



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**JANUARY – APRIL 2014 TRIMESTER**

**FACULTY OF LAW**

**REGULAR PROGRAMME**

**CLS 311: REVENUE LAW AND TAXATION**

**Date: APRIL 2014**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) In Kenya micro, small and medium enterprises (MSEMEs) largely exist in the informal sector. For this purpose and in order to increase the tax base the Kenya Revenue Authority has come up with a system to bring this MSEMEs within the tax bracket. Explain how KRA has achieved this. **(10 marks)**
- b) Explain the role of the Kenya Revenue Authority in the economy in Kenya. **(10 marks)**
- c) To ease the collection of income taxes, a unique computer generated personal identification number (PIN) is given to every person with income chargeable to income tax. Describe what a PIN is with reference to the above statement. **(10 marks)**
- Q2. a) 'Some taxes bring persons into direct contact with the taxman, others are silently imposed...' Explain the above statement in reference to the common division of taxes. **(6 marks)**
- b) Chief Sithole who is visiting Kenya from the Kingdom of Swaziland intends to stay and enjoy the much talked about Kenya wildlife.

While in Kenya, he stayed at hotels, visited various game reserves. To also take advantage of the relatively cheap prices on electronics here, he bought a home theatre entertainment unit and a 60" LG Flat Screen TV.

Before coming to Kenya, Chief Sithole had to be reliably informed that he would be able to get a tax refund for taxes paid within Kenya at the airport.

- i) Explain the specific tax for which he could claim a refund upon. **(4 marks)**
- ii) Identify upon how he would evidence his claim. Explain whether refund is on all goods and service. **(7 marks)**
- iii) Explain the rationale of the tax refund that Chief Sithole would be eligible to. **(3 marks)**

- Q3. a) As a tax payer, the month of June is ominous for the single important duty that one has to undertake. In mind is the mandatory requirement from the Kenya Revenue Authority to adhere to filing tax returns before 30<sup>th</sup> June, so long as one has income.

List the sources of income that income tax would be concerned with. **(5 marks)**

- b) Absolom is an employee at TIC Co. Ltd. His designation is that of Factory Manager from which he earns a monthly salary of Kshs. 150,000. As manager he is entitled to certain perks, to wit, he has medical benefits, is entitled to company provided meals, and two of his four children are paid for fees by the company.
- i) Explain the steps to be taken in calculation of Absolom's tax liability. **(10 marks)**
  - ii) Describe what will not be considered as income for purposes of Absolom's income tax calculations. **(5 marks)**

- Q4. a) Msimamo Ltd deals with LPG gas in the East African Market. On 12 February 2014 a consignment destined for Tanzania and Uganda was disserted and traded in Kenya. Explain the directors of Msimamo Ltd their tax liability. **(6 marks)**
- b) It is argued that the East African Community Customs Management Act is contrary to article 40 of the constitution of Kenya 2010 on the right to property as it allowed arbitral detention of one's property. Discuss. **(14 marks)**
- Q5. a) Outline **FIVE** principles of public finance under the constitution of Kenya 2010. **(10 marks)**
- b) As of 1 January 2014 the Finance Act 2014 has authorized KRA to impose withholding tax on winnings form betting and gaming. Discuss the goods in this regard, citing the issues arising. **(10 marks)**

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