

**THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD**

*A Committee of the Council of ICPAU*

**ATC(U) EXAMINATIONS**

**LEVEL THREE**

**PRINCIPLES OF TAXATION – PAPER 10**

**MONDAY, 2 JUNE 2014**

**INSTRUCTIONS TO CANDIDATES:**

1.

**SECTION B**

*This section has two compulsory questions to be attempted.*

**Question 2**

Mourinho, a Russian, has been working for Tusiime Oil & Gas Exploration Services Ltd. for 15 years. He was transferred from the company's branch in Ethiopia to the Ugandan branch as the country manager. He started working in Uganda in February 2014 after securing a Ugandan work permit. According to his terms of appointment, Mourinho is entitled to the following monthly benefits:

Particulars	Shs '000'
Basic salary	10,000
International mobile staff allowances	3,750
Medical allowance	500

**Question 3**

Funtula Ltd. is a real estate company with offices in Mukono dealing in the buying and selling of land. The following is their statement of profit or loss and other compressive income for the year ended 30 June 2013.

	Shs
Revenue from the sale of plots of land	10,564,675,000
Cost of land sold	7,500,000,000
Land title processing fees for the plots sold	1,750,500,000
Surveyors' fees for subdividing the plots	25,000,000
Bribes to local council members	13,560,000
Commissions to land brokers	50,000,000
Air tickets for the director and wife to Mecca	22,500,000
Interest on bank loan	15,555,650
Salaries for office staff	145,500,750
Construction materials for director's residential house	176,671,605
Transport	22,345,700
Office rent	12,000,000
Office utilities	14,570,500
School fees for director's children	2,768,000
Meals for company employees	9,000,000
Contribution towards reconstruction of Kasubi tombs	5,000,000
Office stationery	4,500,000
Provision for bad debts	15,000,000
Withholding tax paid during the year	3,000,000
Professional fees	12,500,000
Telephone	2,154,500
Profit before tax	762,548,295

Additional information:

- 1 At the beginning of the year, the company had the following written down values of depreciable assets: computers Shs 4 million; furniture and fittings Shs 2 million.
- 2 During the year ended 30 June 2013, the company acquired a goods vehicle of 8 tonnes valued at Shs 60 million.

**Required:**

- (a) Compute Funtula Ltd's tax chargeable income for the year ended 30 June 2013 and the tax liability thereon.

**(23 marks)**

- (b) State the due dates for furnishing the final return by the company to Uganda Revenue Authority for the year ended 30 June 2013.

**(2 marks)**

**(Total 25 marks)**

**SECTION C**

*Attempt two of the three questions in this section*

**Question 4**

Deep Water Ltd is a registered taxpayer with a current annual turnover of 79,950,000. The company deals in mixed supplies, and during the month of March 2014, the company had the following transactions:

Particulars	Amount (Shs '000')
Sales	4,000
Purchases	3,000
Sale of new computers	3,000
Exports to South Sudan	12,000

**Note:** sales are VAT exclusive while purchases are VAT inclusive.

**Required:**

- (a) Compute the company's VAT position for the month of March 2014. **(7 marks)**
  - (b) Explain what you understand by the following terms as used under the Value Added Tax Act:
    - (i) Cash accounting **(3 marks)**
    - (ii) Mixed supplies **(3 marks)**
    - (iii) VAT period **(2 marks)**
- (Total 15 marks)**

**Question 5**

The national budget for the financial year 2013/ 2014 as presented by the honourable minister of finance was generally described as a 'tax budget' and generated various reactions from civil society organisations and the general public. The honourable minister, however, assured the nation that it was a people's budget aimed at consolidating economic gains and development.

**Required:**

Explain:

- (a) the various ways of classifying taxes. **(5 marks)**
  - (b) why governments impose taxes. **(5 marks)**
  - (c) what is meant by 'budget deficit, and give **three** ways through which it can be financed. **(5 marks)**
- (Total 15 marks)**

### Question 6

Explain:

- (a) the factors which determine the taxable capacity of a country.  
(5 marks)
- (b) what is meant by 'customs bonded warehouse, and give **three** types of goods not allowed in bonded warehouses.  
(5 marks)
- (c) **three** advantages and **two** disadvantages of e-tax.  
(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 20,000,000 per annum.	Shs 100,000.
Where gross turnover of a taxpayer exceeds Shs 20,000,000 on but does not exceed Shs 30,000,000 per annum.	Shs 250,000 plus 1% 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 a year.	Shs 350,000 or 1% of gross turnover, whichever is the lower.
Where gross turnover of a taxpayer exceeds Shs 40,000,000 but does not exceed Shs 50,000,000 a year.	Shs 450,000 or 1% of gross turnover, whichever is the lower.