

JARAMOGI OGINGA ODINGA OF SCIENCE AND TECHNOLOGY
BBA Y3S1 FINANCE
ABA 314: TAX PLANNING
K.L.C

1. a) What techniques or ways an individual can take advantages of to avoid taxes? (10 marks)

b) The following information relates to ABC Ltd for the year ended 31st December 2013.

• Profit before Tax	Ksh. 4,000,000
• Import duty refunded by authority	Ksh. 4,000,000
• Dividend distributed by ABC Ltd	Ksh. 8,800,000
• Dividend received by ABC Ltd	Ksh. 3,000,000
• Corporation Tax Rate	30%

Required:

Compute compensating Tax payable by ABC Ltd for the year ended 31st Dec, 2013. (10 marks)

c) Revenue production of a tax system is measured through buoyancy and elasticity. In light of the above statement, explain the elasticity of taxes with reference to: (10 marks)

- i. Value added Tax (VAT)
- ii. Income Tax
- iii. Customs and excise duty

2. a) Akama bee is a resident of Kenya. During the year ended 31st December 1013, he received the following income:

From Kenya: Sh. 720,000

From Zambia: Sh. 540,000{net of tax of sh. 78000}

Assume that Kenya has a double taxation agreement with Zambia.

Required:

Compute double taxation relief due to Akama for the year ended 31st December 2013. (10 marks)

b) Bondo Ltd has V.A.T due amounting to Ksh. 3,600,000. It was late in making the returns and payment of the amount due by 5(five) months.

Required:

Compute the penalties that Bondo Ltd will be required to pay by V.A.T department (10 marks)

3. a) The Kenya Revenue Authority (KRA) is geared towards a function-based organization rather than one structured along the type of taxes. This is evidenced by the integration of VAT, Income tax and Excise departments into the Domestic Department. Assess the likely benefits and drawbacks to KRA arising from this integration. (15 marks)

b) Write brief notes on the following terms as used in Tax plan:

i. Double Taxation Relief

ii. Set off of Import Duty (5 marks)

4. a) Atami owns a property in Mombasa which was let for the first time in January 2007. The rent of Ksh. 650,000 p.a paid in advance. Atami paid council rates and garbage collection fee of Ksh. 26,000 and redecoration following a burst pipe and repairs completed in October 2007 of Ksh. 52,000

Required:

Compute the income from rental for the 2007. (10 marks)

- b) Discuss in details the objectives of Taxation (10 marks)

5. a) Define Tax Planning and briefly explain two instances in which a business may apply the concept of Tax Planning (10 marks)rat

b) Makazi Savings and Credit Cooperative Society Ltd reported the following Income and Expenditure for the year ended 31st Dec, 2008

Income:

Interest on Loans to Members	1,500,000
Interest on Savings Accounts	30,000
Interest on fixed deposit Accounts	400,000
Other Investment Income	12,000
Rental Income	<u>60,000</u>
Total Income	2,242,000

Expenditure

Administration Expense	<u>300,000</u>
Surplus	1,942,000

Required:

Compute the taxable profit of Makazi Sacco Ltd for the year ended 31st Decemeber 2008. (10 marks)