salary Shs 25 million per month.
6. School fees for his children Shs 11 million per term. He paid the school fees for the first term in January 2015.
7. Medical insurance for self and family Shs 6 million per annum.
8. A vehicle whose market value was Shs 20 million.
9. A house with a market value of Shs 1.5 million per month.
10. Monthly spouse allowance Shs 1.8 million per month.
11. 2 house servants Shs 200,000 each per month.
12. Utility bills Shs 12 million per annum.

Required:

- (a) Advise Mr. Mosh on which of his emoluments are excluded from tax as per the Income Tax Act. **(6 marks)**
- (b) Compute the tax payable by Mosh for the month of January 2015. **(17 marks)**
- (c) Advise Mr Mosh on who has to file his (Mr. Mosh's) return to account for the tax on his income and the frequency of filing the returns. **(2 marks)**
- (Total 25 marks)**

SECTION C

Attempt two of the three questions in this section

Question 4

M/s Kasaija is a VAT registered trader located in Bwizibwera in Mbarara district dealing in the supply of various products that include mineral water, soft drinks, processed and unprocessed food products.

During the month of June 2014, Kasaija made the following transactions all VAT inclusive where applicable. He deals with only registered service providers:

Sales:	Shs
Dry beans	750,000
Maize flour	150,000
Mineral water	985,000
Soda	1,875,600
Ice cream	165,000
Raw mango fruits	162,500

Purchases and payments:	Shs
Professional fumigation of the stores	189,500
Electricity	145,200
Repair of refrigerators and deep freezers	355,000
Soda	926,000
Mineral water and ice cream	437,800

Required:

- (a) (i) Clearly show the value of input VAT and output VAT for M/s Kasaija for the month of June 2014. **(5marks)**
- (ii) Compute the value of M/s Kasaija's VAT return to Uganda Revenue Authority for the month of June 2014. **(10marks)**
- (Total 15 marks)**

Question 5

- (a) One of the advantages of the coming of the Customs Union is the implementation of the Single Customs Territory (SCT). This has come along with various benefits to the business community in Uganda.

Required:

Briefly explain at least **five** benefits of SCT accruing to:

- (i) Ugandan Importers of goods from China or Dubai. **(5marks)**
 (ii) Government of Uganda. **(5marks)**

- (b) Briefly explain any **five** challenges faced by the East African Customs Union.

(5marks)**(Total 15 marks)****Question 6**

- (a) Discuss at least **five** basic cannons of a good tax system.

(10 marks)

- (b) Mukisa has various rental properties across Kampala and Wakiso districts. His income and expenses for the period ended 30 June 2014 were as below:

Rental Income:

Shs million

Nakawa 150

Kiwatule 200

Expenses:

Shs million

Repainting 20

Security 8

Repairing of the driveways 34

Compound maintenance costs 10

Required:

Compute the tax payable by Mukisa on his rental income for the year ended 30 June 2014.

(5 marks)**(Total 15 marks)**

TAX RATES

Resident Individual Income Tax Rates

Monthly chargeable income	Rate of tax
Not exceeding Shs 2,820,000 (Shs 235,000 pm)	Nil
Exceeding Shs 2,820,000 (235,000 pm) but not exceeding Shs 4,020,000 (Shs 335,000 pm)	10% of the amount by which chargeable income exceeds Shs 2,820,000 (Shs 235,000 pm)
Exceeding Shs 4,020,000 (335,000 pm) but not exceeding Shs 4,920,000 (410,000 pm)	Shs 120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Shs 4,020,000 (335,000 pm).
Exceeding Shs 4,920,000 (410,000 pm)	(a) Shs 300,000 (25,000pm) plus 30% of the amount by which chargeable income exceeds Shs 4,920,000 (410,000 pm) and (b) Where the chargeable income of an individual exceeds Shs 120,000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds Shs 120,000,000 (10,000,000 pm).

Non-resident Individuals Income Tax Rates

Monthly chargeable income	Rate of tax
Not exceeding Shs Shs 4,020,000 (335,000 pm)	10%
Exceeding Shs 4,020,000 (335,000 pm) but not exceeding Shs 4,920,000 (410,000 pm)	Shs 402,000 (33,500 pm) plus 20% of the amount by which chargeable income exceeds 4,020,000 (335,000 pm).
Exceeding Shs 4,920,000 (410,000 pm)	(a) Shs 582,000 (48,500 pm) plus 30% of the amount by which chargeable income exceeds Shs 4,920,000 (410,000 pm)and (b) Where the chargeable income of an individual exceeds Shs 120,000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds Shs Shs 120,000,000 (10,000,000 pm).

Small Business Taxpayers Tax Rates

Gross Turnover	Tax Payable
Where gross turnover of a taxpayer exceeds Shs 5,000,000 but does not exceed Shs 10,000,000 per annum.	NIL
Where gross turnover of a taxpayer exceeds Shs 10,000,000 but does not exceed Shs 20,000,000 per annum.	Shs 450,000 or 3% of gross turnover, whichever is the lower.
Where gross turnover of a taxpayer exceeds Shs 20,000,000 but does not exceed Shs 30,000,000 a year.	Shs 750,000 or 3% of gross turnover, whichever is the lower.
Where gross turnover of a taxpayer exceeds Shs 30,000,000 but does not exceed Shs 40,000,000 per annum.	Shs 1,050,000 or 3% of gross turnover, whichever is the lower.
Where the gross turnover of the taxpayer exceeds Shs 40,000,000 but does not exceed Shs 50,000,000 per annum.	Shs 1,350,000 or 3% of the gross turnover, whichever is lower.