KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2009/2010

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT AND TRADE)

KBT 106: AGRIBUSINESS TAXATION

DATE: THURSDAY, 29TH JULY 2010 **TIME: 11.00 A.M. - 1.00 P.M.**

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

1)

a) Discuss the stages involved in computation of tax on employment income.(4 marks)

b) Distinguish the following as used in agribusiness taxation;

(i)	Canon of flexibility and Canon of elasticity	(2 marks)
(ii)	Direct taxes and Indirect taxes	(2 marks)
(iii)	Progressive tax and Regressive tax	(2 marks)
(iv)	Tax evasion and Tax avoidance	(2 marks)
(v)	Exempt supplies and Zero rated supplies	(2 marks)
(vi)	Balancing charge and Balancing allowance	(2 marks)

c) Describe administration of income tax and the year of income from the point of view of income tax in Kenya. (5 marks)

d) State any five employment benefit~ that are not taxable in agribusiness. (5 marks)

e) Discuss Tax amnesty highlighting its objective as a policy in tax administration.(4 marks)

f) Describe capital allowances in respect of agricultural land (5marks)

g) Define Value Added Tax (V.A.T.) explaining its advantages and disadvantages as a tax in agribusiness. (5 Marks)

2) a) Bestway Limited, a milk processing company based in Kiambu started its operations in January 2003. The company had incurred the following capital expenditure;

	Shs.
Cost of Land	400,000
Cost of buildings	1,600,000
New Machinery installed	1,200,000
Delivery Vans	400,000

Calculate the capital allowances due to the company for the year 2003. (9 marks)

b) Mary is a farmer; she incurred the following expenditure on farm works during the year 2004

	Sh
Labour quarters	150,000
Fencing the farm	30,000
Tar-marking of the road leading to the farm	50,000
Painting labour quarters constructed during the year	12,000
Replacing the roof of the farm house	60,000

Calculate farm work deductions for the year of income 2004. (6 marks)

3) James is the proprietor of a fruit and vegetable shop. His profit and loss account for the year ending 31st December 2004 is as follows;

Gross profit		£ 20,000
Expenses:		
Wages and salaries	£ 5,000	
Rent and rates	£ 3,000	
Water and electricity	£ 1,000	
Depreciation of delivery van	£ 200	
General expenses	£ 300	
		£ 9,500
Net profit		£ 10,500

Note that:

(i) James lives in a flat above the shop and it has been agreed that 30% of the rent and rates, water and electricity be charged to him

(ii) General expenses £ 50 are not allowable deduction.

(iii) Written down value of delivery van as at January 1, 2000 was £ 6000.

Calculate the taxable profit of James. (15 marks)

4) Mr. Kamau is a married person. He and his wife had the following income for the year 2005.

a) Mr. Kamau
-Salary 170,000 (P.A.Y.E. sh. 25,000)
-Dividends 30,000 (Withholding tax sh. 4,500)
-Free company car (1500cc)

b) Mrs. Kamau
-She is employed as a teacher at a salary of 6,000 p.m. (P.A.Y.E sh. 2,500)
-She runs a small business. Her income from business was sh. 60,000 during the year.

Calculate the tax payable by Mr. and Mrs. Kamau for the year ended December 2005. (15 marks)

5) a) Differentiate and explain the purposes between Custom duties and Excise duties (10 marks)

b) Discuss the remissions/exemptions relating to the above duties in 5 a) (5 marks)