Tax 2010/11

1. One of the following is not a canon of taxation

A. Certainty C. Accountability

B. Productivity D. Economy

2. The following statement is correct about commonality of TOT and VAT

A. Both are Indirect taxes

B. Both belong to the family of sales taxes

C. Both avoid cascading effect

D. All

E. None

Section II: Say true if the statement is correct and false if the statement is in correct? (5%) (One Point Each)

3. Tax withholding is the process of depositing money to be credited later against one's tax liability? **True or false**

6. Among the two available income tax systems our tax system is based on _____

7. _____principle allows the tax payer to compensate and make set-off the business loss suffered by the tax payer in a given year against the subsequent profitable years

1. Define tax base? (5 points)

2011/12

25. One of the following statements is correct about value added tax (VAT).

A. VAT creates cascading effect of a tax.

B. VAT is less comprehensive and less equitable tax system.

C. VAT increases the possibility of tax evasion. D. VAT has more tax burden.

E. VAT promotes capital investment and saving.

Section III: Provide brief answers to the following questions! (15%)

1. What is *tax burden*? **6%**

2012/13

12. The principle of efficiency in taxation refers to the idea that:
A. The administrative cost to the tax collecting authority should be kept at minimum.
B. The costs of compliance on the part of taxpayer in discharging their obligation to pay tax should be kept at minimum.
C. The effect of a tax in changing the behavior of tax payers/distortion effect
of tax/ should be kept at minimum.
D. All.
E. A and C.

1. According to some people, "the assignment of the power to levy value added tax (VAT) to the federal government under the guise of undesignated tax is unconstitutional. VAT is not undesignated tax; rather, it is a sales tax already designated and allocated to the federal and the regional states depending on the source." Write an essay in which you reflect on the validity or otherwise of this assertion.

2013/14

22. Taxes are instrumental for a government:
A. To reduce consumption of harmful goods and services.
B. To control the level of price of goods and services/inflation!.
C. For encouraging saving and investment.
D. All.
E. None.
23. The classification of taxes into direct and indirect taxes is based on:
A. The ability of taxpayers to pay tax.
B. Whether the source of revenue is from home or abroad.
C. Whether the tax is implicitly shift able or not.
D. A and B.
E. None.

24. The administrative cost to the tax collecting authority and the costs of compliance on the part of taxpayer should be kept at minimum. Which one of the following principles is best explained by this idea?
A. Efficiency.
B. Equity.
C. Certainty.
D. Flexibility.
E. None.
25. Which one of the following is incorrect about allocation of tax power under the Constitution of the Federal Democratic Republic of Ethiopia?
A. Taxes not specifically allocated to the federal government are always left to the regional states.
B. Income tax from individual traders is under taxation power of regional states.
C. Income tax from companies and partnerships is under concurrent power of taxation.
D. Sales tax on federal enterprises exclusively belongs to the federal government.
E. None.

2014

22. Which one of the following is an indirect tax?

A. Customs duty/tariff/.

B. Rental income tax.

C. Income from games of chance such as lottery.

D. Property tax.

E. None.

23. Which of the following can be the objective of excise tax imposition:

A. The need to discourage excessive consumption at the expense of saving.

B. The need to discourage consumption of certain harmful products.

C. The need to discourage consumption of luxury products.

D. All of the above.
E. None.

24. Which one is incorrect?

A. **In** a federal arrangement, it is advisable that taxes on mobile factors of production such as labor are vested to state governments.

B. Ethiopian tax law adopts nationality as bases of determining income tax jurisdiction.

C. Gift/donation may be deductible expense for the purpose of schedule 'C" income tax.

D. All of the above.

E. None of the above.

25. Value added tax is not appropriate for the government aiming at:

A. Reducing income disparity.

B. Discouraging consumption.

C. Reducing tax evasion.

D. All.

E. None.

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25. One of the following statements is correct about value added tax (VAT).

A. VAT creates cascading effect of a tax.

B. VAT is less comprehensive and less equitable tax system.

C. VAT increases the possibility of tax evasion. D. VAT has more tax burden.

E. VAT promotes capital investment and saving.

What is *tax burden*? **6%**

2008

15. One of the following is an exclusive Federal tax power. Which is it?

A. Tax from large scale mining operations

B. Tax from companies"

c. Income tax from employees of international organizations.

D. Tax from small businesses in regions

e. Income tax from persons working for regional governments,.

16. Which one of the following taxes can be considered direct tax?

A. Value Added Tax

B. Turn over Tax

C. Manufacturer's sales tax

D. Income tax

E. Custom duty paid by a company

17. Identify the income source that is not taxed based on schedule 'D'?

A. Income from winning lottery.

B. Income from legal advice rendered outside of Ethiopia

C. Capital gains tax

D. Income from casual rent of a house

E. Income from regular car rent

18. A tax imposed on international trade of goods is called?

A. Customs duty

B. Value Added Tax,

C. Turn over Tax

D. Excise Tax

E. Stamp duty

4.2. Write a short essay of not more than fifteen lines on the difference and similarity between zero rating and exemption in vat. (10%)

2009

1. One of the following items is **excluded** from gross income during taxation of "Schedule A" taxpayers?
   A. Overtime payments.
   B. Fringe benefits.
   C. Hardship allowances.
   D. Payment in-kind by the employer to employees.
   E. Back payments.
2. Identify the true statement regarding the difference between Zero rated transactions and Exempted transactions in VAT?
   A. In exemption no VAT is collected but in zero rating VAT is collected but only from exports.

B. Persons dealing with exempted transactions are required to register for VAT whereas traders dealing with zero rating are not.
C. Zero rated transactions are inside the VAT system whereas exempted transactions are outside the VAT system.
D. Both are multistage VAT systems.
E. Exported items are exempted from VAT whereas as imported items are zero rated.

3. Which of the following is correct about Ethiopian tax jurisdiction?

A. Residents are required to pay income tax from incomes they receive in Ethiopia only.
B. Non-residents are required to pay tax from their worldwide income.
C. Residents of Ethiopia pay tax from worldwide income.
D. All Ethiopians are required to pay tax to Ethiopian government wherever they reside.
E. Foreigners are required to pay tax from incomes they generate in Ethiopia only.

Re exam 2009

22. One of the following **is not** a mandatory requirement for foreign tax credit according to the
Ethiopian Income tax laws?

A. The taxpayer must be resident of Ethiopia
B. The income must be derived outside of Ethiopia
C. The taxpayer must first pay tax in foreign land
D. If the tax payer is an individual, he/she must be citizen of Ethiopia
E. The tax-payer could be non-Ethiopian as long as he/she resides in Ethiopia.

23. Identify the **false** statement regarding the objectives of taxation?

A. Taxes can be used to enhance saving and capital accumulation in the country
B. Regressive taxes are suitable for income and wealth distribution
C. Taxation can used to fight macro-economic problems like inflation
D. Taxes can be used to discourage the consumption of goods

E. Tax can be used to generate income for government.

24. Identify the **wrong** statement about public goods and services?

A. Excludability is absent in case of public goods

B. Public good and services are non-rival in their nature

C. Private investors are willing to provide public goods and services

D. Taxes are the main source of finance for public goods

E. There is low interest to invest in provision of public goods.

25. One of the following **cannot** be considered as a supply of goods according to Ethiopian VAT

laws?

A. Goods at hand during cancellation of registration.

B. Supply of goods by an employer to his employees.

C. Salary payment to employees

D. Provision of gas

E. Sale of industrial raw materials.

What is the concept used to refer to a deduction allowed for a business organization that invests parts of its profit in order to raise the basic capital of another company? (5%)