



NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE, HUMAN SCIENCES & EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION : BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BAOC	LEVEL: 7
COURSE CODE: GTA711S	COURSE NAME: TAXATION 310
SESSION: JULY 2025	PAPER: THEORY & APPLICATION
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Mrs. Y van Wyk, Mr. J Erastus & Mrs. G Meintjies
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**(45 MARKS)****This question consists of three (3) independent parts****PART A****(20 MARKS)**

Bags & More CC, a manufacturer of bags, caps, hats etc. are based in Windhoek and imports their raw material from Dubai and Thailand. Bags & More CC has a 30 June year-end, assume that this also represents their tax year.

During the year, the entity imported a machine from the United Kingdom which will industrialize their current manufacturing process. The cost of the machine was £ 30,900.

The machine arrived at the Walvis Bay harbour on 01 July 2024. Assume that on this date the risks & rewards have transferred to Bags & More CC. The creditor will be paid in 3 equal instalments. The first instalment being due on 31 August 2024, the 2nd instalment being due on 31 October 2024 and the final instalment will be paid on the balance on 30 June 2025.

During the financial year, Bags & More CC has also purchased 500 kilograms of leather material at Dirham ₪150/kg and 700 kilograms of canvas material at Dirham ₪130/kg from Dubai. This shipment arrived on 30 November 2024, when the risks and rewards were transferred. The creditor was paid on 20th of December 2024.

The following exchange rates have been provided:

	N\$ to 1 Pound (£)	N\$ to 1 Dirham (₪)
01 July 2024	17.50	4.80
31 August 2024	18.00	5.00
31 October 2024	16.50	4.50
30 November 2024	16.50	5.50
20 December 2024	16.00	5.20
30 June 2025	17.25	4.90

REQUIRED:

Calculate the foreign exchange gain or loss that Bags & More CC should take into account in its taxable income for the year of assessment ending 30 June 2025. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(20)**

PART B**(10 MARKS)**

Accounting (Pty) Ltd is an accounting and tax consulting company operated from the private residence of Wilmore Stranger, the sole shareholder of the company. He has converted a granny

flat, located on the same stand as his private residence, into company offices. Accounting (Pty) Ltd has concluded the following transactions for the year of assessment ended 28 February 2025 and requires your advice on the correct tax treatment of each of the transactions below:

1. N\$3 700 paid to Maintenance Man on 15 September 2024 to replace the front door of the offices that was damaged by an angry client. Fortunately, the full amount could be recovered from the company's insurance. (5)
2. N\$750 paid to NamRA on 31 October 2024 for administrative penalties relating to the late submission of the annual income tax return for the 2023 year of assessment. (2)
3. N\$100 000 paid into the company's property reserve account for future renovations to the business premises. (3)

REQUIRED:

Briefly discuss for each of the above transactions whether the amounts will be deductible by Accounting (Pty) Ltd for the 2025 year of assessment in respect of the general deduction formula (section 17) or prohibited deductions (section 24) of the Income Tax Act. (10)

PART C

(15 MARKS)

Kanye Kim has been a cattle farmer in Karibib district in Namibia all his life. His main source of income is the sale of milk from the dairy that he has on his farm. Ninety five percent of Kanye's income is obtained from selling milk to Namibia Diaries. He concluded the following transactions during the 2025 year of assessment:

Due to heavy rains and flooding during January 2025, part of Kanye's fence around his property was destroyed. He was underinsured and the full damage was not covered. He also did not have the cash on hand to repair the fence. Due to the urgency of the matter, Kanye decided to sell some of his cattle to cover the repair of the fence. In order to obtain the best price, Kanye took 10 cattle to the local stud fair, to show the quality of his herd of cattle to the attending farming community. He placed an advertisement in the local paper, as well as the nationally published Farmer's Weekly. On 15 February 2025 he sold 20 cattle at N\$8 000 each to a neighbouring cattle farmer.

REQUIRED:

Discuss, with reference to case law, whether the sale of the cattle was capital or revenue nature in the hands of Kanye Kim in terms of the gross income definition. Do not discuss any other elements of the gross income definition. (15)

QUESTION 2**(30 MARKS)**

Jack & Jill are partners in a business, providing consulting services to politicians in Namibia and South Africa. They are both residents of Namibia.

They share profits in the ratio 40:60 respectively. An extract of the income statement for the year ending 28 February 2025 reveals the following:

Income:	N\$
Consulting Fees	812,200
"Local" dividends	120,000
Bad debts recovered (note 3)	10,000
Expenses:	
Partners' salaries: Jack	120,000
: Jill	180,000
Interest on capital accounts paid: Jack	45,000
: Jill	67,500
Insurance premiums (note 1)	18,750
Bad debts (note 2)	20,000
Donation to charity (no certificate received)	12,250
Depreciation (note 6)	16 800
Design costs (note 5)	20,000
Net Profit for the year	441,900

Notes:

1. The insurance premiums paid are on the joint lives of the partners.

2. Included in the N\$20,000 for bad debts is N\$10,000 which was lent to an employee who is unable to pay it back.
3. During the 2025 year of assessment, the partners recovered N\$10,000 from Tom, a client. In the 2024 year of assessment the partners had rendered services to Tom. Tom experienced financial difficulties when he was fired as the police minister by the new president, therefore the partners decided to write off his debt.
4. Jill received interest of N\$50,000 on a savings account held at Netbank Namibia.
5. The partners incurred N\$20 000 to design their business logo "ANCEF" on 1 January 2025. The design will be used for the next 4 years.
6. The entity acquired furniture and fittings for their office from Nictus Namibia at the beginning of the previous (prior year). The useful life of the furniture and fittings is 4 years according to the accounting standards applied.

REQUIRED:

Calculate the taxable income of each of the partners for the 2025 year of assessment. Provide reasons for nil effects. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). (30)

QUESTION 3

(25 MARKS)

Leather Wear (Pty) Ltd manufactures leather products for the local and export market. The company is a registered VAT vendor in Namibia. The following information has been extracted from the accounting records of the company in respect of its two-month VAT period ending on 31 May 2025. All amounts listed below include VAT at 15%, where applicable.

Income:	Notes	N\$
Local sales		136 800
Export sales		43 200
Interest on overdue accounts		456
Bad debts recovered	1	1 966
Indemnity receipt	2	28 500
Expenditure:		
Purchases of raw materials		79 800
Salaries and wages		45 400

Motor vehicles repairs & maintenance		3 534
Insurance of motor vehicles		1 995
Motor vehicle purchases	3	155 000
Motor vehicle depreciation		5 260
Discount allowed on local sales		3 920
Entertainment & subsistence	4	2 622
Rental of business premises		11 400
Rental of computer		1 710

Notes

1. Two debts which had been written off in previous tax periods were recovered during the current tax period:
 - 1.1. An amount of N\$1 502 was recovered from Jim Daly relating to a local sale made to him in August 2022.
 - 1.2. An amount of N\$464 was recovered from an export debtor in respect of a sale during January 2023.
2. The indemnity receipt represents an insurance payout from the company's insurers. A motor vehicle of the company was stolen on 30 April 2025 and has since not been recovered. The vehicle, a MK Golf motor car had been acquired at a cost of N\$35 000 (including VAT) on 30 April 2023 from which date onwards a salesman at the company had the right of use (the company bears all running costs). The book value of the vehicle on 30 April 2025 was N\$28 000.
3. The following motor vehicles were purchased by the company during the tax period:
 - 3.1. Volkswagen Pick-up. The vehicle was purchased to replace the stolen MK Golf (see note 2 above). The salesman chose a second-hand bakkie, not a double cab and was acquired on 1 April 2025 at a cost of N\$40 000. No Vat was payable on the transaction as the bakkie was acquired from a non-vendor.
 - 3.2. Toyota Hilux bakkie. This bakkie is used by the company for the transport of goods. The vehicle cost N\$115 000 (including VAT).
4. Entertainment & subsistence expenditure includes the following:
 - 4.1. Staff tea and coffee, N\$684.
 - 4.2. Club subscriptions for the managing director's membership of the local golf club, N\$798.

- 4.3. Hotel costs incurred by the managing director while away on business, N\$1 140.
5. Rental expenses include the following:
- 5.1. Rental of business premises, N\$11 400 per month.
- 5.2. Rental of printer/copier machine, N\$1 710 per month.

REQUIRED:

Calculate the net VAT payable to or refundable from NamRA by Leather Wear (Pty) Ltd in respect of its two-month VAT period ending 31 May 2025. Provide reasons for nil effect. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(25)**

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 2025/26 (N\$)
0 - 100 000	Not taxable
100 001 - 150 000	18% for each N\$ above 100 000
150 001 - 350 000	9 000 + 25% for each N\$ above 150 000
350 001 - 550 000	59 000 + 28% for each N\$ above 350 000
550 001 - 850 000	115 000 + 30% for each N\$ above 550 000
850 001 - 1 550 000	205 000 + 32% for each N\$ above 850 000
Above 1 550 001	429 000 + 37% for each N\$ above 1 550 000

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