



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

<b>QUALIFICATION : BACHELOR OF ACCOUNTING</b>	
<b>QUALIFICATION CODE:</b> 07BAOC	<b>LEVEL:</b> 7
<b>COURSE CODE:</b> GTA711S	<b>COURSE NAME:</b> TAXATION 310
<b>SESSION:</b> JUNE 2025	<b>PAPER:</b> THEORY & APPLICATION
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Mrs. Y van Wyk, Mr. J Erastus & Mrs. G Meintjies
<b>MODERATOR:</b>	Ms. F Haimbala

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. This question paper is made up of THREE (3) questions.</li><li>2. Answer ALL the questions and in blue or black ink.</li><li>3. Start each question on a new page in your answer booklet.</li><li>4. Draw a line through all unused spaces in your answer booklet.</li><li>5. The names of people and businesses used throughout this examination paper do not reflect reality and may be purely coincidental.</li><li>6. Questions relating to this examination 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 &amp; any assumption made by the candidate should be clearly stated.</li></ol>

**THIS QUESTION PAPER CONSISTS OF 7 PAGES** (excluding this front page)

**QUESTION 1****(25 MARKS)**

Koviao Zatzirua is a farmer in the Omaheke region, and he supplies you with the following information for the year ended 28 February 2025.

	N\$
Transfers of cows and calves to Botswana	
Market value at transfer date:	
Cows	25 000
Calves	10 000
Cost price of transferred livestock: Cows	14 000
Drilling of borehole - wages paid	30 000
Drilling of borehole - material purchased	257 000
Cattle sold	800 000
Maize sales	110 000
Land rentals income	96 000
Cattle purchased	557 000
Erection of employee houses (note 2)	200 000
General farming expenses - all deductible	342 000
Fencing erected	18 250

**Notes:**

1. On 17 June 2024, Koviao and his family consumed 5 cows. The market value of one cow is N\$5,750. He also donated 4 cows (cost N\$3 000) to the local farmers union festival on the same date.
2. Koviao hired 3 additional employees in the current year and constructed houses for each employee at the cattle posts.
3. Koviao received a provident fund payout on 1 April 2024 of N\$275 000. He used N\$200 000 to purchase an annuity which will pay out N\$2 500 per month for a period of 10 years as from 1 April 2024. His life expectancy at that date was 20,61 Years.

He transferred the remaining N\$75 000 of the provident fund payout into another approved Provident fund.

**REQUIRED:**

Calculate the taxable income of Koviao Zatzirua for the year of assessment ending 28 February 2025. Provide reasons for the exclusion of any amount from your calculation. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(25)**

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**QUESTION 2**

**(35 MARKS)**

Indoor Sports (Pty) Ltd ('Indoor Sports') is a local manufacturer and supplier of gym and fitness equipment. Indoor Sports has started its operations in January 2015 and has since inception grown considerably. The company's year-end is 31 December and is registered as a Category B VAT vendor. Indoor Sports is not an approved manufacturer. All amounts *exclude* Value-added tax (VAT), unless stated otherwise.

The following relates to the current year of assessment:

1. The company made sales of N\$13,800,000 and total purchases of NS\$9,800,000.
2. The closing inventory amounted to NS\$350,000 and the opening inventory N\$100,000.
3. Running operating expenditure in the production of income was NS\$3,080,000 of which N\$2,000,000 related to salaries for the manufacturing team as well as support staff and management of the company.
4. Indoor Sports has leased two properties, one which is used for its manufacturing activities in Walvis Bay and the other for its head office in Windhoek. During the current year of assessment Indoor Sports has built its own offices in the Central Business District (CBD) of Windhoek. The date of completion of the building was 31 July 2024 costing Indoor Sports N\$3,300,000. Indoor Sports was only able to move into the building on 01 September 2024. The monthly lease rental of its prior head office was NS\$18 975 (including VAT at 15%). Assume that the prior rental contract ended 31 August 2024.
5. The manufacturing building was leased as from 01 July 2015. The lease term is 20 years. As part of the lease agreement, a lease premium of N\$20,000 was payable upon the

inception of the lease as well as monthly rentals of N\$17,250 (including VAT at 15%). The lease contract also stipulated that the lessee needs to make improvements to the value of N\$750,000. The actual improvements had a cost of only N\$550,000 which was completed 02 January 2017.

6. As the manufacturing site is outside of Windhoek, Indoor Sports provides temporary housing for management who need to do periodic site visits to the manufacturing site. Thus, Indoor Sports has as from June 2015 also constructed housing for the management of the company close to the manufacturing site. The ownership of the properties all belongs to Indoor Sports and the total cost of construction of three houses was N\$1,350,000 in total.
7. As Indoor Sports manufactures gym and fitness equipment, they had acquired as part of their business plan, a patent to fully automatize (make fully automatic) the production of the equipment. The patent cost Indoor Sports N\$680,000 which was acquired from an American software developer. The expected useful life of the patent at the date of acquisition of 31 March 2022 was 35 years. Another patent already acquired in August of 2015 was renewed at the cost of NS150,000 on 15 September 2024.
8. During the year Indoor Sports had created a provision for bad debts of N\$120,000 (During 2023, N\$80,000) based on the historic experience of defaulting debtors. Of the debtors, N\$100,000 went bad in the current year of assessment.
9. Indoor Sports took out a 'Key-man Policy' on Sven Goethe, the chief operations officer, a resident of Germany on 1 February 2024, paying a monthly premium of N\$4,500.
10. As part of their business activities, Indoor Sports had the following asset transactions:
  - a) Manufacturing machinery acquired in March 2020 at a cost of N\$1,200,000.
  - b) Motor Vehicle no. 1 (a delivery vehicle) was acquired in April 2020 at a cost of N\$402,500 (including VAT at 15%).
    - Motor vehicle no. 1 was sold during the current tax year at a selling price of N\$115,000 (including VAT at 15%).
  - c) Motor Vehicle no. 2 (a passenger vehicle) was acquired on 01 July 2023 at a cost of N\$450,000.
    - During the current year of assessment, the motor vehicle no. 2 was taken

out of use to donate it to a former employee of the company as a gift for his long service.

- The market value at the date of donation was N\$200,000.
- d) Motor Vehicle no. 3 (a passenger vehicle) was acquired in April 2024 at a cost of N\$550,000 (including VAT at 15%).
- e) Furniture and Fittings acquired in August of 2023 at a cost of N\$69,000 (including VAT at 15%).

**REQUIRED:**

Calculate the normal tax liability of Indoor Sports (Pty) Ltd for the year of assessment ended 31 December 2024. Provide reasons for nil effects. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(35)**

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**QUESTION 3**

**(40 MARKS)**

Cookie Lyon, 56-year-old Namibian citizen was an employee of "Empire State Records" since 1 March 2004. During the year she decided she has had enough and resigned on 31 January 2025.

Her receipts and accruals for the 2025 year of assessment include:

1. A monthly salary of N\$60 000.
2. She received a motor vehicle allowance of N\$146 000 for the year whilst employed. Cost Price of the vehicle when bought in the 2023 tax year was N\$210 000. Fuel costs for the year was N\$24 100, maintenance and insurance were N\$19 000. The total kilometers travelled for the year was 41,000 of which 27,000 was for business purposes.
3. She also received a housing allowance of N\$11 000 per month. An approved housing scheme with the NAMRA is in place.
4. A cellular phone allowance of N\$400 per month. Her business calls amounted to N\$4 000 for the year. Cookie kept all the relevant records.

5. To show appreciation for her long service, Cookie was awarded N\$15 000 during March 2024.
6. On resignation, Cookie received N\$300 000 lump sum from the pension fund and N\$100 000 from Empire State Records. She immediately transferred one third of the lump sum from the pension fund to an approved preservation fund.
7. The employer contributed 7% of Cookie's annual basic salary towards a pension fund. Cookie's contribution amounts to 10% of her basic annual salary.
8. She bought a computer from her employer for N\$4 000. The cost price when purchased in 2022, was N\$7 000 and the current market value is N\$5 500.
9. Cookie received a monthly annuity of N\$3 500 as from 1 July 2019 received from Sanlam Namibia. She purchased the annuity for a cash consideration of N\$350 000. Her current life expectancy is 22.65 years.
10. Cookie earned local interest of N\$25 000 and local dividends of N\$10 000 from investments she holds.
11. Cookie owns a second property, which she started renting out to a group of students attending the local university from 1 March 2024 for a monthly rental of N\$10 000. She also received a lease premium of N\$15 000 on the same day, as well as a refundable deposit of N\$10 000 over and above the monthly rental. Her expenditure (all tax deductible) in relation to the rental property amounted to N\$36 000 for the current year of assessment.
12. Cookie is registered as a provisional taxpayer. Her accountant correctly calculated her estimated taxable income for the period ending 31 August 2024 as N\$85 000. Her estimated taxable income for the tax year ending 28 February 2025, amounted to N\$176 000.
13. Empire State Records deducted N\$252 900 as employees tax for the current year of assessment.

**REQUIRED:**

- (a) Calculate both the *first* and *second* provisional tax payments made by Cookie Lyon for the 2025 year of assessment. Show all workings. Round off all amounts to the nearest

Namibian dollars (N\$). **(10)**

(b) Calculate the normal tax liability of Cookie Lyon for the 2025 year of assessment. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(30)**

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## ANNEXURE

### 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 BENEFITS

	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 EXAMINATION PAPER**