

**DAYSTAR UNIVERSITY****LLB 417****TAXATION LAW EXAM****JANUARY - APRIL 2022 SEMESTER****TWO HOURS**

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**INSTRUCTIONS**

1. Question 1, Part A, is mandatory.
2. Answer any TWO questions from Part B.
3. Each of the 4 questions in Part B carries equal marks.
4. This is not an open book examination. Anybody found cheating in any way shall be punished in accordance with the university regulations governing examinations.

**PART A – QUESTION IN THIS SECTION ARE MANDATORY**

1. **Article 201 of the Constitution** outlines the principles that govern public finance in Kenya. Discuss these and the other principles guiding public finance and the taxation system in Kenya under the **Constitution**.  
(30 marks)

**PART B – ANSWER ANY TWO QUESTIONS**

2. Some of the principles of an optimal tax system may be in conflict with each other. They may also be in conflict with the national objectives of a State and therefore a compromise is needed. Identify 2 categories of principles of an optimal tax system that are in conflict with each other and explain how such a conflict can be resolved.  
(10 marks)
3. Nekesa is a student at Ukweli University. Taxation Law is a compulsory subject for all 3 year students of law at Ukweli University. He has difficulty understanding the rules of interpretation of tax statutes and has requested you to assist him.  
(10 marks)
4. One of the classification of taxes is direct and indirect taxes. The incidence of, and the impact of direct and indirect taxes differs. This has a direct effect on the advantages and disadvantages of both classes of classes.
  - a. Define what a direct tax is and briefly explain 3 advantages of direct taxes.  
(8 marks)
  - b. Define what an indirect tax is.  
(2 marks)
5. Explain 5 badges of trade.  
(10 marks)