



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA  
(Established under Accountants Act, Laws of Kenya)

THE TAXATION MASTERCLASS

Theme: *Taxation considerations for economic development and prosperity*

VENUE: LAKE NAIVASHA RESORT

Date: 15<sup>th</sup> - 19<sup>th</sup> March 2021

## END OF TAXATION MASTERCLASS ASSESSMENT

### DELEGATES DETAILS

Delegate Name: .....

ICPAK Reg (Not Applicable if a Non-Member).....

(Please attempt and answer all questions – total of 60 Marks)

### Questions

1. Define the following terms (2 marks)

a) Tax.....

b) VAT.....

2. State any Four Canons of Taxation (2 Marks)

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3. Outline the current Taxation Rate of the following: (6 Marks)

a. Corporation Tax (Resident Company) .....

b. Corporation Tax (Non-Resident Company) .....

c. Individual Income Tax Bands and applicable rates

Tax Band	Rate of Tax
On the First KShs 24,000 per month or KShs 288,000 per annum	
On the next KShs 8,333 per month or KShs 100,000 per annum	
On all income amounts in excess of KShs 32,333 per month or KShs 388,000 per annum	

d. VAT Rate(s) .....

4. Mrs Juan Yew, a Kenyan Citizen and an employee of a resident person is sent to Country B for a 5-year long assignment. The resident person pays for relocation costs, offers

security, other necessary items for Mr. Zee to enable him settle in Country B. He will also be receiving his monthly pay and other allowances from the employer and the same is not taxed in Country B. Is Mr. Zee subject in Kenya for tax purposes? Explain (4 Marks)

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5. Its December 2050 and CPA Joe has just graduated and planning to start a career in tax practice. What key skills and tools should he possess to succeed. Enumerate at least three (6 Marks)

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6. ABC B.V. is a company based in Amsterdam Netherlands. It has a subsidiary in Kenya which handles marketing, liaison, and management services on behalf of the parent ABC B.V. ABC offers a website that is accessible through downloading on mobile phones and tablets as well as through a URL. Many entities sell products through the platform provided for by ABC including Kenyan sellers. Customers are also located in various jurisdictions including Kenya. XYZ Limited a resident of Kenya sells shoes to Kenyans and other customers located outside Kenya through the ABC App/website. These sellers pay a commission for use of the platform.

ABC also does targeted advertising such as listing the sellers' products in top 5 when searched for by customers to which they charge an additional fee. Topman a Kenyan resident entity pays a monthly fee for this kind of premium service.

ABC has a unit involved in data collection and analysis based in Cayman island. Data is collected on all users of the website and this data is sold to various entities that list their products on the website at a fee. However, for those who pay for listing in top 10, the data is entirely availed for free.

ABC has since started a division which comes up with online games and sold through their website and app. These online games are quite popular in Kenya especially during school Holidays.

- a) Identify two transactions subject to DST (4 Marks)

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- b) Identify two Transactions not subject to DST (4 Marks)

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7. Section 3 (1) of the Income Tax Act – taxes all the income of a person, whether resident or non-resident, which is accrued or derived from Kenya. Enumerate six instances where Income tax is chargeable. (12 Marks)

- a) .....

- b) .....
- c) .....
- d) .....
- e) .....

8. XYZ LTD is in the process of preparing its annual tax computation for the year ended 31 December 2020. Below is the extract of the profit and loss accounts:

Description	KES
Sales	6,000,000
Less costs:	
Salaries	(1,200,000)
Telephone expenses	(250,000)
Cleaning expenses	(80,000)
Transport	(150,000)
Repairs	(1,850,000)
Donations	(1,000,000)
Entertainment expense	(250,800)
Tax penalties	(500,000)
Depreciation	(250,000)
<b>Profit before tax</b>	<b>470,000</b>

Asset information is as below:

**Additions:**

Computers – 200,000  
 Furniture – 150,000  
 Equipment – 85,000

**Other information:**

Written down values brought forward as at 1 January 2020 are as follows:

Computers – 180,000  
 Furniture, fittings and equipment – 525,000

The donations were not made to an organization who has a tax exemption certificate  
 Included in the repairs account is a capital expense of KES 450,000 relating to the purchase of computers

Included in telephone expense was an amount of KES 50,000 a line used by the Managing Director. All other lines fixed landlines and used for business purposes.

Entertainment expense includes unsupported expenses amounting to KES 100,000

**Rates:**

Corporation tax – 25%; Tax allowances for computers – 20%, Furniture, fittings and equip – 10%

**Task:**

- a) Compute the tax liability for XYZ LTD (5 Marks)  
 b) Compute the instalment taxes for FY 2021 on a prior year basis (5 Marks)

9. State any three key lessons or take-home points that you have learned from the Masterclass (6 Marks)

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10. Make any two recommendations on areas for improvement in the future (4 Marks)

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