



**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: JANUARY 2024	SESSION: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

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

THIS PAPER CONSISTS OF 6 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

(20 MARKS)

PART: A

(10 MARKS)

Indicate whether the following statements from your clients are correct according to the gross income definition (s1 of the Income Tax Act).

If the statement is correct, indicate with a **“true”**. If the statement is incorrect, indicate with a **“false”**.

1. A natural person is ordinarily resident where he or she normally resides, apart from temporary and occasional absences. (2)
 2. If farmer exchanges produce, he has grown on his farm for a plough at his local cooperative, the value of the plough will not be included in his gross income. (2)
 3. The onus of establishing an amount to be included in gross income lies with the taxpayer. (2)
 4. Amounts received from illegal business activities will be included in gross income. (2)
 5. The concept of “accrued to” means due and payable. (2)
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PART: B

(10 MARKS)

You are the tax manager of a small auditing and accounting firm. One of the junior trainees has approached you to help him do his assignment.

REQUIRED:

Discuss whether the income received would be included in Casper Nyovest’s gross income or not. **If not**, indicate which of the **requirements** of gross income is **not** met and give a short reason why the requirement is not met.

The format of your answer should be:

5. Not included – capital nature – taxpayer is not a property dealer

Casper Nyovest, a South African rap artist, held a benefit concert in aid of a specific charity in South Africa.

- 1 R2 000 000 was collected from ticket sales. This R2 000 000 is legally payable to the charity. (3)
 - 2 A sponsor donated R1 000 000 directly to Casper Nyovest to help him to cover expenses in respect of the concert. (1)
 - 3 Casper Nyovest sold a recording studio of him for R3 000 000, and donated the proceeds to the charity. (3)
 - 4 After the show, a producer signed a recording contract with him, entitling him to a gross amount of R10 000 000 over the term of the contract. He received R1 000 000 up front and will receive the balance of the money as CDs are sold. The first CDs were sold in the following year of assessment. (3)
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QUESTION 2**(15 MARKS)**

An employee who is not yet 65 years of age and who is a resident of the Republic, received the following income for the 2023 year of assessment.

Pensionable Salary R230 000

Overtime R17 000

Bonus R25 000

Interest from South African Banks R24 000

A uniform allowance of R4 000. This uniform can be distinguished from normal clothing.

He was instructed by his employer to take business customers for lunch on a regular basis and was reimbursed after submitting the original receipts pertaining the expenditure. The total amount reimbursed was R15 000 for the year.

Tax deducted or paid during the year of assessment is as follows: PAYE R42 177 and other tax payments of R1 500.

REQUIRED:

Calculate the tax liability for the 2023 year of assessment. Show all your workings. (15)

QUESTION 3**(10 MARKS)**

Little Concerts Ltd ('Little Concerts') is a local events company and has the following query with regards to the tax implications of an upcoming concert, Fireworks, to be held in Rondebosch, Cape Town by local musicians, LocnStock. As advertised, the concert is to be held in aid of the desperate HIV/Aids situation in South Africa, and all funds generated will be donated to the Timberland Institute for Aids Awareness. Little Concerts expects to raise R200 000 after expenses, which it will pay to the institute once the accounting for the event has been finalised.

REQUIRED:

Discuss only the relevant element of the gross income definition that will determine whether the proceeds from the concert will be included in gross income of Little Concerts. Where applicable, substantiate your answer with reference to case law. (10)

QUESTION 4**(20 MARKS)**

Jakes Johannes, a 66-year-old SA resident, known by his friends as JJ, retired on 1st July 2022 and provided you with the following information regarding the 2023 year of assessment.

He had the following in his remuneration package:

1. Annual cash salary of R250 000 against which JJ made pension fund contributions of 8%. His employer made an equal contribution towards the pension fund.
2. His employer required proof of all entertainment expenditure before making any reimbursements. JJ incurred R4 000 on entertainment expenditure and was reimbursed by his employer.
3. On his retirement, JJ received a pension fund lump sum of R300 000. The maximum exemption is R300 000.
4. JJ ran a small consultancy. He earned income of R100 000, against which R75 000 in expenditure (all deductible) were incurred.
5. He received a lump sum of R34 000 from his employer which consisted of leave pay out and bonuses.
6. On his retirement farewell party, his colleagues gave him a weber barbeque grill to the value of R3500.
7. He inherited a small shareholding (less than 2%) in a Sweden company from his father during 2018 and received dividends equal to R61 000 in October 2022.
8. Local investment income is represented by R30 000 dividends and R16 000 interest.
9. Monthly annuity from pension fund, R17 000.

REQUIRED:

Calculate JJ's taxable income for the 2023 year of assessment. Show all your workings. Round off all amounts of to the nearest R. (20)

QUESTION 5**(35 MARKS)**

James Bond, aged 40, is about to sign a revised employment agreement and has approached you to clarify some of the tax aspects of the various options he is considering.

He has been offered a package equivalent to a cost to his employer of R400 000 per annum. The following options are available.

Option A

A cash salary of R400 000 per annum.

Membership to a pension fund. Employer and employee contributes equally, total contribution of R50 000 per annum. His salary will be reduced by the employers' contribution.

Option B

Membership to a non-contributory provident fund. The employer will contribute R40 000 per annum and reduce his salary accordingly.

The use of a company car. The car will have a cost of R160 000. His salary will be reduced by R5 500 per month, being the interest payments carried by the employer and running expenses which is estimated at R1 500 per month.

Option C

Free meals in a staff canteen. His salary will be reduced by R200 per month.

Free accommodation in an unfurnished house owned by the employer. His remuneration proxy is R350 000. His salary will be reduced by R4 000 per month.

Option D

A motor vehicle allowance of R4000 per month, the employer will reduce his salary accordingly. James will buy a vehicle of R150 000 (Vat Included) and expect to travel 35000 km of which 24000km will be for business purposes. His total expenses of which he will keep proof of (fuel, maintenance and insurance) are estimated at R4 500 per month.

REQUIRED:

Calculate the after-tax earnings for all of the above options and advise James of the best option to structure his remuneration. Structure your answer as a normal tax calculation and discuss the tax consequences with each entry. All workings should be part of the calculation. For purposes of your answer, the tax rates of 2023 should be used. (35)

Example:

Annual bonus

300 000

Include as gross income

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.

~~Male~~
23/10/23