



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

<b>QUALIFICATION:</b> BACHELOR OF ACCOUNTING	
<b>QUALIFICATION CODE:</b> 07BOAC	<b>LEVEL:</b> 6
<b>COURSE:</b> TAXATION 202	<b>COURSE CODE:</b> TAX621S
<b>SESSION:</b> December 2025	<b>PAPER:</b> THEORY & CALCULATIONS
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>SECOND OPPORTUNITY EXAMINATION</b>	
<b>1<sup>st</sup> EXAMINER:</b>	Mr. Y Elago
<b>2<sup>nd</sup> EXAMINER:</b>	Mrs. Y van Wyk; Mr. J Erastus and Ms. Y Tjejamba
<b>MODERATOR:</b>	Dr. Z van der Walt

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

## QUESTION 1

(20 marks)

The following statements pertain to South African tax legislation. Each statement should be analysed within the framework of South African tax laws and regulations. Consider how these laws apply to individual taxpayers and businesses alike. Ensure that each scenario is understood in light of current tax provisions in South Africa.

1. If a person's receipts or an accrual is of capital nature it is not included in his gross income.
2. The Supreme court of appeal (previously the Appellate Division of the Supreme Court) has confirmed that the term "accrued to" means 'due and payable' to the taxpayer.
3. The term "capital nature" is defined in the Income Tax Act.
4. The preamble to the so-called special inclusions to the definition of gross income results in an amount that is of capital nature being included in gross income.
5. The world-wide receipts and accruals of a resident are subject to normal tax in the Republic of South Africa.
6. Law books to a bookseller are his trading stock and when sold, the amount received or accrued is gross income.
7. The preamble to the so-called special inclusions to the definition of gross income results in an amount that accrues to a non-resident from a foreign source being subject to normal tax in the Republic of South Africa.
8. All physical receipts of a taxpayer that are not of a capital nature will be included in his gross income.
9. For an amount to be included in a taxpayer's gross income, it must be "received" by him.
10. Paragraph (c) of the definition of gross income applies only to transactions that result from an employer – employee relationship.
11. A person who is ordinarily resident in the Republic of South Africa and has not lived in the South Africa since 2021 is a resident for the 2024 year of assessment.
12. Adam Smith, an Australian resident, receives an annual royalty income of R600 000 from a South African company which uses a patented process (invented by Adam in Australia) in South Africa. This royalty is exempt.
13. Annuities received are exempt from normal tax.
14. The full amount expended for business purposes in respect of a travel allowance will be deductible from the allowance received, if it exceeds such allowance received.
15. Local interest received by a natural person is fully exempt from normal tax.

**REQUIRED:**

For each of the above statements, write down the number and indicate whether the statements is **True** or **False**, Write down the reasons for your answer.

---

**QUESTION 2**

**45 MARKS**

Sima, works as head of security at a large oil firm (a VAT vendor).

He is 67 years old and a South African Resident. He has a wife, Aymarh, and two minor children, Hope and Faith.

In the previous year of assessment, he earned remuneration of R280 000.

In the current tax year, Sima received a salary of R24 000 per month. He also received a bonus of R22 000 in December 2024.

Sima contributed 8% of his salary towards the company's pension fund. In addition, Sima contributes R5 000 a month into a retirement annuity fund (RAF).

Sima contributed to a medical aid fund. He paid R4 200 per month to cover himself and his three dependents. During the year Hope had to have extensive psychological counselling. This cost was not covered by the medical aid and came to an additional R26 000 for the tax year. Faith also required extensive plastic surgery to clear his nasal passages as he was continually wheezing. This cost of R17 000 was also paid for by Sima as it was not covered by his medical aid.

Sima uses his 2022 VW T-Cross for private and business use. The car had a cash cost of R269 000 (including VAT) on acquisition date. He financed the car over five years and pays finance costs of R2 300 per month (related to the interest portion only). The company gave Sima a car allowance of R7 000 per month to compensate him. He travelled 39 000 kilometers in that tax year, 13 000 of which were private. He kept a logbook and paid all maintenance on the car. During the year he replaced the tyres and had two services. The tyres cost R5 500 (including VAT) and the services cost R2 140 in total (including VAT). During the year he also paid R25 000 for all petrol. He has retained proof of his expenditure.

Sima was given a cellphone allowance amounting to R500 per month. He had no itemized billing on his cellphone so could not prove any of the business calls.

The company bought two books in the year which they gave to Sima. The first was "Security Techniques and Counter Espionage" by Craig Williamson and cost R348 (including VAT). The other was "How to grow beautiful orchids" by Keith Gardner at R514 (including VAT).

Sima had the use of a company unit in Beacon Isle Hotel for summer vacation. The unit was donated

by the company, and they pay a levy of R4 400 per year. The unit is normally let out to the public for R8 500 per week. Sima used it for one full week, i.e. seven days a year. He also used the company boat which was anchored in Plettenberg Bay. The boat had a market value of R440 000 (including VAT) when Sima used the boat for the week, he was in Plettenberg Bay at the Beacon Isle Hotel.

The company also gave Sima a loan of R300 000 for the period 1 March 2024 to 1 October 2024. The loan was repaid on 1 October 2024. The loan was secured and interest of 5% was charged. The official rate was 10%.

The company expected Sima to entertain certain guests. He was given an entertainment allowance of R2 200 for the year.

Sima was given the use of a house by the company from 1 June 2024, as the company required Sima to be available near the company's main oil refinery in Milnerton. Sima moved into the company house on 1 June 2024. The house had three bedrooms, a lounge, kitchen, dining room and two bathrooms. The company paid all electricity and water bills and furnished the house. The house was owned by the company.

During the year Sima saved a pensioner, Mr Indongo Wooda, and prevented a tanker exploding, when fire was caused by a burning tanker truck that lost control on Nelson Mandela Boulevard. Sima was hailed as a hero and received a certificate from the city for saving Mr Wooda's life and averting what could have been a major disaster in the city. The company bought Sima a flat-screen TV as a way of recognising his bravery and the positive press from his action. The TV costs R12 400 (including VAT).

Sima had recently invested some money offshore. For the current tax year, he received interest of R2 000 from the UK and dividends of R4 000 from investments in Germany. These were listed investments and the dividends received are not exempt under section 10B (2).

**REQUIRED:**

Calculate Sima's normal tax payable for the year of assessment ended 28 February 2025.

---

**QUESTION 3****(25 marks)**

Shikulumbwati (Pty) Ltd is a registered VAT vendor. Shikulumbwati (Pty) Ltd is a sports equipment manufacturer. They specialize in racquets (tennis, squash, badminton and so forth). The process is a process of manufacture as defined. The company has a 30 September year end. The accountant has prepared the financial statements, and the company has a net profit before taxation of R1 200 000.

**The amounts exclude VAT**

The following information relates to the year of assessment ending 30 September 2024 and was considered correctly for accounting purposes (where applicable) in the above net profit figure:

1. The company had an expense for annuities paid:
  - i. R1 500 per month from 1 February 2024 to Rodger Feds (a former employee who resigned at the age of 24 to become a professional squash player).
  - ii. R300 per month paid to the dependents of a former employee. This amount has been paid since 1 August 2022.
2. Advertising expenses according to the Statement of Comprehensive Income amounted to R185 000. The amount was made up as follows:
  - i. An advertising campaign to launch a new tennis racquet in the market. This campaign cost R150 000.
  - ii. General advertising of R35 000 on the radio, television and in magazines promoting general brand sales.
3. The company's driver got several traffic fines. The amount of the expenses in the financial statements amounted to R3 000.
4. Shikulumbwati (Pty) Ltd wrote off trade debtors that became bad to the value of R40 000 during the year.
5. Shikulumbwati (Pty) Ltd paid Jan Potgieter an amount of R400 000 as a restraint of trade for the next 2 years. This amount was paid on 1 September 2024. The accountant spent the full amount on this year's financial statements.
6. Shikulumbwati (Pty) Ltd's factory workers wear a uniform. These are blue overalls which have the company logo printed on the back. Included in the Salaries and Wages expense is an amount of R15 000 which relates to the uniform allowance paid to factory workers.
7. Depreciation of assets amounted to R50 000 and consists of:
  - i. Delivery vehicle purchased on 1 October 2017. The accounting policy is to depreciate the asset over 6 years on the straight-line method. Depreciation amounted to R12 000.
  - ii. R38 000 for factory plant and equipment which were purchased new and unused and taken into use on 1 July 2024 for R200 000. The plant and equipment are depreciated at 20% per annum on the diminishing balance method.

(The write off period per Interpretation Note 47 and Binding General Ruling (Income Tax 7) for delivery vehicles is 4 years. The plant and equipment will qualify for the Section 12C allowance.

8. Shikulumbwati (Pty) Ltd pays rent on its office building. The rental expense for the year amounted to R120 000.

9. Shikulumbwati (Pty) Ltd earned investment income from the following sources:

- i. Dividends from South African companies R200 000
- ii. Dividends from an American company R50 000
- iii. Interest in bond investment R250 000

Cassey invested in an interest-bearing bond on 1 July 2024 for a period of three years. The instrument was issued for R10 million and has an annual interest coupon of 5%. The instrument will be redeemed at a premium of 20% on 30 June 2027.

The contractual cash flows of the instrument are as follows:

Date	Cash flow Rands
1 July 2024	(10 000 000)
30 June 2025	500 000
30 June 2026	500 000
30 June 2027	12 500 000
	<b>3 500 000</b>

The R3 500 000 represents a yield to maturity on an annual accrual period of 10.9851194%.

10. The lease premium of R30 000 (was not considered in determining the net profit before tax) was paid by Shikulumbwati for the premises currently used by it as a retail establishment for its trading activities. The lease was entered into on 1 March 2023. The lease is for a period of 30 years from 1 July 2024, when it took occupation of these premises.

**REQUIRED:**

Calculate the income tax payable by Shikulumbwati (Pty) Ltd (starting your calculation with the **Net Profit before Tax of R1 200 000**). If an amount should not be included or deducted in your calculation of taxable income provide a reason.

**Note:** Show all calculations clearly.

Round off all amounts to the nearest RAND. Ignore Capital Gains Tax.

**QUESTION 4****(10 marks)**

A. What are the requirements for a company to be allowed to carry forward their assessed loss?	(2)
B. Discuss when an amount will be allowed as a deduction from taxable income as a bad debt.	(2)
C. Determine whether the following three transactions would be deductible as a bad debt. Provide a reason for each case.	
a. Personal loan to a former employee	(2)
b. Debtor purchased from another party	(2)
c. Debtor incurred in the previous year of assessment	(2)

**END OF SECOND 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.