INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF LAW

END OF SEMESTER EXAMINATIONS - DECEMBER 2025

PROGRAMME: LLB
YEAR/SEM: YEAR 4/SEMESTER 1
COURSE CODE: LLB 4107
NAME: REVENUE LAW AND TAXATION I

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

This question is compulsory and shall carry 25 Marks.

Question 1:

Mpererwe Home Stores Limited operates a wholesale Kitchenware shop in Mpererwe trading centre. In the year of Income running from 1st July 2024 to 30th June 2025, they had the following transactions:

a) Total sales of kitchenware (including dishes, plates, glasses, etc.) of Ug.shs656,500,000;

b) Ug.shs50,000,000 received as consideration on the sale of an undeveloped plot of land in Gayaza owned by the Company. The plot was acquired in August 2024 at Ug.shs35,000,000;

c) Ug.shs15,000,000 recovered by their lawyers from a defaulting client. The recovered money was in respect of a debt for goods sold on credit in the year of income 2022/2023. The Company had written off the debt;

d) Ug.shs10,000,000 earned as commission on sales made on behalf of Katwe Saucepans.

Mpererwe Homestores Ltd had the following outgoing:

a) Ug.shs18,000,000 paid as rent for their shop in Mpererwe;

b) Ug.shs26,000,000 paid as salaries and other employee benefits to their shop attendants

c) Ug.shs2,000,000 spent on running adverts of the store on local radios and Tiktok;

d) Ug.shs478,000,000 spent on purchase and importation of kitchenware from Turkey. The Company paid withholding tax of Ug.shs28,680,000 at the time of importation.

i) Citing the relevant sections of the law, determine the gross income of Mpererwe Homestores Ltd and the allowable deductions for the Year of Income 2024/2025

ii) Compute the Income Tax to be paid by Mpererwe Homestores for the year of income 2024/2025

Question 2:

Timosewo is a senior manager employed with a firm, Cascade Professional Consultants. According to the terms of his employment contract, he was entitled to the following payments and benefits in the year of income 2024/2025:

a) Salary of Ug.shs7,500,000 per month;

b) Medical insurance cover for himself and his family members (wife and children) for which the Firm is paying a premium of Ug.shs3,000,000 per year;

c) A fuel card with a limit of Ug.shs250,000 per month. He can use the fuel card to fuel his personal vehicle;

d) Payment of NSSF contributions by the Firm equivalent to 10% of his employment income;

e) The Firm rents an apartment for Timosewo in Najjera and pays the landlord a monthly rent of Ug.shs700,000 directly to the Landlord;

f) Lunch provided by the Firm to all its employees. The average monthly cost for providing

meals per employee is Ug.shs220,000.

g) Bonuses earned on business acquisition. In the year of income 2024/2025, he earned total bonuses of Ug.shs18,000,000.

i) Citing the relevant sections of the Income Tax Act, Cap. 338, determine whether each of the above payments constitutes employment income.

ii) Compute the tax payable by Timosewo for the year of income 2024/2025

SECTION B

Answer at least one questions from this section.

Question 1:

Write short notes on the following aspects:

a) Principles of interpretation of tax statutes (10 marks)

b) The tenet of equity in income taxation of individuals (8 marks)

c) Determination of residence for an individual (7 marks)

Question 2:

Write short notes on the following aspects:

a) Withholding of tax from dividend payments (9 marks)

b) Outline four persons whose employment income is exempt from income taxation (4 marks)

c) Types of assessments under the income tax regime in Uganda (13 marks)

Question 3:

Consider the following statements and citing the relevant sections of the Income Tax Act, Cap. 338 and case law, explain whether each statement is true or false:

a) Mrs. Ofwono worked as a secretary at Wadman Manufacturers for 15 years. As she was leaving the Company, she was paid a total of Ug.shs100,000,000 including Ug.shs50,000,000 as a long service award, Ug.shs10,000,00 as payment in lieu of leave and Ug.shs40,000,000 as a lumpsum payment from the Wadman Retirement Fund. All these payments are wholly taxable as employment income (13 marks)

b) Marcus Lwanga and Nielsen Lwanga jointly own a block of apartments in Ntinda which is rented out. They earn a gross annual rent of Ug.shs120,000,000. The rental income tax payable by each one is Ug.shs7,032,000 (8 marks)

c) When a resident individual pays tax in a foreign country such foreign tax paid is completely lost. It can never be considered in reducing their tax liability in Uganda. (4 marks)

Question 4:

Consider the facts presented below and citing the relevant sections of the Income Tax Act, Cap. 338 and case law, explain whether each statement is true or false.

a) Jeff participated in an employee share acquisition scheme in which he bought 100 shares in Technology Masters Ltd at a price of Ug.shs50,000 per share. The market value of each share in Technology Masters Ltd is Ug.shs70,000. He made employment income of Ug.shs200,000 by virtue of the share acquisition scheme. (7 marks)

b) Tofaali Construction Ltd charges its clients interest on late payments. In the year of income2024/2025, it earned 10% interest on late payment of an invoice of Ug.shs45,000,000. The amount of Ug.shs4,500,000 paid as interest is exempt income (5 marks)

c) Mr. and Mrs. Smith have been married for 15 years but recently underwent a divorce in 2024/25. During the divorce, Mr. Smith was ordered to pay alimony of Ug.shs2,500,000 per month to Mrs. Smith. Mr. Smith has claimed the alimony as a deduction from his gross income in his final return. This alimony is an allowable deduction and shall reduce Mr. Smith chargeable income. (5 marks)

d) Once a taxpayer has filed a self-assessment return, Uganda Revenue Authority has no right to interfere, investigate or adjust the taxpayer's declaration of income (8 Marks)

SECTION C

Answer any two questions from this section. Each question shall carry 25 Marks.

Question 1:

The characterisation of an expenditure or loss will dictate how it is treated for tax purposes. You must start by classifying the type of expenditure then you can determine whether or not it is allowable. Discuss this statement, clearly highlighting how different expenditures and losses are treated under the Income Tax Act, Cap. 338 (25 Marks)

Question 2:

Non-compliance is common for taxpayers and they will usually need advice on how to manage an administrative default assessment and handle disputes with the Revenue authorities. Clearly highlighting the steps and timelines applicable, discuss the law relating to objections and appeals in respect of a tax decision made under the Income Tax Act, Cap. 338. (25 marks)

Question 3:

'Uganda's income tax exemption regime is not random. Every exemption provided for under the Income Tax Act, Cap. 338 is guided by policy considerations and justifiable rationale.'

In light of the exemption regime under the Income Tax Act, Cap. 338, discuss the exemptions provided for in the law and their respective rationale. (25 marks)

Question 4:

Procedure is important - failure to adhere to timelines can rob the taxpayer of a remedy even if you have a genuine grievance or reason to dispute a tax assessment.

With reference to the Tax Procedures Code Act, Cap. 343 and recently decided cases, discuss the procedure for handling tax disputes highlighting the applicable timelines and remedies. (25 marks)

Question 5:

Business is defined under section 2 of the Income Tax Act, cap. 338 as *inter alia* an adventure in the nature of trade not including employment income. This gives rise to questions such as what makes an individual's activities constitute a business as opposed to an employment.' per Rio, inquisitive LLB 4 student.

With the aid of the relevant law and cases, discuss the factors considered by courts in determining whether an individual is carrying on business or is employed. (25 marks)