



RIARA LAW SCHOOL
UNIVERSITY EXAMINATION FOR BACHELOR OF LAWS (LLB)
DEGREE

RLB 409: INTRODUCTION TO TAX LAW

INSTRUCTOR: DR WILSON NGIGI

INSTRUCTIONS

1. This is the final examination in Introduction to Tax Law. You will earn 70% of your final grade from this final examination and 30% from Continuous Assessment Assignments.
2. This examination has **THREE** questions. Please answer **ALL THREE QUESTIONS**.
3. This examination has 3 pages, including this one.
4. Time allocated for this examination is **TWO** (2) hours. You must stop writing when the time is called.
5. Please sign the roll sheet when you turn in your answer sheet. If you fail to sign the roll sheet, we shall have no way of establishing that you sat for this examination and your marks will not be reported.
6. This is a **CLOSED BOOK** examination. This means you are not permitted to bring ANY hard or soft materials to the examination room. You are also not allowed to access materials stored in computers, electronic gadgets or the internet. You should not bring to the examination room any of the following: cell phones, tablets, computers, statutes, notes, outlines, or books. Neither should you bring to the examination room books or materials unrelated to this course. If you need to have medicine or food items with you, please let the invigilator know before the examination begins.
7. This examination is governed by **Riara University Academic Honesty Regulations**. Students who violate those regulations will be penalized. Students have an obligation to report to the invigilator any incidences of academic dishonesty compromising the integrity of this examination.

QUESTION ONE

(Total: 30 marks)

- a. A good tax system is that system that helps achieve maximum possible numbers of principles of taxation, helps maintain economic stability and equalize the distribution of income and increase the rate of economic growth. Adam Smith, the famous economist originated the canons of taxation in his famous book "The Wealth of Nations". Discuss any four canons of taxations (20 marks)
- b. Mr. Crescent sold his plot of land located at Kamulu in 2023, that he had initially purchased in 2016 for Ksh.1.2m, for Ksh. 3m, to Feiffer Enterprises. The following are the costs he incurred to sell the land:
- Legal fees paid to his lawyer to effect the transfer- Kshs. 100,000;
 - Advertisement in the dailies- Kshs. 50,000;
 - Agent's commission - Kshs. 200,000
 - Valuation fees - Kshs. 150,000.

In 2016, he remembers paying legal fees of Kshs. 60,000 for transfer of title from the initial owner. As the land had a succession case, he was further asked to pay Ksh. 50,000 to defend the title. He has a receipt indicating he paid Kshs. 70,000 as valuation fees. Upon receiving the title, he constructed a fence round the plot at a cost of Kshs. 130,000.

Required:

Calculate the amount payable by Mr. Crescent as Capital Gains Tax. (10 marks)

QUESTION TWO

Mr Ochieng won the 2020 rotary jackpot worth Kshs. A quarter of a billion shillings. He embarked on putting up 10 flats in different parts of the country. As a result, he collects about Kshs 3,500,000 in rent every month. He understands that he has tax obligations on the income he is collecting. Advise him on the following

- a. The tax obligation emanating from the income he collects monthly (10 marks)
- b. The difference between tax evasion and tax avoidance. (5 marks)
- c. How much he should pay to the Kenya Revenue Authority every month from the income he is collecting. (5 mark)

QUESTION THREE

Write short explanatory notes on any four of the following:

- a. Direct and indirect taxes (**5 marks**)
- b. The difference between input and output tax (**5 marks**)
- c. Capital gains tax (**5 marks**)
- d. Gratuity (**5 marks**)
- e. Graduated/progressive income tax (**5 marks**)
- f. Pay as you Earn (**5 marks**)