



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

<b>QUALIFICATION : BACHELOR OF ACCOUNTING (HONOURS)</b>	
<b>QUALIFICATION CODE: 08BOAH</b>	<b>LEVEL: 8</b>
<b>COURSE: ADVANCED TAXATION</b>	<b>COURSE CODE: ATX812S</b>
<b>DATE: NOVEMBER 2023</b>	<b>SESSION: THEORY &amp; CALCULATIONS</b>
<b>DURATION: 4 HOURS</b>	<b>MARKS: 100</b>

<b>FIRST OPPORTUNITY EXAMINATION – QUESTION PAPER</b>	
<b>EXAMINER:</b>	Ms Y Andrew
<b>MODERATOR:</b>	Ms M Amakali

<b>INSTRUCTIONS TO CANDIDATES</b>
<ol style="list-style-type: none"><li>1. This paper consists of 7 pages (excluding cover page).</li><li>2. Answer all the questions using either <b>blue</b> or <b>black</b> ink.</li><li>3. Write neat and clear.</li><li>4. A non-programmable calculator is permissible.</li><li>5. The Namibian Income Tax Act no.24 of 1981 is permissible.</li><li>6. The Namibian Value-added Tax Act no.10 of 2000 is permissible.</li><li>7. Round off all amounts to the nearest Namibian Dollar (N\$).</li><li>8. Clearly state (any) assumptions made (where applicable).</li><li>9. Show all your workings.</li></ol>

**QUESTION 1**

**20 marks (48 min)**

Coastal Wholesales Limited is a manufacturer and wholesaler of goods in Walvis Bay. The company is a registered VAT vendor and has a 30 November year end. A new bookkeeper joined the company on 1 September 2023. An extract from the VAT ledger account for the two-month VAT period ending on 30 November 2023 follows:

DR		VAT account			CR		
2023			N\$	2023		N\$	
Oct	7	Entertainment (note 3)	706	Oct	1	Balance b/d	18 349
	15	NAMRA payment	14 689	Nov	30	Sales (note 1)	49 761
	31	Motor vehicle (note 4)	24 737		30	Bad debt recovered (note 2)	1 726
Nov	30	Purchases (note 5)	14 625				
	30	Rental (note 6)	3 142				
	30	Sundry expenses (note 7)	1 911				
	30	Computer (note 8)	1 575				

**Notes:**

**All amounts include VAT, unless stated otherwise.**

1. This represents the tax fraction in respect of the following:

N\$

Local sales	264 500
Export Sales	<u>117 000</u>
	<u>381 500</u>

No VAT had been charged to export customers but the bookkeeper believes the company should account for VAT otherwise the input tax deductions cannot be claimed.

2. This represents the tax fraction in respect of a bad debt recovered. The bad debt was written off on 1 October 2020.
3. Entertainment expenses include the following:

	N\$
Hotel costs of sales manager while away on business (incl VAT)	3 886
Teas, coffee and other staff refreshments (incl VAT)	988
Restaurant bill of managing director on business lunch (incl VAT)	<u>536</u>
	<u>5 410</u>

4. A new VW T-cross was acquired on 31 October 2023 for the exclusive free use of the financial manager. The cash cost of the motor car was N\$437 000 (including VAT). The free use of the car was made available from 1 November 2023. The previous vehicle, which the financial manager had been using since 1 March 2020, a VW pick-up, was stolen on 1 October 2022. The company's insurance company paid out N\$33 000 in full and final settlement of the insurance claim on 15 November 2023.

The VW pick-up (not double cab) had been originally acquired by Coastal Wholesales Limited on 1 December 2022 at a cost of N\$58 650 (including VAT) and had been used

for business purposes from this date. Wear and tear on this vehicle is allowed by NAMRA in terms of section 17(1)(e).

5. This represents the tax fraction of the purchases for the two-month VAT period. All purchases were from VAT vendors and Coastal Wholesales Limited was in possession of all relevant tax invoices.
6. This represents the VAT content in respect of rental of the company's administration offices.
7. The total sundry expenses for the two-month VAT period are made up as follows:

	N\$
Expenses incurred in respect of transactions with VAT vendors	14 375
Expenses incurred in respect of transactions with non-vendors (but not second-hand goods)	1 824
Fuel expense incurred from the local Puma service station	<u>976</u>
	<u>17 175</u>

8. This computer, which is second-hand, was acquired from a non-vendor for N\$12 075. The non-vendor was paid on 15 December 2023.

	REQUIRED	MARKS
(a)	Calculate the correct VAT payable / receivable to/from NAMRA in respect of the VAT period ending 30 November 2023.	12
(b)	Indicate when the VAT liability, if any, should be paid to NAMRA in respect of the VAT period ending 30 November 2023.	2
(c)	Calculate the income tax effects in respect of the payout of N\$33 000 received from the insurance company for the year of assessment ending 30 November 2023.	6

## QUESTION 2

**30 marks (72 min)**

Mr Joseph, a Namibian resident, is employed by First Rand Namibia as a short-term insurance broker. He has been working for the company for the past 21 years.

The following information relates to his 2023 year of assessment:

	Note	N\$
Salary		774 000
Long service award	1	4 424
Housing allowance (per month)	2	12 000
Travel allowance (per month)	3	6 200
Staff loan	4	35 000
Employer contribution to pension fund	5	?
Cellphone allowance (per month)	6	700
Laptop acquired from employer	7	5 000

## Notes

1. Mr Joseph received a digital camera to the value of N\$4 424 as a long service award.
2. First Rand Namibia has an approved housing scheme registered with the Receiver of Revenue.
3. Mr Joseph is obligated in terms of his employment agreement to visit clients in order to prepare insurance schedules that meet the clients' specific needs. He receives a travel allowance in order to carry out his duties. He uses his own motor vehicle, which he acquired during the 2021 year of assessment, which cost him N\$460 000 (including VAT and excluding finance charges). First Rand Namibia reimburses Mr Joseph for all his actual fuel expenses for business. He kept accurate records of his fuel expenses during the year which amounted to N\$14 540. The maintenance cost amounted N\$5 400 (including VAT), and license fees were N\$805 in respect of his motor vehicle for the current year of assessment. His logbook reflected his total kilometers travelled for the year as 36 000, of which 27 000 related to business travel.
4. Mr Joseph applied for a staff loan which the company acceded to on 1 November. The company charged Mr Joseph interest of 6.25% on the loan. The loan is repayable in 12 months.
5. The employer contributes 8.5% per month of his basic salary to a pension fund. In addition Mr Joseph contributes N\$1 250 per month to a Retirement Annuity fund.
6. Mr Joseph kept accurate records of all his business calls during the year which amounted to N\$5 600.
7. Mr Joseph purchased an old laptop from his employer. The market value of the laptop is N\$6 200.
8. He earned local interest and dividends of N\$8 200 and N\$10 000, respectively during the year on investments he holds.
9. Employees tax of N\$223 480 was deducted by First Rand Namibia, in respect of Mr Joseph's 2023 year of assessment.

REQUIRED:	MARKS
Calculate Mr Joseph's tax liability for his 2023 year of assessment. Show all calculations and indicate if an amount is not included in or deducted/exempt from taxable income.	30

**QUESTION 3****15 marks (36 min)**

Mapimpi (Pty) Ltd ("Mapimpi") is a Namibian retailer of soccer jerseys. The company imports its trading stock (soccer jerseys) from suppliers in Manchester, United Kingdom. This trading stock is then sold in Namibia. The company has a 30 April financial year-end.

On 1 February 2022, Mapimpi ordered trading stock from a supplier in Manchester. The cost price of the trading stock was £18 650 (inclusive of shipping costs of £1 850). The trading stock was shipped free-on-board on 15 February 2022. It arrived in Namibia on 24 February 2022. In terms of the agreement with the supplier, the account had to be settled in full on 15 May 2022. All trading stock was still on hand on 30 April 2022. On 10 May 2022, Mapimpi donated 18 soccer jerseys to a local high school. The market value of the stock donated was N\$26 200.

The opening stock value on 1 May 2021 was N\$400 320.

The relevant exchange rates are as follows:

**Date**

1 February 2022	£1 = N\$18.30
15 February 2022	£1 = N\$18.65
24 February 2022	£1 = N\$18.78
30 April 2022	£1 = N\$19.15
15 May 2022	£1 = N\$19.03

<b>REQUIRED</b>	<b>MARKS</b>
Calculate the effect of the above transactions on Mapimpi's taxable income for its years of assessment ending 30 April 2022 and 30 April 2023. Show all your workings. Round off all amounts to the nearest Namibian Dollar (N\$).	<b>15</b>

**QUESTION 4****20 marks (48 min)**

Woody (Pty) Ltd ("Woody") manufactures and sells wooden houses. The company is not a registered manufacturer for tax purposes and may not claim any allowances allowed for manufacturers. The draft Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2023. All amounts exclude VAT, unless stated otherwise:

	<b>Notes</b>	<b>N\$</b>	<b>N\$</b>
Sales			6 883 212
Less: Cost of Sales	<b>1</b>		(1 879 500)
<b>= Gross Profit</b>			<b>5 003 712</b>
Add Other Income			
Dividends	<b>2</b>		150 000
Profit on sale of Factory	<b>3</b>		500
Insurance proceeds	<b>5</b>		<u>45 000</u>
<b>= Gross Income</b>			<b>5 199 212</b>

Less: Expenses			
Lease premium and payment	4	480 000	
Depreciation	6	148 878	
Finance charges on lease of machine		12 020	
Interest paid		60 000	
Other expenses (all deductible for tax purposes)		473 698	(1 174 596)
<b>= Net Profit before tax</b>			<b><u>4 024 616</u></b>

## Notes

- Purchases amounted to N\$1 973 000, opening stock and closing stock were N\$202 500 and N\$296 000, respectively. The market value of stock has never been below its cost.
- "Local" dividends of N\$150 000 accruing during the 2023 year of assessment.
- During its 2017 year of assessment, the company purchased a factory (industrial building) at a cost of N\$1 000 000. The seller was entitled to a building allowance in terms of s 17(1)(f) from 2010 (year brought into use) to the 2016 year of assessment. As a result of rapid developments, this factory became too small to meet the company's needs and it was sold on 31 October 2022 for N\$1 000 000.
- After the old factory was sold, and as from 1 November 2022, the company leased a new factory building for a period of 20 years. In terms of the lease agreement, a once off lease premium of N\$80 000 had to be paid and rental of N\$80 000 per month was payable as well. The new factory was occupied from 1 November 2022. In terms of the lease agreement, Woody was obliged to make improvements to the factory at a cost of N\$ 1 500 000. The improvements were completed on 1 March 2023, but their actual cost amounted to N\$2 100 000.
- In the early morning hours of 1 April 2022, a fire destroyed Machine A. The following amounts (net of the relevant output tax) were received from the insurer:

	N\$
Loss of profits due to fire:	28 000
Loss of Machine A:	<u>17 000</u>
	<u>45 000</u>

The cost price of Machine A was N\$50 000 and its tax value on 1 April 2022 was N\$20 000 (refer to note 6 for details of Machine B which replaced Machine A).

- Depreciation was calculated as follows on the following assets:

Asset	Acquisition date	Brought into use	Cost (excl VAT) N\$	Market Value N\$
Machine B	2 November 2022	2 November 2022	100 000	N/a
Leased Machine C	N/a	N/a	N/a	24 000

Computer Printer	1 August 2022	1 August 2022	959	N/a
Delivery vehicle on hand (tax value N\$ 28 333 at year end)	N/a	N/a	85 000	N/a
Delivery vehicle	1 November 2022	1 November 2022	120 000	N/a

From 1 July 2019, Machine C was leased to Woody under a finance lease agreement for a period of 40 months. When the lease agreement expired on 31 October 2022, Woody bought the machine from the lessor at market value of N\$24 000 on that date and continued using it in its manufacturing process.

The write off periods of the assets according to the company's accounting policies are as follows:

Computer printers:	3 years
Machinery & equipment	5 years
Delivery vehicles	4 years

REQUIRED	MARKS
Calculate the income tax liability of Woody (Pty) Ltd for its year of assessment ending 31 March 2023. Start your calculation with the <b>Net profit before tax</b> . Show all your workings.	20

#### QUESTION 5

15 marks (36 min)

Leigh Rothman has always believed in investing any extra money in the bank, as such she has a fixed deposit on which she earns 4% interest per year.

She is 50 years old and is entitled to the annual interest exemption in terms of section 16(1)(l) to (m). Leigh heard on the radio that investing in an investment that pays local dividends will be a tax-free investment. Leigh decided to investigate and found that if she rather invested her money in shares listed on the NSX, her return would be dividends which would qualify for the section 16(1)(n) dividend exemption. This would result in her having a complete tax saving on her dividend income earned. Leigh also found out that she might have to include a recoupment on the disposal of the investment. After some careful consideration and looking at the performance of share investment on the NSX, Leigh decided to switch from an interest-bearing investment to a dividend-yielding investment.

REQUIRED:	MARKS
Discuss whether the Commissioner could successfully apply the provisions of general anti-avoidance rules, in terms of section 95 of the Income Tax Act.	15

## 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 2022/23 (N\$)
0 - 50 000	Not taxable
50 001 - 100 000	18% for each N\$ above 50 000
100 001 - 300 000	9 000 + 25% for each N\$ above 100 000
300 001 - 500 000	59 000 + 28% for each N\$ above 300 000
500 001 - 800 000	115 000 + 30% for each N\$ above 500 000
800 001 - 1 500 000	205 000 + 32% for each N\$ above 800 000
Above 1 500 000	429 000 + 37% for each N\$ above 1 500 000

### Housing loans and mortgage subsidies

	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 FIRST OPPORTUNITY EXAMINATION