

PRINCIPLES OF TAXATION – PAPER 10**1.0 General Performance**

- Performance was not impressive; the pass rate was 36.00% down from 42.37% in the December 2010 examinations.
- Many candidates did not read and understand the requirements of the questions properly and therefore wrote inappropriate answers.

2.0 PERFORMANCE IN INDIVIDUAL QUESTIONS**2.1 Question 1:**

- This was a set of 20 multiple-choice questions that covered the entire syllabus and it was satisfactorily answered; most candidates scored above average.

2.2 Question 2:

- Required candidates to: compute (a) tax payable by a company, (b) the director's tax and (c) withholding tax payable on management fees to a foreign company. The question also tested the candidates' ability to differentiate between the allowable and disallowable expenses, the ability to treat the tax losses brought forward, the treatment of initial allowance and wear and tear allowances which were given in the question.
- The question was poorly answered; some candidates applied individual rates instead of company rates and others applied the standard VAT rate of 18%.

2.3 Question 3:

- Required candidates to: (a) explain the term "resident individual" as used in the Income Tax Act; (b) compute the PAYE for individual employees with different benefits, and the total PAYE to be remitted by the company.
- The majority of candidates performed well in this question and scored above average, with some exceptions scoring full marks.

2.4 Question 4:

- The question tested the candidate's ability to identify and classify the suppliers as standard rated, zero rated and exempt. It specifically required the candidates to: (a) compute the VAT payable to Uganda Revenue Authority for the VAT period ending February 2011, (b) explain the term "tax point" as used in the VAT Act
- Performance was very poor; most candidates failed to identify standard rated, zero rated and exempt supplies. This in turn led to the candidates' failure to compute the VAT payable. For instance, candidates were computing input tax on salaries and provisional tax which had been given as expenses to test their ability, knowledge and competence.
- Only one candidate defined and explained the term tax point satisfactorily.

2.5 Question 5:

- Required candidates to write short notes on:(a) factors that determine the taxable capacity of a given country; (b) problems of equity in taxation; and (c) five canons of a good tax system.
- Performance on this question was very poor; the answers given reflected lack of knowledge on the basic principles of taxation which could be as a result of either inadequate preparation of the candidates or the problem with training institutions.

• **2.6 Question 6:**

- Required candidates to: (a) list and explain the obligations and rights of a taxpayer; (b) write a letter to the Commissioner General of Uganda Revenue Authority.
- Few candidates attempted this questions and it was fairly answered.
- No major weaknesses were observed.