



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: JUNE 2023	PAPER: THEORY & APPLICATION
DURATION: 3 HOURS	MARKS: 100

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

INSTRUCTIONS	
<ol style="list-style-type: none">1. This question paper is made up of four (4) 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. Please remove the last page of this paper and insert it 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 10 PAGES (Including this front page)

QUESTION 1**(22 MARKS)**

The following question consist of two independent parts.

PART A**(12 MARKS)**

Below find the VAT summary of *Transworld Cements (Pty) Ltd* for the two-month period ended 31 January 2023. Study the information below and answer the questions that follows.

Transworld Cements (Pty) Ltd is a Category A Vendor.

<u>VAT SUMMARY</u>					
		OUTPUT VAT		INPUT VAT	
		VAT	Inclusive amount	VAT	Inclusive amount
Standard Rate	Note 1	?	2 500 000	?	2 211 500
Zero rated		?	1 200 000	?	520 000
Exempt		-	-	-	-
Grand Total		?	?	?	?

Note: Included in the INPUT VAT figure above for the standard rate supplies is an amount for a Credit Note issued to a customer, *Will work Ltd* of N\$11 500 that relates to goods returned by *Will Work Ltd* that were of a wrong specification. *This transaction relates to a credit sale on 15 November 2022.* You may assume that *Transworld Cements (Pty) Ltd* has complied with all the previous VAT submissions and that all documentary evidence is in place.

REQUIRED:

Complete the VAT return (**Annexure A**) for *Transworld Cements (Pty) Ltd* for the two-month period ended 31 January 2023 as it appears on the NAMRA ITAS system. Please **remove Annexure A** at the back of the test paper and ensure that you hand it in with answer booklet. Please indicate your student number on Annexure A. Please take note that you are only entitled to one Annexure A as attached to this assessment. No additional Annexures are available! (12)

PART B**(10 MARKS)**

Mrs. Nur Khozan is a qualified auditor and is employed by BDO Namibia, Windhoek office. BDO advocates for secondment of staff to transfer skills as one of their global aims and it was decided to send Mrs. Nur Khozan to the BDO office in Oakland, California, USA during the 2023 year of assessment where she has worked for 3 months on various audits. During her stay in the USA, she decided to invest her extra savings and buy an annuity contract. The contract was signed on 01 May 2022 at an investment firm in Oakland, USA. Upon her return to Windhoek, she started receiving her first monthly annuity from 01 July 2022.

Mrs Nur Khozan received her salary throughout the 2023 year of assessment. She also earned an extra monthly allowance of U\$D 1 000 paid to her by the BDO Oakland office, for the period of her stay in the USA, being from 01 March 2022 to 30 May 2022.

REQUIRED:

Discuss the real source and deemed source rules that are relevant to Mrs. Nur Khozan and conclude where her income will be taxable for the 2023 year of assessment. (10)

QUESTION 2**(13 MARKS)**

Lazy Accounting Student (Pty) Ltd is a small and medium sized company that sells financial calculators and other stationery to students across the country and who's year end is the last day of February.

The following financial data is available:

- ▶ For the 2023 year of assessment the estimated taxable income for the first six months is N\$500 000.
- ▶ Estimated taxable income for the second six months of the year is N\$250 000.
- ▶ The actual income for the year was N\$1000 000.

who is unable to pay it back.

3. During the 2023 year of assessment, the partners recovered N\$10,000 from Sesillia, a client. In the 2022 year of assessment the partners had rendered services to Sesillia. Sesillia experienced financial difficulties when she fell sick and lost income for which she was not insured for, therefore the partners decided to write off her debt.
4. Aby received interest of N\$50,000 on a savings account held at Standard Bank Namibia.
5. The entity acquired new computers for their office from Incredible Connection on 28 February 2022 for N\$125 000. The computers were valued to last for 5 years from the purchase date.

REQUIRED:

Calculate the gross income for each partner for the year of assessment ending 28 February 2023. **Commence your answer with the net profit.** (10)

QUESTION 4

(55 MARKS)

Wheel & Tyre (Pty) Ltd, (W&T), with a December year-end has started operations in 2011. Wheel & Tyre 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. N\$ 12 000 worth of dividends paid out by Namibian Breweries, 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 W&T is a shareholder and holds 25% of the issued share capital of a listed brewing 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

W&T'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 2022. The contract had a total lease term of 10 years. The offices were vacated in the last week of July 2022. The contract required W&T to pay a monthly rental of N\$ 20 000 per month, as well as a lease premium of N\$ 10 000 and a lease deposit of N\$ 20 000. The deposit was only returned to W&T on 30 October 2022.

W&T 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 W&T 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 W&T 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

W&T have historically operated their entire manufacturing process from a building situated in the northern industrial area of Windhoek. This building was completed 02 May 2016 at a total cost of N\$ 420 500. As W&T has expanded their operation, W&T decided in 2019 to construct another manufacturing site which will be used to manufacture solely the rubber compound used in the manufacturing of tyres. The building was completed in June 2022 at a cost of N\$ 3 100 500 and brought into use on 01 September 2022.

In order to finance the construction of the new manufacturing site, W&T entered into a loan

with Bank of America. The initial loan value was \$ 600 000 obtained on January 2020, at which time the spot rate was N\$15/\$. The repayment term specified that the loan is repayable on 31 December every year over a period of three years at an annual interest rate of 12%, compounded annually. You can assume that each year's annual payment amounts to \$ 249 809. The interest paid during the current year of assessment amounted to \$ 26 765.

The relevant spot and average rates are given as follows:

	N\$ / \$
01/01/2020	15.00
31/12/2020	15.50
Average exchange rate for 31/12/2020	15.25
31/12/2021	16.00
Average exchange rate for 31/12/2021	15.50
31/12/2022	19.00
Average exchange rate for 31/12/2022	18.00

Patent

W&T makes use of two registered patents that were developed and registered by German manufacturers. W&T 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 2015, 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 rubber compound. In order to have obtained the right of use, W&T had to spend N\$ 78 500, for which the right of use was granted for five years on 01 March 2022.

Consultancy

As W&T is growing considerably, it has contracted a consultancy firm established in South Africa on how to improve efficiency in the manufacturing process so as to increase capacity usage and decrease spoilage. The consultancy firm is a team of three specialists that frequently fly in to Windhoek to provide their services. The past year W&T has paid the following to the consultancy firm

:

	N\$
• Flight & accommodation expenses	22 100
• Invoiced fee for their services rendered	55 700
• Entertainment expenses, as the team was taken out to Dinner	3 600

Fixed Asset Movement

During the year, W&T's directors decided to give one of their delivery vehicles as a farewell present to one of their former managers who has worked for the company since inception. This vehicle was purchased on 01 July 2020 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 2022.

Another vehicle was involved in a car accident on 01 May 2022, which was purchased on 05 June 2019 at a cost of N\$ 250 000. The insurance cover for the vehicle paid out N\$ 100 000 on 01 August 2022. After repairing the vehicle, the W&T decided to sell the vehicle at a selling price of N\$ 100 000 on 01 December 2022. The insurance premiums amounted to N\$ 1 500 per month, of which the insurance cover ended on 30 November 2022.

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

Date of purchase	Description	Total Cost – N\$
01 April 2015	Miscellaneous Machinery	1 000 000
01 December 2015	Manufacturing Equipment	1 450 000
30 June 2021	Vehicle No. 3	350 000
01 November 2022	Furniture & Fittings	420 500

REQUIRED:

Calculate the taxable profit of Wheel & Tyre (Pty) Ltd for the year of assessment ending 31 December 2022. (55)

END OF EXAMINATION PAPER

TAX TABLE

INDIVIDUAL INCOME TAX	
TAXABLE INCOME (N\$)	RATES OF TAX FROM YEARS OF ASSESSMENT ENDING 2022/ 2023 (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

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My Returns

Note: File size < 5MB, supported format: jpeg, pdf, doc, docx, bmp, jpg, xls,xlsx

- All Versions
- Version 1
- Version 2

Return Form Container



VAT PAYABLE

TOTAL OUTPUT TAX DUE	NS
LESS INPUT TAX CLAIMED	NS
AMOUNT DUE REPAYABLE	NS
INTEREST	NS
PENALTY	NS
TOTAL PAYABLE	NS

My Returns

- All Versions
- Version 1
- Version 2

Sales Figures (excluding VAT)		Exempt	Zero-rated	15%	
Trading: Sales/fees, etc.	NS	NS	NS	NS	NS
Capital goods sold	NS	NS	NS	NS	NS
Output adjustments	NS	NS	NS	NS	NS
TOTALS	NS	NS	NS	NS	NS

VAT CLAIMED (Inputs)		Tax Categories (Namibian Dollars only)			Total Input Tax Claimed
Purchases Figures (excluding VAT)		Exempt	Zero-rated	15%	
Local Purchases	NS	NS	NS	NS	NS
Capital goods purchased locally	NS	NS	NS	NS	NS
Imported purchases	NS	NS	NS	NS	NS
Imported capital goods	NS	NS	NS	NS	NS
Input adjustments	NS	NS	NS	NS	NS
TOTALS	NS	NS	NS	NS	NS

