



NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE, HUMAN SCIENCES & EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC/07BGAC	LEVEL: 6
COURSE: TAXATION 202	COURSE CODE: TAX621S
SESSION: OCTOBER / NOVEMBER 2025	PAPER: THEORY & CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION	
1st EXAMINER:	Mrs. Y van Wyk
2nd EXAMINERS:	Mr. Y Elago; Mr. J Erastus and Ms. Y Tjejamba
MODERATOR:	Dr. Z van der Walt

INSTRUCTIONS TO CANDIDATES
<ol style="list-style-type: none">1. This paper consists of 6 pages (excluding cover page and the Annexure).2. You are reminded that answers may NOT be written in pencil. NO tippex may be used.3. Answer the questions by the use of:<ul style="list-style-type: none">- Effective structure and presentation; clear explanations.- Logical arguments; and clear and concise language.5. Show all calculations clearly. Round off calculated amounts to the nearest Rand.6. Questions pertaining to this question paper should 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 student should be clearly stated.

QUESTION 1**13 MARKS**

Study the table below. It outlines principles from case law related to the definition of "gross income" as contained in the Income Tax Act 58 of 1962 of South Africa. Answer the question that follows by applying the appropriate case law or tax principle to each scenario:

No.	Case Law	Principle
1.		Ordinary resident. Place to return to after all his wanderings.
2.		Entitled to/ cash or otherwise/ amount has a wider meaning.
3.	Natal Estates	
4.	Stott	
5.		Entitled to. Credit sales form part of gross income.
6.	Pick n Pay Employee share Trust	
7.		All assets are either classified as fixed or floating capital.
8.	MP Finance	
9.		Where there are mixed intentions, determine the dominant intention.
10.	Pyott	
11.		Only include in gross income if it is received by him for his own benefit.
12.	Butcher Brothers	
13.		If no legal obligation exists to pay over an amount, the amount remains gross income for the taxpayer.

REQUIRED:

Complete the table above with the correct reference to a court case (case law), or the relevant tax principle, where applicable. In your answer booklet, write down only the number of the question and your corresponding answer. (13)

QUESTION 2**15 MARKS**

Mr. Jack Sparrow started his own Accounting and Tax consulting business, *Sparrow Accounting Solutions (Pty) Ltd*. He commenced with business on 1 March 2018 and has been trading successfully since then. The company is a registered VAT vendor (Category B). The financial year-end of *Sparrow*

Accounting Solutions (Pty) Ltd is the last day of February each year.

Sparrow Accounting Solutions (Pty) Ltd. has concluded the following transactions and requires your advice on the correct tax treatment of each of the transactions below: *All amounts exclude VAT unless otherwise specified.*

Sparrow Accounting Solutions (Pty) Ltd entered into a 14 ½ year lease contract on 1 April 2023 with *Enterprise (Pty) Ltd* (a non-connected party) to lease business premises to *Sparrow Accounting Solutions (Pty) Ltd.* *Sparrow Accounting Solutions (Pty) Ltd* will use these premises to meet with prospective clients to offer advisory services and to consult with its vast range of clients. *Sparrow Accounting Solutions (Pty) Ltd* and *Enterprise (Pty) Ltd* agreed on a lease premium that is payable on day one of the contract of R150 000 and further agreed for *Sparrow Accounting Solutions (Pty) Ltd.* to add a front office to the existing building to attend to clients at the entrance of the business. The monthly rental amounts to R45 000 and the amount agreed on between the two companies that will be included in the lessor's income amounts to R795 000.

The construction work commenced on 1 June 2023 and was successfully completed and handed over by *Prohibited Ltd* (the construction company) on 31 July 2023. The amount actually incurred by *Sparrow Accounting Solutions (Pty) Ltd* amounts to R800 000. *Sparrow Accounting Solutions (Pty) Ltd* used the new front- office from 1 August 2023.

REQUIRED:

- a) Calculate the section 11(f) lease premium deduction available to the lessee for the **2024** year of assessment. (3)
- b) Calculate the section 11(f) lease premium deduction available to the lessee for the **2025** year of assessment. (2)
- c) Calculate the section 11(h) leasehold special allowance deduction available to the lessor for the **2024** year of assessment. (6)
- d) Calculate the section 11(g) leasehold improvement deduction available to the lessee for the **2024** year of assessment. (3)
- e) Calculate the section 11(g) leasehold improvement deduction available to the lessee for the **2025** year of assessment. (1)

Show all workings and round off to the nearest rand (R), where applicable.

QUESTION 3

45 MARKS

John Doe is 45 years old and is married out of community of property. He is employed by West Air Airways, a local airline. The following information relates to John Doe's income and expenditure for the year of assessment ended 28 February 2025:

1. In his position as marketing manager for West Air Airways, John Doe received an annual salary of R580 000.
2. John Doe had to travel for business purposes and accordingly also received a travel allowance of R75 000 for the year. The vehicle he used was purchased under a finance lease in November 2023. The cost of the vehicle was R234 500 (VAT inclusive) and the finance charges, spread evenly over the five-year term of the lease, amounted to R23 220 per annum. John kept accurate records of expenses incurred in connection with the vehicle. During the 2025 year of assessment, he spent R30 700 on fuel, R12 200 on capital repayments of the finance lease, and R16 900 on vehicle insurance. John travelled 29 200 kilometres in total during the year of assessment. He kept an accurate logbook of the distance travelled for business purposes, which was 11 200 kilometres.
3. From 1 August 2024, John also received the right to use a company car for his private purposes. The cost of the vehicle was R188 543 (VAT exclusive). All fuel and maintenance costs are paid by West Air Airways. The company car is not subject to a maintenance plan.
4. During the previous year of assessment, John borrowed a sum of money from his employer in order to purchase a house. The capital outstanding at 1 March 2024 was R98 000. His employer charged him a fixed interest rate of 1,5% per annum. Assume further that the official rate of interest at 1 March 2024 was 6,5%. Assume the official rate increased to 7,5% on 1 September 2024 and thereafter remained unchanged for the remainder of the year of assessment. John made no capital repayments during the 2025 year of assessment.
5. John Doe received the following investment income for the 2025 year of assessment:

• Dividends received (Scotland unit trusts)	R1 235
• Interest received (Stanbic bank) (not a tax-free investment)	R26 914
6. On 1 July 2024, Bruce's employer gave him the right to use a laptop computer for private purposes. John had the right to use the computer until the end of the year of assessment. The

company purchased the computer at a cost of R17 500 during May 2023. The market value of the computer at the time John received the right to use it was R14 700. John paid no consideration for using the asset.

7. During January 2025 West Air Airways, John Doe's employer, gave him four free return air tickets to Cape Town, for himself, his wife and his two children. The cost to the employer was R1 050 per return ticket. The market value of the tickets was R2 950 per return ticket.
8. To cover himself against the risk of injury or ill health, John Doe paid income protection insurance premiums totalling R7 320, during the current year of assessment. In terms of the insurance policy, any amounts paid out to him will not be taxable.
9. John Doe, his wife and two minor children are members of a registered medical scheme. His youngest child has a disability as defined. John Doe's medical aid contributions for the year of assessment amounted to R31 360. His employer paid no contributions on his behalf.
10. John Doe is not a member of a pension fund, but he does make contributions to a retirement annuity fund. During the year of assessment, these contributions totalled R37 800. Contributions, totalling R3 200 that had been disallowed for tax purposes during previous years of assessment, were brought forward to the current year. Assume Bruce's remuneration was R689 000 for the current year of assessment.
11. John made a R10 500 donation to his local church in December 2024. He obtained a section 18A certificate.
12. West Air Airways withheld R38 950 in taxes from Bruce's salary during the current year of assessment.

REQUIRED:

- a) Explain to John Doe what Fringe benefits are and how it is treated in relation to his taxable income. Support your explanation with specific reference to the Income Tax Act, where applicable. **(5)**
 - b) Calculate the normal tax liability for John Doe for the year of assessment ending 28 February 2025. You are required to provide a short reason for the exclusion or non-deductibility of an amount from your calculation. Round off all amounts to the nearest RAND. *Ignore Capital Gains Tax.* **(40)**
-

QUESTION 4**27 MARKS**

Vitality (Pty) Ltd, a retailer and resident of the Republic, entered into the following transactions during its financial year ended 28 February 2025:

	NOTE	RAND
Taxable income from operations, calculated correctly, before taking the following items into account:		2 065 000
Prepaid expenses	1	144 000
Donation to public benefit organisation (PBO) – s 18A receipt obtained		30 000
Legal expenses	2	55 000
Restraint of trade payment	3	160 000
Annuities paid to dependents of former employee	4	12 000
Bad debt	5	12 000
Repairs	6	15 000

NOTES:**1. Prepaid expenses**

Insurance for the period 1 January 2025 – 30 September 2025 was paid on 28 February 2025.

2. Legal Expenses:

The following legal expenses were incurred during the year of assessment:

- Drawing up of restraint-of-trade agreement (note 3) R12 000
- Debt collection R6 000
- Dispute with one of its customers for supplying a defective product R37 000

Judgement was given in favour of the customer, with all legal costs to be borne by Vitality (Pty) Ltd. Damages paid were R25 000 and legal costs paid were R12 000 (consisting of Vitality (Pty) Ltd's own legal costs of R5 000 and the customer's legal costs of R7 000).

3. Restraint of trade:

A restraint of trade payment was paid to a former employee in the 2025 year of assessment. The restraint prohibited the former employee from working for a competitor of the company within a radius of 15km from the company's business premises, for a period of four years.

4. Annuities paid to dependents of former employee:

One of Vitality (Pty) Ltd's former employees was involved in a fatal car accident. The company decided to pay an annuity to the dependents of the former employer after the death of the former employee.

5. Bad debts / credit losses

Included in bad debt are the following amounts:

Trade debtors from trading in the 2025 year of assessment	R10 000
A loan to an employee who passed away before the loan was paid back (no amount could be recovered from the estate)	R2 000

The total list of doubtful debt for the 2025 year of assessment amounted to R8 000. Vitality (Pty) Ltd does not apply IFRS 9 and the trade debtors were 60 days in arrears at the end of the 2024 year of assessment.

The doubtful debt allowance, allowed by the Commissioner in the 2024 year of assessment, amounted to R3 500.

6. Repairs

During the 2025 year of assessment, Vitality (Pty) Ltd replaced the windows of its boardroom with sliding doors. This was done in order to create an easy access to the outdoor “braai” area when entertaining clients. The building does not qualify for any tax allowance.

REQUIRED:

Calculate the taxable income of Vitality (Pty) Ltd for the 2025 year of assessment. Support your calculations with relevant explanations and motivate the deductibility of the compensation for damages paid to the customer (refer to note 2) as well as the repairs (refer to note 6). **(27)**

END OF FIRST OPPORTUNITY EXAMINATION

ANNEXURE

TAX RATES

INDIVIDUALS - 2025

Taxable income		Rates of tax	
R	0 - R 237 100		18% of each R1
R	237 101 - R 370 500	R 42 678 +	26% of the amount over R 237 100
R	370 501 - R 512 800	R 77 362 +	31% of the amount over R 370 500
R	512 801 - R 673 000	R121 475 +	36% of the amount over R 512 800
R	673 001 - R 857 900	R179 147 +	39% of the amount over R 673 000
R	857 901 - R1 817 000	R251 258 +	41% of the amount over R 857 900
R1 817 001 +		R644 489 +	45% of the amount over R1 817 000

TAX RATES

INDIVIDUALS - 2026

Taxable income		Rates of tax	
R	0 - R 237 100		18% of each R1
R	237 101 - R 370 500	R 42 678 +	26% of the amount over R 237 100
R	370 501 - R 512 800	R 77 362 +	31% of the amount over R 370 500
R	512 801 - R 673 000	R121 475 +	36% of the amount over R 512 800
R	673 001 - R 857 900	R179 147 +	39% of the amount over R 673 000
R	857 901 - R1 817 000	R251 258 +	41% of the amount over R 857 900
R1 817 001 +		R644 489 +	45% of the amount over R1 817 000

TAX

THRESHOLDS

	Taxable income	
	2025	2026
Persons under 65	R 95 750	R 95 750
Persons 65 and under 75	R148 217	R148 217
Persons 75 and over	R165 689	R165 689

TAX

REBATES

Amounts deductible from the tax payable	2025	2026
Persons under 65	R17 235	R17 235
Persons 65 and under 75	R26 679	R26 679
Persons 75 and over	R29 824	R29 824

MEDICAL AID

TAX CREDITS

Monthly amounts deductible from tax payable	2025	2026
Main member	R364	R364
Main member with one dependant	R728	R728
Main member with two dependants	R974	R974

Each additional dependant qualifies for a credit of R246 (2023 : R234) per month.

DEDUCTIONS TRAVEL EXPENSES

The deduction in respect of business travel is limited to the allowance granted and may be determined using actual expenditure incurred or on a deemed cost per kilometre basis in accordance with the table below.

Accurate records of the opening and closing odometer readings must be maintained in all circumstances.

As from 1 March 2010, the claim must be based on the actual distance travelled for business purposes, supported by a detailed log book.

The cost of the vehicle includes VAT but excludes finance costs.

Where actual expenditure is used the value of the vehicle is limited to R800 000 (2023 : R665 000) for purposes of calculating wear and tear, which must be spread over a **seven** year period.

The finance costs are also limited to a debt of R800 000 (2023 : R665 000).

In the case of a leased vehicle, the instalments in any year of assessment may not exceed the fixed cost component in the table.

DEEMED EXPENDITURE - 2025

Cost of vehicle	Fixed R	Fuel c	Repairs c
Does not exceed R100 000	34 480	151,7	46,0
Exceeds R100 000 but not R200 000	61 770	169,4	57,6
Exceeds R200 000 but not R300 000	89 119	184,0	63,5
Exceeds R300 000 but not R400 000	113 436	197,9	69,3
Exceeds R400 000 but not R500 000	137 752	211,8	81,5
Exceeds R500 000 but not R600 000	163 178	243,0	95,6
Exceeds R600 000 but not R700 000	188 653	247,1	107,3
Exceeds R700 000	215 447	251,2	118,9

DEEMED EXPENDITURE - 2026

Cost of vehicle	Fixed R	Fuel c	Repairs c
Does not exceed R100 000	33 940	146,7	47,4
Exceeds R100 000 but not R200 000	60 688	163,8	59,3
Exceeds R200 000 but not R300 000	87 497	177,9	65,4
Exceeds R300 000 but not R400 000	111 273	191,4	71,4
Exceeds R400 000 but not R500 000	135 048	204,8	83,9
Exceeds R500 000 but not R600 000	159 934	234,9	98,5
Exceeds R600 000 but not R700 000	184 867	238,9	110,5
Exceeds R700 000	211 121	242,9	122,5

VARIABLE REMUNERATION

Variable remuneration, such as commission, bonuses, overtime, leave pay, night shift or standby allowances and reimbursive travel, is taxed on a payment basis.

As from 1 March 2023, this includes performance-based remuneration. The rule applies to the deduction of PAYE, the employee's gross income inclusion and the employer's income tax deduction.