



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

QUALIFICATION : BACHELOR OF ACCOUNTING	
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COURSE CODE: GTA711S	COURSE NAME: TAXATION 310
SESSION: JUNE 2024	PAPER: THEORY & APPLICATION
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Mrs. Y van Wyk, Mr. T Elago & Mrs. G Uises
MODERATOR:	Ms. F Haimbala

INSTRUCTIONS
<ol style="list-style-type: none">1. This question paper is made up of THREE (3) questions.2. Answer ALL the questions and in blue or black ink.3. Start each question on a new page in your answer booklet.4. Draw a line through all unused spaces in your answer booklet.5. The names of people and businesses used throughout this examination paper do not reflect reality and may be purely coincidental.6. Questions relating to this examination may 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 & any assumption made by the candidate should be clearly stated.

THIS QUESTION PAPER CONSISTS OF 7 PAGES (excluding this front page)

QUESTION 1

(30 MARKS)

Mr. Randy Brown ("Randy"), aged 45, was unemployed from 1 March 2023 to 31 May 2023, after which he managed to get an employment opportunity at Rainbow Corporation Limited. He commenced employment on 1 June 2023.

1. His basic salary amounts to N\$850 000 per annum.
2. The company contributes 7.5% of his annual basic salary towards his pension fund and 5% of his annual basic salary towards his medical aid fund. Randy's contribution towards his pension fund and medical aid fund equates to that of his employer.
3. In December 2023 he received a performance bonus of N\$35 000. He also en-cashed four (4) of his leave days for N\$12 000.
4. Randy received a 3-bedroom house in Suiderhof, Windhoek from his employer as a fringe benefit for which he is required to pay a monthly rental of N\$500. The company has an approved housing scheme registered with NamRA.
5. Additionally, he receives a travel allowance of 3% of his annual basic salary. He incurred operational expenses of N\$25 000 on his private vehicle which he uses 70% for business purposes.
6. Randy further receives a uniform allowance of N\$2 000 in January and N\$2 000 in June each year because all the employees are required to wear a distinguishable uniform to work.
7. The company provides all the employees with a lunch valued at N\$100 once a month, which is required to be consumed at work.
8. Randy received an interest free loan of N\$ 40 000 for an urgent family emergency in November 2023, and was given a grace period of 6 months before he is required to commence the repayment of the loan.
9. In his personal capacity, he received local dividends of N\$10 000, foreign dividends of N\$5 000 and interest on his Bank Windhoek Investment of N\$7 000.
10. Randy also received an inheritance of N\$250 000 in April 2023 from his late brother who lived in Swakopmund.
11. Due to his generosity, annually in December, Randy makes a donation of N\$5 000 to a local orphanage and N\$5 000 to a local church. The orphanage was unable to provide him with a tax certificate for the donation, however the local church provided him with a tax certificate for the donation to them.
12. Randy purchased an annuity for the rest of his life, from Old Mutual Namibia. He paid a cash consideration of N\$150 000 for an annuity of N\$1 500 per month. He received the first annuity payment on 1 February 2024. His life expectancy at the time of purchasing the annuit was 28.65 years.

13. The Employees tax that was withheld by the Rainbow Corporation Limited amounted to N\$ 13 320 for the 2024 year of assessment.

REQUIRED:

Calculate the normal tax liability of Randy Brown for the year of assessment ending 29 February 2024. Provide reasons for the exclusion of any amount from your calculation. Show all workings.

Round off all amounts to the nearest Namibian dollars (N\$).

(30)

QUESTION 2

(25 MARKS)

Mr Jody Pierce, trading as “Outdoor Sports” sells and repairs sports equipment in the local mall and is a registered Value-added Tax (“VAT”) vendor. The following receipts, accruals and expenditure relates to his two-month VAT period ending 31 May 2024. Outdoor Sports only makes taxable supplies. All amounts are inclusive of VAT, unless stated otherwise.

<u>Receipts and accruals:</u>	<u>N\$</u>
Sales	207 000
Repairs	29 900
Interest	5 175
Indemnity award (note 1)	51 750

<u>Expenditure:</u>	
Bad debts (note 2)	13 225
Bank charges	920
Depreciation (note 3)	19 145
Insurance premiums (note 4)	3 450
Fuel	2 990
Printing and stationery	1 564
Purchases (note 5)	160 425
Salaries and wages	41 400
Rentals (note 6)	13 294

Notes

1. The indemnity award of N\$51 750 was received from Mr Pierce’s insurer for two expensive mountain bikes that were stolen from his shop in February 2024.

2. Bad debts of N\$13 225 written off by Outdoor Sports, comprise of the following:
 - a) N\$10 350 owing by one of his long outstanding customers from a credit sale. The customer has since emigrated and Mr Pierce is unable to trace the customer.
 - b) N\$2 875 was lent to an employee, who has since left town without repaying the loan.

3. Depreciation (for the two-month period was charged on the following assets:

	Acquisition date	Cost (incl VAT) N\$	Depreciation N\$
Manufacturing equipment	15 March 2024	276 000	8 000
Computer	1 April 2024	14 375	695
Motor vehicle *	1 May 2024	632 500	10 450

*Note: Motor vehicle meets the definition of a passenger vehicle in terms of section 19(1) of the VAT Act. Mr Pierce has the sole use of the motor vehicle and maintains accurate records of his travelling. He can prove that his business travel is 40% of his total travelling expenses.

4. Insurance premiums of N\$3 450 were incurred on the following assets that belong to Outdoor Sports:
 - a) Manufacturing equipment – N\$460
 - b) Office equipment – N\$230
 - c) Motor vehicle – N\$1 035
 - d) Trading stock – N\$1 725
5. Purchases of N\$160 425 are made up as follows:
 - a) Raw materials from local vendors – N\$126 500
 - b) Second-hand tennis racquets from local vendors – N\$17 750
 - c) Second-hand base ball bats from non-vendors – N\$16 675.
6. Rentals of N\$13 294 comprise of the following:
 - a) Shop premises – N\$10 925
 - b) Cash register – N\$1 495
 - c) Coffee machine – N\$874 (for the use of all employees)

REQUIRED:

Calculate the Value-added tax payable or refundable of Outdoor Sports for the two-month VAT period ended 31 May 2024. State the reasons where no VAT may be applicable. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). (25)

QUESTION 3**(45 MARKS)**

Windhoek Cement (Pty) Ltd, ("Windhoek Cement"), with a December year-end has started operations in 2013. Windhoek Cement is a registered manufacturer that has a manufacturing site in Brakwater, as well as a Head Office in Southern Industrial Windhoek.

The following extract of the Income Statement has been provided to you:

Item	Further note	N\$
Gross profit for tax purposes		4 354 900
Operating Expenses – excluding manufacturing staff related expenses	Note 1	1 130 700
Manufacturing Staff related expenses:		
• Wages paid	N\$ 540 000	
• Approved Training incurred	N\$ 34 100	
• Contributions to Pension fund	N\$ 54 000	628 100
Dividend Income	Note 2	26 700

Note 1

The operating expenses above include depreciation charges at a total of N\$ 520 100.

Note 2

Excluded in the Dividend income above are the following:

1. Windhoek Cement is a shareholder of Ohorongo Cement. N\$ 12 000 worth of dividends were paid out by Ohorongo Cement, of which 50% was paid out of the Share Premium Account.
2. Five tickets to the next soccer world cup were given to the five directors of the company. This was received as a gift out of the fact that Windhoek Cement is a shareholder and holds 25% of the issued share capital of a listed cement company. The market value of one ticket at the time of granting the gift was N\$ 15 000.

The following additional costs/items have not been taken into account above:

Head Office:

Windhoek Cement's head office was moved from the Windhoek Central Business District to the Southern Industrial Area of Windhoek. The prior head office was leased from Olthaver & List, of which the contract ended 31 July 2023. The contract had a total lease term of 10 years. The offices were vacated in the last week of July 2023. The contract required Windhoek Cement to pay a monthly rental of N\$ 20 000, as well as a lease premium of N\$ 10 000 and a lease deposit of N\$ 20 000. The deposit was only returned to Windhoek Cement on 31 October 2023.

Windhoek Cement entered into a new lease agreement on 01 August, for a lease term of 30 years, to lease a building in the southern industrial area. According to this contract Windhoek Cement needs to pay a rental of N\$ 15 000 per month, a lease premium of N\$ 5 000 and a deposit equivalent to one month's rental. The contract further requires Windhoek Cement to effect lease improvements to the property to the value of N\$ 200 000. These improvements were completed 30 September at a final cost of N\$ 250 000.

Manufacturing site:

Windhoek Cement has historically operated their entire manufacturing process from a building situated in the northern industrial area of Windhoek. This building was completed on 02 May 2017 at a total cost of N\$ 420 500. As Windhoek Cement has expanded their operation, Windhoek Cement decided in 2020 to construct another manufacturing site which will be used to manufacture solely the bonding compound used in the manufacturing the cement. The building was completed in June 2023 at a cost of N\$ 3 100 500 and brought into use on 01 September 2023.

Patent:

Windhoek Cement makes use of two registered patents that were developed and registered by German manufacturers. Windhoek Cement has obtained the right of use of the first patent to be used in their manufacturing process. Only 10% of the process relies on this patent. This was acquired in 2016, at a cost of N\$100 500 and for which the right of use was granted over 28 years. The second patent is used in the manufacturing of the bonding compound. To have obtained the right of use, Windhoek Cement had to spend N\$78 500 for which the right of use was granted for five years on 01 March 2023.

Fixed Asset Movement:

During the year, Windhoek Cement's directors decided to give one of their delivery vehicles as a farewell gift to one of their former managers who has worked for the company since inception. This vehicle was purchased on 01 July 2021 at a cost of N\$300 000. At the time of transferring ownership to the former employee, the market value of the vehicle was N\$150 000, on 01 November 2023.

Another vehicle was involved in a car accident on 01 May 2023, which was purchased on 05 June 2020 at a cost of N\$ 250 000. The insurance cover for the vehicle paid out N\$100 000 on 01 August 2023. After repairing the vehicle, Windhoek Cement decided to sell the vehicle at a selling price of N\$100 000 on 01 December 2023. The insurance premiums amounted to N\$1 500 per month, of which the insurance cover ended on 30 November 2023.

The existing fixed assets, excluding those mentioned above are as follows:

Date of purchase	Description	Total Cost – N\$
01 April 2016	Miscellaneous Machinery	1 000 000
01 December 2016	Manufacturing Equipment	1 450 000
30 June 2022	Vehicle No. 3	350 000
01 November 2023	Furniture & Fittings	420 500

REQUIRED:

Calculate the taxable income of Windhoek Cement (Pty) Ltd for the year of assessment ending 31 December 2023. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$).

(45)

TAX TABLES

INDIVIDUAL INCOME TAX	
TAXABLE INCOME (N\$)	RATES OF TAX FROM YEARS OF ASSESSMENT ENDING 2023/ 2024 (N\$)
0 – 50 000	Not taxable
50 001 – 100 000	18% for each N\$ above 50 000
100 000 – 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 BENEFITS

	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 EXAMINATION PAPER