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**University Examinations 2014/2015**

FOURTH YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

**HBC 2245: ISSUES IN TAXATION**

**DATE: DECEMBER 2014 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE**

1. Discuss the role of tax automation in forestalling of tax evasion in Kenya (8 marks)
2. Explain the main provision regarding double taxation treaties in Kenya (5 marks)
3. Explain five anti-tax avoidance provisions as contained in the income tax Act Cap 470 (5 marks)
4. Reliance general insurance ltd ha the following details with respect to the financial year ended 31/12/2013.

Gross written premium 20,000,000

Claims paid 6,000,000

Claims recovered from reinsurer 1,500,000

Legal expensed relating to claims 549,000

Investment income 1,100,000

Staff costs 2,000,000

Depreciation 400,000

Interest on debt 355,000

Rental income 1,110,000

FOREX gain/losses (569,000)

Commission on reinsurance accepted 900,000

Commission on reinsurance ceded 672,000

**Required:**

1. Taxable profit/loss for reliance licences insurance ltd for the period ended 31/12/2013 (8 marks)
2. Tax payable (if any) from the profit/loss computed (i) above (4 marks)

**QUESTION TWO**

1. Discuss the elements of tax reform in Kenya (6 marks)
2. Explain the tax design and structure in Kenya (7 marks)
3. Discuss the main provisions of the VAT Act (Cap 476) (7 marks)

**QUESTION THREE**

Explain the taxation of the following types of business

1. Venture capital firms (5 marks)
2. Unit trusts (5 marks)
3. EPZ firm (5 marks)
4. Petroleum prospecting companies (5 marks)

**QUESTION FOUR**

1. Discuss the steps involved in creation of a capital statement in a back duty investigation

 (2 marks)

1. What is deffered taxation (2 marks)
2. Explain the purpose of deffered taxation (6 marks)

**QUESTION FIVE**

1. Eric Muthomi, a married resident had a 2013 income of ksh. 2,500,000, and a net income from CANADA of kshs. 600,000( ). The tax deducted in CANADA was ksh. 300,000

( ). Kenya has a double taxation relief treaty with CANADA. Calculate

1. The double taxation relief in Kenya (13 marks)
2. The tax payable by Kamau in Kenya (7 marks)