



**KENYA REVENUE  
AUTHORITY**

Kenya School of Revenue Administration  
(KESRA)  
ISO 9001 : 2015 CERTIFIED

**DIPLOMA IN TAX ADMINISTRATION**

**VAT LAW AND PRACTICE**

**TERM PAPER**

### **Question 1**

Bwana Tumbo owns the Tumbombele Chain of restaurants in different parts of Nairobi. He maintains one PIN registration for the entire chain. In the year 2019, his books of accounts showed the following:

Sales Westlands: 2,000,800

Sales Ngongroad: 1,305,000

Sales CBD: 1,790,000

Supply of raw potatoes and rice: 421,000

Bwana Tumbo disposed off two old motor cycles for Shs.367,000 and now owns 3 new ones to enable delivery for purchases on order.

Separately, Bw.Tumbo supplies kitchen utensils and equipment to parliament building for use in the Bunge kitchen. In addition to the equipment, he also supplies potatoes and rice.

Bwana Tumbo has hired you as a tax advisor for Tumbombele Restaurants.

Required:

Prepare a report for Tumbombele Restaurants explaining their tax treatment with regards to:

- i. Registration
- ii. Time of Supply
- iii. Place of Supply
- iv. Taxable Supplies
- v. Taxable Value
- vi. Claim of Input tax
- vii. Filing of returns

**(20 marks)**

## Question 2

Lukenya Limited is in the business of making and selling furniture. The company has not been audited for the last one year. During one of the compliance visits the following was discovered:

### **Sales for the month of March 2019 were as follows:-**

	<b>Kshs.</b>
Local sales	6,000,000
High back chairs donated to Kenyatta National Hospital	3,000,000
Cabinets sold to Muthaiga Primary School	1,200,000
Wooden decorative items donated to the British High Commission	700,000
Office furniture sold to Kenya Revenue Authority	1,000,000

### **Expenses for the month of March 2019 were as follows:-**

	<b>Kshs.</b>
Purchase of timber	8,000,000
Glue	150,000
Labour	4,000,000
Advertising costs	2,000,000
Court charges	150,000
Hire of go-down premises	2,000,000
Purchase of a new company pick-up car	2,500,000
Partitioning of showroom for the furniture	400,000
Water	20,000
Electricity	80,000
Training for the sales team	180,000
Directors' medical cover	2,000,000
Exhibition charges	400,000
Air travel for marketing trip to Rwanda	500,000
Nails	30,000
Power cutting machine	2,000,000

**Note:** All supplies are taxable at 16% and are VAT exclusive, where applicable.

### **Additional information:**

1. Sales for February 2016 had been under-declared by Shs.800,000.
2. The company had not claimed the VAT input tax for January 2019 amounting to Shs.250,000.
3. Furniture worth Shs.2,000,000 was used to furnish Lukenya's new display room.
4. ABC corporation registered under the Special Economic Zones Act procured furniture worth Shs.1,630,000. A discount of Shs.130,000 was allowed.
5. Chairs specially created for Kenya Institute of Special Education worth Shs.360,000 were utilized.

6. The company returned timber worth Shs.2,000,000 to the supplier in the same month as the quality was not to standard.
7. A debit note worth Shs.150,000 was issued to Muthaiga Primary School.
8. ABC Corporation reported a short in deliveries of worth Shs.400,000. The same was adjusted in the price.
9. The old cutting machine was disposed off at a book value of Shs.650,000.
10. Timber supplied to the Standard Gauge Railway Project Shs.3,000,000
11. In order to purchase the new pick-up, Lukenya traded in their old pick up worth Shs.1,200,000 and paid the balance in cash.

**Required:**

Prepare the company VAT return for March 2019 and show all your workings.

**(30 marks)**