



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

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

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC	LEVEL: 6
COURSE: TAXATION 202	COURSE CODE: TAX621S
DATE: NOVEMBER 2024	SESSION: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION PAPER	
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MODERATOR:	Dr. Z van der Walt

**THIS PAPER CONSISTS OF 10 PAGES
(INCLUDING ANNEXURE A)**

INSTRUCTIONS TO CANDIDATES:

1. You are reminded that answers may **NOT** be written in pencil. **NO** tippex may be used.
2. Answer the questions by the use of:
 - Effective structure and presentation; clear explanations.
 - Logical arguments; and clear and concise language.
3. Show all calculations clearly. **Round off calculated amounts to the nearest Rand.**
4. Questions pertaining to this question 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

(40 MARKS)

Multiple Choice Questions.

Write down the number of the question with your correct answer on your answer sheet, e.g 1. C. Each question carries 2 marks.

1. Which of the following is regarded as a capital receipt
 - A. Loss of profits on insurance claim.
 - B. Proceeds from the sale of shares held as an investment.
 - C. Compensation received for damages to an office block owned by a property investor.
 - D. B and C above.
2. Which of the following principle(s) was dealt with in the court case 'CIR v Visser (8 SATC 271)'?
 - A. Received by.
 - B. Total amount.
 - C. B and C above.
 - D. Capital / Revenue nature.
3. Which of the following receipts or inclusions will form part of special inclusions?
 - A. Annuities.
 - B. Recoupments.
 - C. Dividends.
 - D. All of the above
4. Which of the following is not a tax imposed by the Income Tax Act 58 of 1962:
 - A. Dividends tax.
 - B. Donations tax.
 - C. Turnover tax.
 - D. Stamp duties tax.
5. Which of the following court cases dealt with the principle of Total amount in cash or otherwise?
 - A. People's stores.
 - B. Brummeria.
 - C. A and B above.
 - D. Butcher Brothers.

6. Which of the following principle(s) was dealt with in the court case 'Witwatersrand Association of racing clubs'?
- A. Received by.
 - B. Accrued to.
 - C. Total amount.
 - D. Capital / Revenue nature.
 - E. None of the above.
7. Which of the following will be exempt from normal income tax?
- A. Lump sum.
 - B. Disability pension.
 - C. Lease premiums.
 - D. Sale of a capital asset.
8. Which court case dealt with the principle of change in intention?
- A. Pyott Ltd
 - B. Natal Estates Ltd.
 - C. Stott.
 - D. Lever Brothers.
9. Which one of the following tax types is not included in the Income Tax Act:
- A. Donations tax
 - B. Value Added tax.
 - C. Turnover tax
 - D. Dividends tax
10. Which one of the following tax rates can be described as adhering to the principle of vertical equity?
- A. Regressive tax rate
 - B. Progressive tax rate
 - C. Proportional tax rate
 - D. Dominant tax rate
11. The Common law principle that ensures both sides of the arguments need to be heard before a decision is made, is:
- A. *Audi alteram partem*
 - B. *Contra fiscum*
 - C. *In parti fiscum*
 - D. *Casus omissus*

12. The tax base used when customs and excise taxes is paid, is called:

- A. Consumption based
- B. Income based
- C. Wealth Based
- D. Expense based

13. What is the tax threshold for a 73-year-old South African resident for the 2024 year of assessment:

- A. R148 217
- B. R26 679
- C. R29 824
- D. R17 235

Use the information from the case study below to answer **questions 14 – 20**.

You are the tax advisor of Mr. James Stuard. Following your recent promotion, you have been assigned to oversee the transition of his tax affairs to a new advisor within your firm. Your responsibility will be to review the new advisor's work before it is submitted to the South African Revenue Service (SARS).

Mr. Stuard had invested a lump sum, which he received from his previous employer as part of his accrued annual leave, into a retirement annuity fund with Sanlam South Africa. He paid R1 000 000 in exchange for a monthly annuity of R5,500 over a 16-year period, with the first payment being received on 1 August 2023. However, due to severe cash flow issues, Mr. Stuard decided to terminate the annuity contract on 1 November 2023 and received a settlement lump sum of R980,000 on 1 November 2023. Assume that this is the only income for Mr. James Stuard for the 2024 year of assessment. **You may ignore VAT.**

14. Provide the amount that Mr. James Stuard purchased the annuity initially for:

- A. R1 000 000
- B. R1 980 000
- C. R980 000
- D. R5 500

15. The income for Mr. James Stuard for the 2024 year of assessment amounts to:

- A. R2 000
- B. R980 000
- C. R22 000
- D. R1 002 000

16. The total monthly annuities received by Mr. James Stuard amounts to:
- A. R2 000
 - B. R980 000
 - C. R22 000
 - D. R1 002 000
17. The initial annuity amount Mr. James Stuard was purchased for a period of:
- A. 120 months
 - B. 160 months
 - C. 192 months
 - D. 144 months
18. The Gross Income relating to the annuity for Mr. James Stuard for the 2024-year amounts to?
- A. R22 000
 - B. R980 000
 - C. R1 002 000
 - D. R1 046 000
19. The capital portion to be exempted for the month of August 2023 amounts to?
- A. R979 167
 - B. R5 500
 - C. R5 208
 - D. None of the above.
20. The capital portion to be exempted in terms of section 10 A relating to the termination of the annuity contract, amounts to?
- A. R5 208
 - B. R55 000
 - C. R979 167
 - D. R980 00

2 marks each question 2 x 20 = 40 marks

QUESTION 2**(10 MARKS)**

Nr.	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 case	
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	Deposits form part of gross income.

REQUIRED:

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

(10)

QUESTION 3

(50 MARKS)

Bruce Cele is 45 years old and is married out of community of property. He is employed by West Air Airways, a local airline. Ignore Capital Gains Tax (CGT). The following information relates to Bruce Cele's income and expenditure for the year of assessment ended 29 February 2024:

1. In his position as marketing manager for West Air Airways, Bruce Cele received an annual salary of R580 000.
2. Bruce Cele 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 2022. The cost of the vehicle was R234 500 (VAT inclusive) and total finance charges, spread evenly over the five-year term of the lease, amounted to R116 100. Bruce kept accurate records of expenses incurred in connection with the vehicle. During the 2024 year of assessment, he spent R30 700 on fuel, R12 200 on capital repayments of the finance lease, and R16 900 on vehicle insurance. Bruce 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 2023, Bruce 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, Bruce borrowed a sum of money from his employer in order to purchase a house. The capital outstanding at 1 March 2023 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 2023 was 6,5%. Assume the official rate increased to 7,5% on 1 September 2023 and thereafter remained unchanged for the remainder of the year of assessment. Bruce made no capital repayments during the 2024 year of assessment.
5. Bruce Cele received the following investment income for the 2024 year of assessment:
 - Dividends received (Scotland (foreign) unit trusts) R1 235
 - Interest received (Stanbic bank (local) (not a tax-free investment) R26 914

6. On 1 July 2023, Bruce's employer gave him the right to use a laptop computer for private purposes. Bruce 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 2022. The market value of the computer at the time Bruce received the right to use it was R14 700. Bruce paid no consideration for using the asset.
7. During January 2024 West Air Airways, Bruce Cele'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, Bruce Cele paid income protection insurance premiums totalling R7 320, during the 2024 year of assessment. In terms of the insurance policy, any amounts paid out to him will not be taxable.
9. Bruce Cele's, his wife and two minor children are members of a registered medical scheme. His youngest child has a disability as defined. Bruce Cele's medical aid contributions for the year of assessment amounted to R31 360. His employer paid no contributions on his behalf.
10. Bruce Cele 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 2024 year of assessment.
11. Bruce made a R10 500 donation to his local church in December 2023. He obtained a section 18A certificate.
12. West Air Airways withheld R38 950 in taxes from Bruce's salary during the year.

REQUIRED:

- a). Explain to Bruce Cele what *Fringe Benefits* are and how they are treated in relation to his taxable income. Support your answer by referencing the applicable legislation, including relevant section references where applicable. You are **not required** to provide any calculations. (5)
- b) Calculate Bruce Cele's **net normal tax** for the year of assessment ended 29 February 2024. Ignore the impact of the medical credits as contained in section 6A & 6B. (45)

ANNEXURE A

TAX RATES

INDIVIDUALS - 2024

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 237 100
R 370 501 - R 512 800	R 77 362 + 31% of the amount over R 370 500	R 370 500
R 512 801 - R 673 000	R121 475 + 36% of the amount over R 512 800	R 512 800
R 673 001 - R 857 900	R179 147 + 39% of the amount over R 673 000	R 673 000
R 857 901 - R1 817 000	R251 258 + 41% of the amount over R 857 900	R 857 900
R1 817 001 +	R644 489 + 45% of the amount over R1 817 000	R1 817 000

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 237 100
R 370 501 - R 512 800	R 77 362 + 31% of the amount over R 370 500	R 370 500
R 512 801 - R 673 000	R121 475 + 36% of the amount over R 512 800	R 512 800
R 673 001 - R 857 900	R179 147 + 39% of the amount over R 673 000	R 673 000
R 857 901 - R1 817 000	R251 258 + 41% of the amount over R 857 900	R 857 900
R1 817 001 +	R644 489 + 45% of the amount over R1 817 000	R1 817 000

TAX

THRESHOLDS

	Taxable income	
	2024	2025
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	2024	2025
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	2024	2025
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 (2024 : R800 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 (2024 : R800 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 - 2024

Cost of vehicle	Fixed R	Fuel c	Repairs c
Does not exceed R100 000	33 760	141,5	43,8
Exceeds R100 000 but not R200 000	60 329	158,0	54,8
Exceeds R200 000 but not R300 000	86 958	171,7	60,4
Exceeds R300 000 but not R400 000	110 554	184,6	65,9
Exceeds R400 000 but not R500 000	134 150	197,6	77,5
Exceeds R500 000 but not R600 000	158 856	226,6	91,0
Exceeds R600 000 but not R700 000	183 611	230,5	102,1
Exceeds R700 000	209 685	234,3	113,1

DEEMED EXPENDITURE - 2025 (updated table not available at time of publication)

Cost of vehicle	Fixed R	Fuel c	Repairs c
Does not exceed R100 000	33 760	141,5	43,8
Exceeds R100 000 but not R200 000	60 329	158,0	54,8
Exceeds R200 000 but not R300 000	86 958	171,7	60,4
Exceeds R300 000 but not R400 000	110 554	184,6	65,9
Exceeds R400 000 but not R500 000	134 150	197,6	77,5
Exceeds R500 000 but not R600 000	158 856	226,6	91,0
Exceeds R600 000 but not R700 000	183 611	230,5	102,1
Exceeds R700 000	209 685	234,3	113,1

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.