

**MAKERERE UNIVERSITY BUSINESS SCHOOL**

**COURSE WORK TAKE-HOME ASSIGNMENT FOR THE DEGREE OF  
BACHELOR OF COMMERCE OF MAKERERE UNIVERSITY ACADEMIC YEAR 2025/2026**

**COURSE NAME:** ADVANCED TAXATION

**YEAR OF STUDY:** III

**COURSE CODE:** FIN 3236

**DATE ISSUED:** 22<sup>nd</sup> APRIL 2026

**SEMESTER:** II

**DATE & TIME TO BE COLLECTED:** 4<sup>th</sup> MAY 2026

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**INSTRUCTIONS:**

1. You must answer ONLY one of the two questions.
2. The assignment should be done in groups of ten (10) students. If you are more than ten (10) students, you will be disqualified.
3. It should be type set in the format & size here below.
  - Font type: Times New Romans
  - Font size: 12
  - Line spacing: 1.15
  - Number of pages: Not more than 6 (excluding the cover page. Each additional page will result in a penalty of 2 marks.)
4. Each group member's name, registration number, and student number should clearly be type set and an authentic hand written signature presented on the group member's list accompanying the group work. Failure any group member on any part of this requirement, renders him/her disqualified from the group and having not done the assignment.
5. You will hand in the assignment to your respective course leaders not later than 4<sup>th</sup> May 2026.
6. When handing in, the course leader(s) shall generate a registration list where the group leader of each group shall register his/her details and sign as acknowledgement for having handed in the work on behalf of the group.

**Note that; the way you present your work, reference to legislative evidence and the case specific facts and observance of instructions are key to exceling in this assignment.**

## **Assignment**

### **Question 1 (30 Marks)**

**"The arm's length principle, as embodied in Section 90 of the Income Tax Act and Article 9 of the OECD Model Convention, is the cornerstone of international transfer pricing rules. However, its practical application is fraught with challenges, particularly in the context of comparability analysis and the prevention of double taxation."**

#### **Required:**

Critically discuss the above statement. Your answer should:

- (a) Explain the legal framework and rationale for the arm's length principle, including the separate entity approach. (6 marks)
- (b) Analyze the five factors determining comparability under the arm's length principle, illustrating with examples how differences in each factor may require adjustments. (12 marks)
- (c) Evaluate the problem of double taxation arising from transfer pricing adjustments and explain the mechanism under Article 9(2) for its resolution. (6 marks)
- (d) Assess the status and persuasive authority of the OECD Transfer Pricing Guidelines in a jurisdiction like Uganda, referencing relevant case law. (6 marks)

### **Question 2 (30 Marks)**

**"The OECD Transfer Pricing Guidelines provide a hierarchy of methods for determining an arm's length price. While traditional transaction methods (CUP, Resale Price, Cost Plus) are generally preferred, transactional profit methods (TNMM and Profit Split) are essential in certain circumstances. However, each method has distinct strengths and weaknesses that must be carefully considered."**

#### **Required:**

Critically evaluate the above statement. Your answer should:

- (a) Explain the traditional transaction methods (CUP, Resale Price, Cost Plus), including the circumstances where each is most useful and their key limitations. (12 marks)
- (b) Explain the transactional profit methods (TNMM and Profit Split), including when each is most appropriate and their respective strengths and weaknesses. (10 marks)
- (c) Discuss the concept of the "arm's length range" and the procedural rules for making adjustments when a transaction falls outside that range. (4 marks)
- (d) Using an example, illustrate how the choice of method can lead to different outcomes and why the "most appropriate method" should be selected. (4 marks)

**End of Assignment**