



SCHOOL OF LAW
BACHELOR OF LAWS IN COMMERCIAL LAW
SLA2192 - LAW OF TAXATION
MID-SEMESTER TEST
16TH OCTOBER 2023
12.30 – 15.30hrs

TIME ALLOWED: THREE HOURS (Plus, 5 minutes to read through the paper)

INSTRUCTIONS:

1. Section A: this question is **compulsory** and must be attempted.
2. Sections B: Answer Three (3) questions from this section.
3. This examination paper carries a total of **20 marks**.
4. Candidates **MAY** Bring into the examination the following;
 - Income Tax Act Chapter 323 of the Laws of Zambia
 - Non-programmable calculator
5. Candidates must **not turn this page** until the invigilator tells them to do so.

SECTION A: Question 1 is compulsory and must be attempted.

For the purposes of this question assume that today's date is 31 December 2023

Kalambai, a Tax Guru, was born in a country known as Vilmo in 1982. He had always lived in Vilmo, where he is also domiciled. Kalambai was recently appointed as an expatriate at *Chulu & Partner "ATTORNEYS AT LAW"*, a Zambian resident law firm. His contract of employment commenced on 1 September 2023 and will expire on 31 August 2025, after which he will relocate back to Vilmo permanently.

Kalambai arrived in Zambia to take up the position on 1 September 2022. His annual salary was K840,000 in the tax year 2023 and he was paid a relocation allowance of K70,000. The company leased a house on his behalf paying lease rentals of K14,000 per month and utility expenses of K4,000 per month in relation to the accommodation. The company also paid his golf club subscriptions of K6,000 and professional subscriptions to the Law Association of Zambia amounting to K8,000.

Required:

- Explain the reasons with well-founded authority and precedent, why Kalambai will be regarded as being resident and ordinarily resident in Zambia in the tax year 2023. (6 marks)
- Compute the income tax payable by Kalambai for the tax year 2023. (15 marks)
- Imagine that this is 2024, would Kalambai's indebtedness to the Zambian government be the same? (4 Marks)

[Total: 25 Marks]

SECTION B: Attempt any THREE questions in this section.

Question 2

You are one of the delegates invited to a high profiled seminar made possible by Zombie Revenue Authority (ZRA) being celebrated under the theme "*ADAM SMITH*": The ideal tax system for the Republic of Zombie. During the seminar, a debate has just erupted in the motion:

"The tenets of taxation as espoused by Joseph Eugene Stiglitz & Charles F. Bastable may not be of any value in this day and age"

On the premise that you may be asked to debate either for or against the motion, set out the arguments either way, and given a choice, which side of the debate do you consider compelling?

Please make a rationed opinion.

[Total: 15 Marks]

Question 3

Imagine a case involving a wealthy individual who has been using offshore tax havens and shell companies to conceal significant portions of their income. A government investigation has uncovered evidence of both tax evasion and tax avoidance schemes. As a legal advisor, discuss the legal distinctions between tax evasion and tax avoidance in this case, and outline the potential legal consequences for the individual. How should the government approach this case to ensure a fair legal process while addressing both forms of non-compliance?

[Total: 15 Marks]

[At least 4 cases]

Question 4

How does the multifaceted role of taxation in a modern economy, encompassing revenue generation, income redistribution, economic stabilization, public goods provision, and the establishment of a legal framework for revenue collection, intersect with and potentially challenge the principles of legality, equity, and government accountability within the domain of tax law and policy?

[Total: 15 Marks]

Question 5

Write short notes on the following:

- a) Presumptive and Turnover Taxes (5 Marks)
- b) Powers of the Commissioner General (4 Marks)
- c) Demerits of Direct Taxes (3 Marks)
- d) Principle in the celebrated case of Lee Ting Sang v. Chu Chi-Keung [1990] UKPC 9 (3 Marks)

[Total: 15 Marks]

END OF EXAMINATION