

## APPLY PRINCIPLES OF PUBLIC FINANCE AND TAXATION

**UNIT CODE:** BUS/OS/AC/CR/06/6

### UNIT DESCRIPTION

This unit specifies the competencies required to apply principles of taxation. It involves; demonstrating understanding of public finance and taxation process, Public budget process, managing public finance, computing taxable income, computing capital allowances, administering income tax, administering presumptive tax and VAT and administering customs and excise duty.

### ELEMENTS AND PERFORMANCE CRITERIA

<b>ELEMENT</b>	<b>PERFORMANCE CRITERIA</b>
<p>These describe the <b>key outcomes</b> which make up <b>workplace function</b>.</p>	<p>These are <b>assessable</b> statements which specify the required level of performance for each of the elements. <i><b>Bold and italicized terms are elaborated in the range.</b></i></p>
<p>1. Demonstrate understanding of public finance and taxation process</p>	<p>1.1 Public finance sources are identified 1.2 Public expenditure is determined 1.3 Principles of an optimal tax system are identified as per income tax Act 1.4 Taxes and tax rates are classified as per income tax Act. 1.5 Impact, incidence and shifting of tax are determined as per income tax Act. 1.6 Taxable capacity is determined as per income tax Act. 1.7 Structure of revenue authority is reviewed as per the income tax Act.</p>
<p>2. Demonstrate understanding of Public budget process</p>	<p>2.1 Public budget policy is formulated as per the public finance management Act. 2.2 Budget committee is formed as per the public finance management Act. 2.3 Public budget components are identified as per the public finance management Act. 2.4 Previous public budget is reviewed as per the public finance management Act. 2.5 Public budget approval is carried out as per the public finance management Act. 2.6 Public budget is executed as per the public finance management Act. 2.7 Public budget is audited as per the public finance management Act.</p>

<p>3. Manage public finance</p>	<p>3.1 Public finance principles are applied as per the public finance management Act.</p> <p>3.2 Government expenditure areas are identified as per the public finance management Act.</p> <p>3.3 Government revenue sources are selected as per the public finance management Act.</p> <p>3.4 Taxation principles are applied as per the public finance management Act.</p> <p>3.5 Fiscal policy is formulated as per the public finance management Act.</p> <p>3.6 National debt levels are determined as per the public finance management Act.</p>
<p>4. Compute taxable income</p>	<p>4.1 Sources of taxable income are identified as per income tax Act.</p> <p>4.2 Employment income is computed as per income tax Act.</p> <p>4.3 <b>Business</b> income is computed as per income tax Act.</p> <p>4.4 Income from rent and royalties, farming, investment and capital gain tax are computed as per income tax Act.</p>
<p>5. Compute capital allowances</p>	<p>5.1 Investment deductions are determined as per the income tax Act.</p> <p>5.2 Industrial building deductions are determined as per income tax Act.</p> <p>5.3 Wear and tear allowances are determined as per income tax Act.</p> <p>5.4 Farm works deductions are determined as per income tax Act.</p> <p>5.5 Mining allowance are determined as per income tax Act</p> <p>5.6 Shipping investment deduction is determined as per income tax Act.</p>
<p>6. Administer income tax</p>	<p>6.1 Assessments and returns are determined as per income tax Act.</p> <p>6.2 PAYE returns are prepared as per income tax Act.</p> <p>6.3 Notices, objections, appeals, appellant bodies and relief of mistakes are identified as per income tax Act.</p>

	<p>6.4 Collection, recovery and refund of taxes procedures are determined as per the revenue authority procedures</p> <p>6.5 Offences, fines, penalties and interest are determined as revenue authority procedures</p> <p>6.6 ICT is applied in taxation as per the integrated tax system</p>
7. Administer presumptive tax and VAT	<p>7.1. Presumptive tax is determined as per income tax Act.</p> <p>7.2. Businesses are registered and deregistered for VAT as per VAT Act.</p> <p>7.3. Taxable and non-taxable supplies/ and privileged persons and institutions are determined as per VAT Act.</p> <p>7.4. VAT is accounted for as per VAT Act.</p> <p>7.5. VAT is remitted and refunded as per VAT Act</p> <p>7.6. Rights and obligations of VAT registered person are identified as per VAT Act.</p> <p>7.7. Offences fines, penalties and interest implications are determined as per the VAT Act.</p>
8. Administer customs and excise duty	<p>8.1. Customs and excise duty procedures are determined as per customs and excise Act.</p> <p>8.2. Import and export duties are determining as per customs and excise Act.</p> <p>8.3. Prohibitions and restriction measures on import are identified as per customs and excise Act.</p> <p>8.4. Transit goods and bond securities are identified as per customs and excise Act.</p> <p>8.5. Excisable goods and services are identified as per customs and excise Act.</p> <p>8.6. Customs and excise duties purpose are identified as per customs and excise Act</p> <p>8.7. Goods subject to customs control are identified as per customs and excise Act.</p> <p>8.8. Import declaration form, pre-shipment inspection, clean report of findings is identified as per customs and excise Act.</p>

## RANGE

This section provides work environments and conditions to which the performance criteria apply. It allows for different work environment and situations that will affect performance.

Variable	Range
1. Businesses include but not limited to:	1.1 Sole proprietorship 1.2 Partnership 1.3 Companies 1.4 NGOs 1.5 SACCOs and cooperatives

## REQUIRED KNOWLEDGE AND UNDERSTANDING

The individual needs to demonstrate knowledge of:

- Business & Economic cycles in a diverse range of sectors.
- Financial Accounting.
- Risk management.

## SKILLS

The individual needs to demonstrate the following skills:

- Evaluation.
- Communication
- Analysis.
- Report writing.
- Negotiation
- Inter-personal.

## EVIDENCE GUIDE

This provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge and range.

1. Critical Aspects of Competency	Assessment requires evidence that the candidate: 1.1 Demonstrated understanding of public finance and taxation process 1.2 Demonstrated understanding of Public budget process 1.3 Managed public finance 1.4 Computed taxable income 1.5 Computed capital allowances
-----------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>1.6 Administered income tax</p> <p>1.7 Administered presumptive tax and VAT.</p> <p>1.8 Administered customs and excise duty.</p>
2. Resource Implications	<p>The following resources must be provided:</p> <p>2.1 .KRA tax rates</p>
3. Methods of Assessment	<p>Competency may be accessed through:</p> <p>3.1 Written tests</p> <p>3.2 Oral questioning</p> <p>3.3 Third party reports</p> <p>3.4 Case studies</p>
4. Context of Assessment	<p>Competency may be assessed:</p> <p>4.1 On the job</p> <p>4.2 Off the job</p> <p>4.3 In work placement (attachment)</p> <p>4.4 Off the job assessment must be undertaken in a closely simulated workplace environment</p>
5. Guidance information for assessment	<p>Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended.</p>