



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

JANUARY – APRIL 2019 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAC 424: TAXATION LAW AND PRACTICE

Date: APRIL 2019

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Discuss the main objectives of taxation in Kenya. **(10 Marks)**
- b) Offences and penalties as provided by the Income Tax Act relates to non-compliance. In view of this statement, a person shall be guilty of an offence if without reasonable excuse under various situations, state and explain such situations **(10 Marks)**
- c) State and explain the various Tax Planning opportunities available to Individuals and Companies in Kenya as provided by the Income Tax Act (Cap 470) **(5 Marks)**
- d) Taxation has both positive and negative effects, discuss the various effects of taxation **(5Marks)**
- Q2. a) A tax payer who disputes or who does not agree with an assessment for any year of income has a right to lodge an objection against such an assessment. Such an objection is referred to as "notice of objection" and must meet certain aspects. Outline and explain these aspects. **(6 Marks)**
- b) Any default to pay tax is punishable, provision of the Income Tax Act Section 96-104 prescribes mode of recovery of tax. Explore different modes available to recover this debt by the government in Kenya. **(7Marks)**

- c) Differentiate between Tax Evasion and Tax avoidance, causes and remedies available to mitigate these practices. **(7 Marks)**
- Q3. a) Define the concept of Double Taxation and how it occurs **(5 Marks)**
- b) Generally, double taxation is not liked by taxpayers and is highly criticized by the Economists, In relation to this statement, discuss the main effects of Double Taxation **(10 Marks)**
- c) Identify the different remedies of Double Taxation. **(5 Marks)**
- Q4. a) The Kenya Revenue Authority (KRA) was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1st July 1995 to enhance the Mobilization of Government revenue.

Required: Discuss the functions of Kenya Revenue Authority in relation to tax administration in Kenya. **(6 Marks)**

- b) Write short notes on the following aspects and concepts in reference to Income Tax Act(Cap 470 laws of Kenya)
- i) Forward shifting of tax **(2 Marks)**
 - ii) Backward shifting of tax **(2 Marks)**
 - iii) Transfer Pricing and Taxation **(4 Marks)**
 - iv) Vat Act (1989) **(3 Marks)**
 - v) Tax law and practice regarding Rental income in Kenya **(3 Marks)**

END