



**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 2023	SESSION: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION PAPER	
EXAMINER(S):	Mr. G Jansen, Ms. M Amakali and Mr. Y Elago
MODERATOR:	Mrs. Y van Wyk

THIS PAPER CONSISTS OF 10 PAGES

(Excluding this front page)

INSTRUCTIONS

1. Answer **ALL** the questions and in blue or black ink.
2. Write neat and clearly.
3. The names of people and businesses used throughout this test paper do not reflect the reality and may be purely coincidental.
4. Show all workings where applicable.
5. Round off all amounts to the nearest RAND where applicable.

QUESTION 1

(60 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 one of the following is true in the case of a person resigning from employment?
 - A. The lump sum is taxed according to a separate tax table; the first R500 000 is not taxed.
 - B. A maximum of R5 000 will be exempted from tax in respect of a lump sum paid out by a provident fund.
 - C. Any amount received from the employer on resignation will be exempt from tax as long as the taxpayer is over 65 years of age.
 - D. The lump sum is taxed according to a separate tax table.

2. Carl Marx purchased an annuity when he was 45 years old. He paid R500 000 (out of an inheritance) for the annuity. He will receive R7 605 per month for the next 10 years. If he received the annuity from 1 June 2022, how much will be included in his income for the 2023 year of assessment, in respect of this purchased annuity?
 - A. Rnil to be taxable as the annuity was purchased with money that was inherited.
 - B. R7 605 x 12 months
 - C. R7 605 x 9 months x 55%
 - D. R7 605 x 9 months x 45%

3. 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.
 - E. None of the above.

4. Mrs Minute has received free accommodation from her employer since the 1st August 2022. The accommodation consists of four furnished rooms. She pays for the power. Her previous year's remuneration proxy was R164 461, and the current year's is R180 000. Assuming that all the other requirements of this fringe benefit are met, the value of the fringe benefit for the 2023 year of assessment is:
 - A. R8 872
 - B. R11 167
 - C. R9 915
 - D. R7 687

5. Which one of the following statements is incorrect?
- A. Only 80% of a travel allowance must be taken into account for purposes of calculating employees' tax.
 - B. Vehicles are depreciated over a period of seven years for travel allowance purposes.
 - C. When calculating wear and tear for travel allowance purposes, the value of the vehicle is limited to R560 000.
 - D. The determined value of a vehicle (using the tables when calculating expenses to be set off against a travel allowance) excludes VAT.
6. 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.
7. Which of the following receipts or inclusions will form part of special inclusions?
- A. Annuities.
 - B. Recoupments.
 - C. Dividends.
 - D. All of the above
8. 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.
9. Frans is 26 years old. His taxable income for the 2023 year of assessment was R250 000. What is his normal tax liability for the 2023 tax year ignoring any rebates?
- A. R45 000.
 - B. R40 680.
 - C. R6 240.
 - D. R46 920.
10. Mr van der Walt purchased an annuity of R500 per month for himself for he paid R25 000. The annuity will be paid from 1 August 2022 for 15 years. What is his taxable income in respect of the purchased annuity for his 2023 year of assessment?
- A. R833.
 - B. R139.
 - C. R361.
 - D. R2 167.
11. Which of the following court cases dealt with the principle of Total amount in cash or otherwise?
- A. People's stores.
 - B. Butcher Brothers.
 - C. Brummeria.
 - D. B and C above.
 - E. A and C above.

12. Mrs Maddie, aged 56 resigned from her employment on 28 February 2023. She received a monthly salary of R23 000 for the 2023 tax year. In addition she received a restraint of trade payment of R250 000 on her last working day, dividends from an investment amounting to R12 000 and alimony from her ex-husband of R24 000 for the year. Calculate her income for the 2023 year of assessment?
- A. R544 000.
 - B. R526 000.
 - C. R562 000.
 - D. R550 000.
13. Which of the following statements are true?
- A. A taxpayer who sells groceries exchanges them with a second taxpayer who sells clothes does not have to recognize any amount in gross income.
 - B. Your father offers to loan you money at 6% interest to help you fund your studies. He could have earned interest of 8% at the bank. He will only have to include 6% interest in his gross income.
 - C. Soft drinks are sold in glass bottles for R10. If the customer returns the bottle, he/she receives a R1 refund. The seller must include R9 in its gross income when the sale is made.
 - D. A clothing store offers that 6months interest-free accounts should not include an amount in gross income until after the expiry of the 6month period.
14. 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.
15. 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.
16. Which of the following is regarded as a revenue receipt?
- A. Goodwill
 - B. Horse race winnings.
 - C. Payment received for the restriction of use of capital asset.
 - D. Damages for personal defamation.
17. Which court case dealt with the principle of change in intention?
- A. Pyott Ltd
 - B. Stott.
 - C. Natal Estates Ltd.
 - D. Lever Brothers.

18. Roy, 65 years old received R340 000 for the 2023 year of assessment. Calculate his tax payable after any rebates?
- A. R66 646.
 - B. R28 470.
 - C. R44 895.
 - D. R53 895.
19. Mr Garry, retired at the age of 65 years on 28 February 2023. He received R840 000 as well as a lump sum in respect of his retirement of R1 000 000 for the 2023 year of assessment. Calculate his tax payable for the 2023 year of assessment. Ignore any rebates.
- A. R685 041.
 - B. R630 006.
 - C. None of the above.
 - D. All of the above.
20. Which of the following statements is not true?
- A. All of the requirements of the gross income definition must be met before an amount can form part of gross income
 - B. A non-resident who has spent a certain number of days in SA (physical presence test).
 - C. Normal tax is imposed on "residents" on their worldwide income, while non-residents are only taxed in SA on their SA sourced/deemed SA source income.
 - D. All fringe benefits are taxable.
 - E. Consideration paid by the employee should be deducted from the value of the fringe benefit received.
21. In the Geldenhuys case, it was held that:
- A. The amount is only included in gross income by a taxpayer only if it is received by him on his own behalf, for his own benefit.
 - B. Subsequent disposal of income is irrelevant
 - C. Accrued to = unconditionally entitled to the amount.
 - D. The onus is on SARS to determine the amount
22. "Gross income" definition par(c) - Service rendered excludes:
- A. Fringe benefits
 - B. Salaries.
 - C. 13th cheque bonus.
 - D. Tips received by waiters.
23. Which of the following is true?
- A. South African source interest received by non-resident individual is exempt unless a natural person and they were physically present in South Africa >183 days.
 - B. Holiday accommodation provided by the employer to his employee is not a taxable fringe benefit.
 - C. The full cash equivalent of the right of use of motor vehicle is included in "remuneration".
 - D. All of the above.

24. Wolf is 32 years old and he is a resident of the Republic of South Africa. He received foreign dividends from a foreign investment amounting to R15 300. Calculate Wolf's income. Round off to the nearest Rand (where possible).
- A. R6 800
 - B. R15 300
 - C. R8 500
 - D. R10 929
25. Runy was away for work purposes for 3 days. Her employer (PwK) paid for her accommodation and gave her an allowance of R300 per day. She kept all her receipts for expenditure incurred to the value of R520. The deemed amount for meals and incidental cost is R435 per pay. Calculate Runy's taxable income?
- A. R380
 - B. R900
 - C. R0
 - D. R435
26. Ronald is a cashier at Shoprite. In December 2022, Shoprite took Christmas hampers from their stock and gave to all employees free of charge for the festive season holidays. Each Christmas hampers cost Shoprite R586 (excluding VAT). The market value excluding VAT amounts to R780. What is the taxable value of the fringe benefit to Ronald?
- A. R586
 - B. R0 (no value)
 - C. R780
 - D. None of the above
27. On 30 June 2022, Pukkie (Pty) Ltd waived a debt of R2 459 owing by Samatha, a cleaner. Samatha resigned from Pukkie (Pty) Ltd on 31 May 2022 to start her new role as a receptionist at KK Attorneys. During her employment with Pukkie (Pty) Ltd, she used to settle her debt in monthly installments of R200. Calculate the taxable benefit for Samatha relating to the debt waiver for the 2023 year of assessment.
- A. R0
 - B. R2 459
 - C. R1 659
 - D. None of the above
28. Gift is a Personal banker at ABSA. On 1 April 2022, received an interest free loan from her employer amounting to R2 000. The official rate on 1 April 2022 and at 28 February 2022 is 7%. What is the cash equivalent of the interest free loan that is taxable in the hands of Gift?
- A. R0
 - B. R2 000
 - C. R140
 - D. None of the above

29. On 1 September 2022, Oprah received a low interest loan from her employer to enable her to pay her UNISA tuition fees. The loan amounted to R30 000 with 3% interest. The official rate is 7%. Calculate Oprah's taxable income.

- A. R0
- B. R30 000
- C. R1 200
- D. R600

30. Which of the following options will constitute gross income?

- A. Daily income of a restaurant
 - B. Inheritance from a deceased estate
 - C. Sale of shares held as an investment
 - D. Option B and C
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QUESTION 2

(40 MARKS)

James Dearham is 32 years old, married (out of community of property) and employed by Trolleys Ltd in Bloemfontein. The company manufactures shopping trolleys.

James has been employed by Trolley's Ltd for the past ten years and he earns a salary of R17 400 per month. Ignore Capital Gains Tax (CGT).

OTHER RECEIPTS:

Dividends received:

James received the following dividends during the 2023 year of assessment:

Dividend from South African public company (gross amount)	R2 000
Dividend from South African private company (gross amount)	R1 800
Dividend from United Kingdom public company (taxable portion)	R2 400
Dividends from South American public company (taxable portion)	R1 700

Interest received:

James received the following interest during the 2023 year of assessment:

Interest on fixed deposit at a registered bank in South Africa (not a tax-free investment) R13 100.

Sale of stamp collection:

James sold his stamp collection, which he bought in 2005 for R1 300, for R26 000.

Cash Prize:

James was a contestant on the 'Who wants to be a millionaire' game show. He won R16 000.

Rent:

James owns a house in Upington, which he leases to Adele Gabis for R1 800 per month. Adele Gabis has been renting the house for the past two years.

James incurred the following expenses during the 2023 year of assessment in respect of the house:

Rates and taxes	R8 000
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Repairs to roof and windows damaged during a hailstorm	R2 000
Costs incurred to erect Para fencing around the house to improve the market value	R4 000
Replacement of a faulty geyser	R4 500
Painting costs	R2 500

James also received the following fringe benefits from Trolley's Ltd during the 2023 year of assessment:

Travel allowance:

James received a travel allowance of R4 000 per month for the whole year. His motor vehicle cost R170 000 (excluding VAT) and he did not keep accurate records of his actual vehicle costs. He travelled 30 000 kilometres in total during the current year of assessment and his logbook indicates that he travelled 18 000 private kilometres. The travel allowance was **not** in respect of the company car he received from his employer (see below). James paid for all of the running costs of this vehicle.

Use of a company car:

The managing director of Trolleys Ltd, decided that James' own motor vehicle was equipped to pick up trolleys that needed repairs, and gave him the use of a brand-new VW kombi for the whole year. The retail market value of the motor vehicle amounted to R120 000 including a maintenance plan. Trolleys Ltd paid for all the running costs of the vehicle. The business kilometres make 20% of total kilometres travelled.

Low interest debt:

On 1 October 2022, James' employer granted him a loan of R12 000 to do maintenance on his residence. James paid interest at a rate of 5% a year on the loan (you may assume that the official interest rate remained constant at 7.75%).

Housing Benefits:

James' employer allocated the private use of a house (owned by the employer), consisting of at least 6 rooms, to him for the whole year. The house is furnished, and James is responsible for the water and electricity account and for maintaining the house. His remuneration proxy is R200 000.

Holiday Accommodation:

During the April 2022, James and his wife, Sofia, spend five days at the coast in a furnished flat that is owned by Trolleys Ltd. Trolley's usually rents the flat out at a cost of R275 per person per day.

Pension Fund contributions:

James is a member of his employer's pension fund and contributes R1 200 per month to the fund. The employer does not contribute towards the pension fund.

Medical Aid:

James is a member of his employer's medical aid fund. According to the rules of this fund the employer makes a contribution of R1 550 per month for James and his wife. James is obligated to make a contribution of R400 per month. The medical aid fund paid most of the medical expenditure incurred by James, but he had to pay R5 345 of the total medical expenses of R58 921 in respect of qualifying medical expenses.

Donation:

On 1 January 2023, James donated R2 000 to the University of Limpopo. The University issued a section 18A certificate.

Other information:

Trolley's limited deducted R36 925 from James as Employees taxes during the year.

REQUIRED:

Calculate James Dearham's tax liability for the 2023 year of assessment. Ignore Capital Gains Taxes. You may also ignore the impact of the section 6A and section 6B medical credits on the tax liability. (40)

You are required to round off to the nearest Rand.

END OF EXAMINATION PAPER

ANNEXURE

TAX RATES

INDIVIDUALS - 2023

Taxable income		Rates of tax	
R	0 - R 226 000		18% of each R1
R	226 001 - R 353 100	R 40 680 +	26% of the amount over R 226 000
R	353 101 - R 488 700	R 73 726 +	31% of the amount over R 353 100
R	488 701 - R 641 400	R115 762 +	36% of the amount over R 488 700
R	641 401 - R 817 600	R170 734 +	39% of the amount over R 641 400
R	817 601 - R1 731 600	R239 452 +	41% of the amount over R 817 600
R1	731 601 +	R614 192 +	45% of the amount over R1 731 600

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	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	
	2023	2024
Persons under 65	R 91 250	R 95 750
Persons 65 and under 75	R141 250	R148 217
Persons 75 and over	R157 900	R165 689

TAX

REBATES

Amounts deductible from the tax payable	2023	2024
Persons under 65	R16 425	R17 235
Persons 65 and under 75	R25 425	R26 679
Persons 75 and over	R28 422	R29 824

MEDICAL AID

TAX CREDITS

Monthly amounts deductible from tax payable	2023	2024
Main member	R347	R364
Main member with one dependant	R694	R728
Main member with two dependants	R928	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 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 - 2023

Cost of vehicle	Fixed R	Fuel c	Repairs c
Does not exceed R95 000	29 836	131,7	40,9
Exceeds R 95 000 but not R190 000	52 889	147,0	51,1
Exceeds R190 000 but not R285 000	76 033	159,7	56,3
Exceeds R285 000 but not R380 000	96 197	171,8	61,5
Exceeds R380 000 but not R475 000	116 438	183,8	72,3
Exceeds R475 000 but not R570 000	137 735	210,8	84,9
Exceeds R570 000 but not R665 000	159 031	218,0	105,5
Exceeds R665 000	159 031	218,0	105,5

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 but not R800 000	209 685	234,3	113,1
Exceeds R800 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.