KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2018/2019

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN REAL ESTATE MANAGEMENT

BRE 305: REAL ESTATE TAXATION

DATE: TUESDAY 18TH DECEMBER 2018 **TIME: 8.00 A.M. - 10.00 A.M.**

INSTRUCTIONS:

ANSWER QUESTION ONE AND ANY OTHER TWO

Question 1 - (30 marks)

a) Explain the following terms as used in real estate taxation

i.	Property tax assessment	(2 marks)
ii.	Reteable Owner	(2 marks)
iii.	Supplementary valuation roll	(2 marks)
iv.	Collection ratio	(2 marks)

b) Describe five key challenges in property assessment in Kenya (10 marks)

c) The following information relates to Mr. Dzeko, a real estate investor.

1. Mr. Dzeko has two properties. The property in Kiambu road, has 7 units, which attract a rent of Ksh. 30,000 per month per unit. Another property in Thika Road has 15 units and attracts a rent of Ksh. 35,000 per month per unit. All units were occupied by tenants throughout the accounting period of 2016.
2. During the accounting period, he incurred the following expenses; Land Rates - Kshs. 15,000; Property insurence - Kshs. 10,000; Agents fees - Kshs. 20,000; Repars - Kshs. 150,000; School fees - Kshs. 120,000; Loan interest - Kshs. 55,000; Electricity - Kshs. 66,000; During the year, his principal loan repayment amounted to Kshs. 250,000
3. Compute

i.	Taxable rental income	(7 marks)
ii.	Landlords Tax Liability if he is a resident person	(3 marks)
iii.	Is a non-resident person	(2 marks)

Question 2 - (20 marks)

a) Explain four aspects of a tax burden (2 marks)

b) Briefly explain the extend to which the following taxes can be shifted

i. Rental Income Tax (2 marks)

ii. Stamp duty (2 marks)

c) With reference to the tax legislation in you country, briefly discuss the following

i. Valuation Court (2 marks)

ii. Notice of objection to an assessment (3 marks)

iii. Property tax administration functions (4 marks)

iv. Residence in relation to Body of persons (3 marks)

Question 3 - (20 marks)

Discuss the four basis of property rating (20 marks)

Question 4 - (20 marks)

a) Discuss reasons why the government imposes land and property taxes on individuals and business organizations (10 marks)

b) The following information relates to Joanne a real estate investor

1. Joanne bought a piece of land as an investment for Kshs. 2,000,000 in 2016. The legal costs of purchase were Kshs. 25,000. The cost of changing the roof was 130,000. Valuation fees were Kshs.70,000 and the cost of defending the titles was Kshs. 25,000
2. Joanne sold the land in December 2018 for Kshs. 3,500,000. She incurred estate agency fees of Kshs. 65,000 and legal costs of Kshs. 50,000 on the sale. Industrial building deduction was agreed to Kshs. 300,000. Calculate her capital gain Tax liability (10 marks)

Question 5- (20 marks)

a) Discuss any FIVE characteristics of a good real estate tax system (10 marks)

b) Explain the context and rationale of property tax reforms in Kenya (10 marks)