



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

SECOND 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 13 PAGES (Including this front page)

QUESTION 1**(40 MARKS)**

Natasha Joubert, a resident of Namibia who completed her master's degree in creative arts, started a dance academy business called DanceNAM Entity, in Windhoek. She signed a 15-year lease agreement for a dance hall in Klein Windhoek on 1st August 2022. A monthly rental of N\$10,000 is payable from the commencement of the lease. In addition, she is obliged to improve the dance hall at a cost of N\$1 500 000. A lease premium of N\$80,000 was also payable on 1st August 2022. The improvements were completed on 1st January 2023 at a cost of N\$1 300 000.

The statement of profit or loss for the year of assessment 2023 revealed a net profit of N\$2 350,000 before the following receipts and accruals were taken into account:

Receipts and Accruals:

Local dividends were received from Allan Grey Namibia, N\$50,000

Interest from a loan granted to her lazy brother, N\$11,000

Expenses:

Employee benefits expenses totalling N\$400,000 were paid to employees. This amount consists of:

Permanent employees	N\$ 300,000
Non-permanent employees	N\$ 17,000
Pension fund contribution for permanent staff	N\$ 33,000
Medical aid contributions (employer only)	N\$ 50 000

Administrative expenses:

Rent expenses (Dance Hall Klein Windhoek)	N\$70,000
Municipality costs	N\$ 28,000
Telephone expenses	N\$ 24,000
Repairs and Maintenance	N\$18, 000

Annuities paid to employees:

On 1 September 2022 one of the employees, Uncle G, was killed during the repairs done to the dance hall. Due to the poor financial status of his widow, the business decided to pay her an annuity of N\$2,000 per month for the next 2 years.

On the same day Neelsie who is currently employed by DanceNam Entity was injured in the same accident. Due to the severity of his injuries, he will not be able to take up employment. An annuity of N\$5,000 per month is payable to him.

Credit losses:

An interest free loan was granted to Uncle G on 1 March 2022 to enable him to do repairs on his private vehicle.

Natasha Joubert decided not to recover the sum from uncle G's widow. The amount of the loan was N\$50,000.

Provision for credit losses:

DanceNAM considers 5% of the outstanding accounts receivable to be doubtful.

The outstanding accounts receivables (excluding the loan interest relating to uncle G above) for the 2022 year of assessment amounted to N\$75,000 and N\$130,000 for the 2023 year of assessment.

Other

DanceNAM incurred other deductible expenses of N\$20,000.

She also purchased a foot arch stretcher at a cash price of N\$200,000. Delivery and transport charges were N\$5,000 and a total amount of N\$ 15 000 has been paid as import duties (customs and exercise) on the foot arch stretcher. The foot arch stretcher is just one of the modern-day equipment used in dancing.

Depreciation:

PPE ITEM	Purchase date	Cost Price	Depreciation policy
Suzuki Bike	1/8/2022	25,000	5 years, straight line method
Dance Equipment (Foot Arch Stretcher Machine)	1/7/2021	200,000	2 years, straight line method
Office Furniture	1/1/2023	100,000	4 years, reducing balance method

REQUIRED:

Calculate the taxable income of Natasha Joubert for the 2023 year of assessment. Commence your answer with the net profit of N\$2 350,000 and show all your working. (40)

Note: Marks will be allocated for the reasons where applicable.

QUESTION 2

(25 MARKS)

Willem Swartbooi is a farmer in the Hardap region, and he supplies you with the following information for the year ended 28 February 2023.

	N\$
Transfers of cows and calves to Botswana	
Market value at transfer date:	
Cows	25 000
Calves	10 000
Cost price of transferred livestock	
Cows	14 000
Drilling of borehole - wages paid	30 000

Drilling of borehole - material purchased	257 000
Cattle sold	800 000
Maize sales	110 000
Land rentals income	96 000
Cattle purchased	557 000
Erection of employee houses	200 000
General farming expenses - all deductible	342 000
Fencing erected	18 250

Notes

1. On the 17th of June 2022, Willem and his family consumed 5 cows. The market value of one cow is N\$5,750. He also donated 4 cows (cost N\$3 000) to the local farmers union festival on the same date.
2. Willem hired 3 additional employees in the current year and constructed houses for each employee at the cattle posts.
3. Willem received a provident fund payout on 1 April 2022 of N\$275 000. He used N\$200 000 to purchase an annuity which will pay out for a period of 10 years N\$2 500 per month as from 1/4/2022. His life expectancy at that date was 20,61 Years.

He used another N\$75 000 of the payout and paid it into another approved Provident fund.

REQUIRED:

Calculate the taxable Income for Willem Swartbooï for the 2023 year of assessment. (25)
Marks will be allocated for reasons whenever an amount is excluded from your calculation.

4. Julio received interest of N\$50,000 on a savings account held at Netbank Bank Namibia.
5. The partners incurred N\$20 000 to design their business logo "ANCEF" on the 1 January 2023. The design will be used for the next 4 years.
6. The entity acquired furniture and fittings for their office from Game Stores Namibia at the beginning of the previous (prior year). The furniture and fittings were valued to last for 4 years on the purchase date.

REQUIRED:

Calculate the normal tax liability for each partner for the 2023 year of assessment. (30)

QUESTION 4

(5 MARKS)

Fortune (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. Fortune (Pty) Ltd has concluded the following transactions for the year of assessment ended 28 February 2023 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 2022 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. (3)
2. N\$750 paid to NamRA on 31 October 2022 for administrative penalties relating to the late submission of the annual income tax return for the 2021 year of assessment. (2)

REQUIRED:

Briefly discuss whether or not the expenses relating to the transactions 1 and 2 above would be deductible by Fortune (Pty) Ltd for the 2023 year of assessment in terms of the general deduction formula section 17 and section 24 (prohibited deductions) of the Income Tax Act.

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

