NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING HONOURS	
QUALIFICATION CODE: 08BOAH	**LEVEL:** 8
COURSE CODE: ATX812S	**COURSE NAME:** ADVANCED TAXATION
DATE: DECEMBER 2025	**PAPER:** PRACTICAL AND THEORY
DURATION: 3 HOURS	**MARKS:** 100

SECOND OPPORTUNITY EXAMINATION - QUESTION PAPER	
EXAMINERS:	E Hamukwaya
MODERATOR:	MN Amakali

INSTRUCTIONS

- This question paper is made up of five (5) questions.
- Number each question correctly.
- Answer all the questions in blue or black ink only.
- Round of all amounts to the nearest Namibian Dollar (N$)
- You are advised to pay due attention to expression and presentation. Failure to do so will cost you marks.
- Start each question on a new page in your answer booklet and show all your workings.
- Questions relating to this paper may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities and any assumption made by the candidate should be clearly stated.
- Clearly state (any) assumptions made (where applicable)

PERMISSIBLE MATERIALS

Non-programmable calculator

Namibian Value Added Tax Act No 10 of 2000

Namibian Income Tax Act No 24 of 1981

THIS QUESTION PAPER CONSISTS OF 8 PAGES (Including this front page)

QUESTION 1 **(20 marks; 36 minutes)**

Gladys Harambee is a single parent with four school going children under her care and her salary was not enough for the size of her family. To supplement her salary, Gladys used her savings to buy a house in the suburb of Katutura in Windhoek in 2008. She added three bedrooms and two bathrooms to the house in order for her to receive higher rentals. Since then, Gladys has been letting this house every year to students that come to Namibia from Angola to study at the University of Namibia.

However, as from May 2024 Gladys has been finding it very difficult to find tenants for her house due to the Namibian economy that was not performing well. This was worsened by the Angolan students that stopped coming to Namibia due to their own financial challenges.

Gladys has had periods where her house was vacant for 6 months and this has been causing her severe financial challenges. One of her close friends has advised her to sell the house and invest the money in an interest bearing bank account offering interest rates of 9% per annum. So in January 2025, Gladys took the advise, started advertising her house and she has found a buyer willing to buy the house for N$ 1 200 000.00. Gladys is however unsure on whether she will be taxed from the proceeds received from the sale of this house.

QUESTION 1 REQUIRED	**Marks**
Advice Gladys on whether she will be taxed on the N$ 1 200 000 that she will receive from the sale of her Katutura house should she decide to sell it by looking at all components of the gross income definition. *Support your answer with relevant case law and legislation*	19
Communication skills – layout and logical argument	1
TOTAL MARKS	**20**

QUESTION 2 **40 Marks (72 Minutes)**

JP Electricals (Pty) Ltd (hereafter JP Electricals) is a company based in Windhoek that manufactures and sells electrical gadgets on a cash and credit basis to the public and wholesalers. The company has provided you with the following information for the year ending 31 March 2025:

	Notes	**N$**
Sales		2 000 000
Rental income	1	50 000
Dividends received	2	38 000
Profits from an Angolan business	3	350 000
Government stock interest received	4	7 000
TOTAL INCOME		**2 445 000**
Less expenses:		
Purchases		400 000
Stationery expenses		40 000
Depreciation	5	130 000
Salaries and wages	6	280 000
Transport costs	7	140 000
Bad debts provision	8	30 000
Annuity paid	9	30 000
Restraint of trade payment	10	200 000
Legal expenses	11	10 000
Leasehold improvements	12	275 000
Lease premium	12	23 000
Rent expense	12	200 000

Notes

1. JP Electricals has some offices in Okahandja that it lets out to tenants. JP Electricals bought these offices in the year 2000, when property prices were low.
2. JP Electricals received this dividend from its investment in ABC Furniture (Pty) Ltd, a Namibian based company that sells furniture around Namibia.
3. JP Electricals has a subsidiary company that operates in Angola and these are the profits realised during the year from the Angolan business.
4. JP Electricals received interest during the year from Government stock that it purchased.
5. The following are the assets of JP Electricals:

Asset	**Date of purchase**	**Cost – N$**
Machinery	05/01/2025	330 000
Delivery truck	03/03/2024	250 000
Motor vehicle	17/12/2015	200 000

6. 20% of salaries and wages are paid to staff who are directly involved in the manufacturing process.
7. 100% of transport costs were incurred in transporting materials used in the manufacturing activities.
8. The accountant provided for bad debts at N$ 180 000 for the current year. The allowance for the prior year was N$ 150 000. JP Electricals's provision relates to a specific list of debtors.
9. JP Electricals pays an annuity to one of its former employees that left the company due to ill-health.
10. JP Electricals entered into a 5 year restraint of trade agreement with John Kennedy the former manufacturing manager when he resigned from their business.
11. Lawyer's fees paid for the collection of debts.
12. JP Electricals rents the building that it uses for its offices and manufacturing activities. In terms of the lease agreement, JP Electricals were obliged to make improvements of N$ 250 000 to the building. The lease agreement became effective on 01/05/2024 for 10 years and the improvements were completed on 01/03/2025. In addition, JP Electricals had to pay a lease premium to occupy the offices and the warehouse. Rentals of N$ 20 000 were being paid per month.

Notes

13. Inventory on hand as at 31 March 2024 was N$ 200 000. Inventory on hand as at 31 March 2025 was N$ 300 000.

14. The assessed loss brought forward from 2024 was N$ 66 000.

REQUIRED	**Marks**
Calculate the **taxable income** of JP Electricals (Pty) Ltd for the year ended **31 March 2025**. Ignore VAT. Provide your answer in **column format** with reference to **applicable reasons** of the **Income Tax Act No. 24 of 1981** for the inclusion, deduction or omission of each item in your answer.	**40**

QUESTION 3 **10 Marks (18 Minutes)**

Voolies (Pty) Ltd is a company incorporated in Australia and is managed and controlled in Australia. It has substantive business operations in Namibia, which it operates through branches. The following information relates to Voolies trading in Namibia for the year of assessment ending 30 June 2020:

	Notes	**N$**
Sales in Namibia		471 000
Sales – export to Australia		321 000
Foreign exchange gain	1	6 321
Dividends declared to Voolies	2	44 000
Less: expenditure		
Directors fees	3	6 000
Other deductible expenses		141 000

Notes

1. The foreign exchange gain was realised on a transaction which involved the export of goods to Australia.
2. Voolies used some of its surplus funds to buy shares in a Company based in Namibia and these are the gross dividends declared to Voolies.
3. The managing director of the international company, Mr Silas who is based in Australia came for a board meeting in Namibia and was paid these fees.

REQUIRED:	**MARKS**
a) Calculate the total taxes due by Voolies in Namibia and clearly state the type of the taxes payable.	8
b) Briefly explain if Mr Silas will be taxed in Namibia and if so, how much is the tax.	2
TOTAL MARKS	**10**

QUESTION 4 **10 Marks (18 Minutes)**

Joshua Anderson and Jonathan Rhys, both residents, had for many years successfully operated a business in partnership. They had shared profits and suffered losses equally. At the commencement of the 2025 year of assessment, they incorporated their company. The reasons for this were:

1. To limit their personal liabilities;
2. To give the business an opportunity for perpetual succession;
3. To be able to change the profit or loss sharing ratios; and
4. To reduce their personal tax liabilities.

Their business' market value was in excess of its net asset value. This meant that a goodwill account was created in the company. Peter and Paul then advanced funds to the company so it could pay the partnership for the newly formed company. The creation of the company resulted in a tax saving for both the former partners.

The Commissioner has informed Joshua and Jonathan that he is going to raise the provisions of section 95 against them on the grounds that the incorporation of their company was an impermissible tax avoidance arrangement.

REQUIRED:	**MARKS**
Discuss whether the Commissioner can apply the General Anti-Avoidance provisions in terms of section 95 in respect of the above operation	**15**

QUESTION 5 **20 Marks (36 Minutes)**

Vicky Haufiku is a Labour Lawyer for a local company Legal Shield (Pty) Ltd. Mrs Haufiku has been working for this company for the last 25 years of her life.

Mrs Haufiku has two children, one being her biological son of 21 years of age and the other being her step-daughter of 25 years of age. For the purpose of providing them a post-school qualification at a reputable University, she took out an education policy for each of her children. She pays a monthly premium of N$ 1,200 on the policy for her 21 year-old son, and N$ 2,500 on the 2nd policy for her 25 year-old step daughter. Her step daughter is partially dependant on Mrs Haufiku as she still lives with Mrs Haufiku and her father and receives maintenance and support but holds a waitressing job at the local bistro. You can assume that she is not liable for normal tax. During the year, on 31 December 2024, the 2nd policy on Mrs Haufiku's step-daughter matured, paying out N$ 150,000 for the purpose of acquiring an education. Assume that the premium payments ended with the maturity of this 2nd policy. As Mrs Haufiku has recently purchased a new home, instead of using the Education policy pay-out for the education of her step-daughter, she used the money and paid it into her home loan.

Legal Shield (Pty) Ltd gives Mrs Haufiku a travel allowance of N$ 6,900 per month for purposes of travelling for business purposes around the country. Mrs Haufiku keeps a comprehensive and accurate logbook of her business kilometres travelled and expenses incurred. The original cost including VAT of her vehicle, purchased 01 March 2015, was N$ 430,000. Her total kilometres travelled for business and private purposes were 98,110 kilometres, of which 23,550 kilometres were for private purposes. The following costs were incurred throughout the year of assessment:

- Repairs and Maintenance: N$ 15 100.
- Total Fuel & oil costs: N$ 21,100.
- Licence renewal: N$ 450.
- Car Insurance at N$ 1,550 per month. You can assume the car insurance contract was entered into on N$ 01 March 2015.

During the year-end function in December 2024, Mrs Haufiku was nominated as the most productive employee of the year. As Mrs Haufiku wanted to take a short holiday to reward herself for her hard work during the year, Legal Shield provided a weekend away in Swakopmund. The weekend comprised of three nights' accommodation, including breakfast and dinner, at the Seaside Hotel & Spa. The cost per night comprised of N$ 2 500 for two people sharing a room. Mrs Haufiku only needed to cover her own fuel and lunch expenses.

During the current year of assessment, Mrs Haufiku purchased an annuity at Metropolitan of N$ 350,000 on 01 March 2024. The annuity only started paying out from 01 May 2024, at N$ 1,285 per month. It will pay out for 30 years

Mrs Haufiku received a lump sum of N$ 50 800 in respect of backdated salary for the period 01 January 2015 up to 28 February 2017. Mrs Haufiku has opted to be taxed in three instalments. Her normal monthly salary amounts to N$ 28,500.

Mrs Haufiku paid N$ 100,100 in PAY-AS-YOU-EARN for the current year of assessment.

REQUIRED:	MARKS
Calculate the tax liability of Mrs Haufiku for the year of assessment ending 28 February 2025	**20**

Individual Income Tax

All individuals (incl. deceased estates and trusts) other than companies.

Taxable Income N$	Rates of tax from years of assessment ending 2025/26 (N$)
0 - 100 000	Not taxable
100 001 - 150 000	18% for each N$ above 100 000
150 001 - 350 000	9 000 + 25% for each N$ above 150 000
350 001 - 550 000	59 000 + 28% for each N$ above 350 000
550 001 - 850 000	115 000 + 30% for each N$ above 550 000
850 001 - 1 550 000	205 000 + 32% for each N$ above 850 000
Above 1 550 001	429 000 + 37% for each N$ above 1 550 000

Housing loans and mortgage subsidies

Housing loans provided to employees at a subsidised rate are taxable to the extent that the interest rate payable by the employee is less than 12% per annum (p.a.). The taxable value of housing benefits comprising free or subsidised housing is determined with reference to the location and size of the housing, as indicated in the following table:

	1 room	2 room	3 room	4 room	5 room	6 room	7 room	8 room	8+ room
Windhoek	500	750	1 000	1 400	1 800	2 200	2 800	3 400	4 000
Walvis Bay	350	550	750	1 000	1 300	1 700	2 100	2 550	3 000
Large Towns	250	375	500	700	900	1 100	1 400	1 700	2 000
Small Towns	125	175	250	300	450	550	700	850	1 000

END OF SECOND OPPORTUNITY EXAMINATION