



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES & EDUCATION**

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

<b>QUALIFICATION : BACHELOR OF ACCOUNTING (CHARTERED ACCOUNTANCY)</b>	
<b>QUALIFICATION CODE: 07BACC</b>	<b>LEVEL: 6</b>
<b>COURSE: TAXATION 201</b>	<b>COURSE CODE: TAX601Y</b>
<b>DATE: OCTOBER/NOVEMBER 2025</b>	<b>SESSION: THEORY &amp; CALCULATIONS</b>
<b>DURATION: 150 MINUTES</b>	<b>MARKS: 100</b>

<b>ASSESSMENT 6 – FIRST OPPORTUNITY EXAMINATION</b>	
<b>EXAMINER:</b>	Mr I-K. Kenaruzo
<b>MODERATOR:</b>	Mrs Y. van Wyk

INSTRUCTIONS TO CANDIDATES			
<p>1. This paper consists of 8 pages (including cover page and appendices).</p> <p>2. You are reminded that answers may <b>NOT</b> be written in pencil. <b>NO</b> tippex may be used.</p> <p>3. The marks shown against the requirement(s) for every question should be regarded as an indication of the expected length and depth of your answer.</p> <p>4. Answer the questions by the use of:</p> <ul style="list-style-type: none"><li>- Effective structure and presentation; clear explanations.</li><li>- Logical arguments; and clear and concise language.</li></ul> <p>5. Show all calculations clearly. <b>Round off calculated amounts to the nearest NAD/ZAR.</b></p>			
<b>Question</b>	<b>Mark(s)</b>	<b>Time allocated (minutes)</b>	<b>Legislation</b>
1	45	68	South African Taxation
2	30	45	South African Taxation
3	25	37	Namibian Taxation
<b>Total</b>	<b>100</b>	<b>150</b>	

**QUESTION 1****(45 MARKS)**

Faith Immanuel, a resident of the Republic, farms in the Polokwane area of Limpopo. She has not yet attained the age of 65 years and is not registered VAT vendor. She has supplied the following information for the 2025 year of assessment:

<b>Receipts and accruals</b>	<b>ZAR</b>
Produce sold	78 700
Livestock sold	105 600
Subsidy received for his new dam	6 250
Director's fees for serving on the board of a co-operative society	390 000
	<b>ZAR</b>
<b>Expenditure</b>	
Livestock purchased (note 3)	289 300
Farm operating costs – all deductible in the determination of his farming income	52 250
Dam construction costs	19 250
Erection of fences	3 500
Eradication of noxious plants	5 750
Prevention of soil erosion	4 350
Sinking of borehole and pumping plant purchased (note 3)	6 050
Interest incurred – Land and Agricultural Bank of South Africa loan	2 100

**Notes**

1. Faith Immanuel's opening and closing stock are as follows:

	<b>Opening Stock</b>	<b>Closing stock</b>
Produce (at market value)	7 600	9 100
Produce (at average cost of production)	6 400	9 400
Livestock (at standard values)	18 000	31 250
Livestock (at market values)	242 000	492 000

2. In April 2024 Faith Immanuel's grandfather (Immanuel Snr) passed away. Faith inherited a small herd of cattle from Immanuel Snr with an open market value of R19 200 and originally cost Immanuel Snr R13 600.

3. During the 2025 year of assessment, Faith Immanuel increased the water resources on her farm by building a new dam and by sinking a borehole on the farm. Satisfied that she would have enough water for the winter, she increased the number of livestock on her farm. She purchased 30 heads of cattle for R216 000. This amount is included in livestock purchases for the year of R289 300. These animals have also been included in the closing stock value of livestock at their standard values. On 1 January 2025 Faith sold her old borehole pump to her neighbor for R15 000, the full allowance for R28 000 of the old borehole was fully claimed in the previous years.

4. Every year, Faith Immanuel gives each of her employees a cow as part of their Christmas bonus. In December 2024 the market value of a cow was R5 000. These gifts as employee rations and the cost of these animals were R13 000 in total.

5. At the end of the 2024 year of assessment, Faith Immanuel had an unredeemed capital development expenditure balance of R15 000.

6. Faith Immanuel purchased a brand-new John Deere tractor from a dealer in Tzaneen on 20 May 2024, which will qualify for s12B and Faith Immanuel will utilise it. The tractor was immediately brought into use and cost R146 000 excluding VAT. As the farm is situated far away from the nearest town and Faith Immanuel did not want to waste planting time by travelling, she purchased R16 790 (including VAT) worth of spare parts for the tractor together with the tractor.

7. During the financial year, produce from the farm was used for family consumption. The estimated cost of the produce consumed was R3 200, with a corresponding open market value of R3 600.

8. During the year, Faith Immanuel donated to charitable institutions as follows:

- Livestock – These animals had originally been acquired at a historical cost of N\$8,900, but their fair market value at the date of donation was N\$12,400.
- Produce – The produced cost are valued at R6 700 and fair market value on the date of the donation was R10 800.

**REQUIRED:**

<b>QUESTION 1 (45 Marks)</b>	<b>Sub-totals</b>	<b>Total</b>
Calculate Faith Immanuel's taxable income for her 2025 year of assessment. Show all your workings. Round off all amounts to the nearest rand (R).  <b><u>Presentation and layout</u></b>	<b>(44)</b>  <b>(1)</b>	<b>(45)</b>

**Question 2**

**30 Marks**

**ALL AMOUNTS INCLUDE VAT, WHERE APPLICABLE UNLESS OTHERWISE STATED**

**BACKGROUND INFORMATION**

Richard Uaai, 67 years old, is a collector of high value commodities who is ordinarily resident in Germany. Richard Uaai is not ordinarily resident in South Africa. He is a major shareholder of a rare stone group in Germany. He first visited the Republic from 1 July 2019 to 30 September 2019 and returned during a working holiday in 2020. During the 2021 year of assessment, he was in South Africa from 1 April 2020 until 15 February 2021. He enjoyed his stay in South Africa. He visited South Africa again from 1 June 2022 to 31 December 2022. During November 2023 and December 2023, he again visited South Africa for eight weeks (56 days). During the 2024 calendar year, the King Daimond Group Limited ("KDG Ltd") in South Africa employed him on a contract basis from **1 March 2024 to 31 December 2024** to assist the rare diamonds markets in their production process and to increase their income. (The Commissioner of SARS indicated that he would be regarded as an employee of KDG Ltd for Income Tax purposes.) KDG Ltd is a registered VAT vendor. All amounts include VAT where applicable.

**TAXABLE INCOME INFORMATION**

Richard is married and has no children. The following relates to the 2025 year of assessment:

1. KDG Ltd paid Richard a salary of R95 000 a month.
2. It is expected from Richard to entertain clients (although he hates it). Richard entertained clients and staff of different types of diamond manufactures in the group.

He spent R55 300 on entertainment during the 2025 year of assessment. He kept evidence to support these expenses. The employer refunded the amount of R55 300.

3. Richard primarily worked from the head office in Johannesburg, and the company must pay or supply the following if he needed to visit hotels in other provinces:
- He hates to fly and therefore he and his wife will only fly business class – she will accompany him on every visit.
  - Accommodation of his choice including breakfast and lunch.

He was sent to the hotel in Cape Town to manage the renovation of the restaurant section. It took two full months to manage this project. The airfare tickets were bought and the company paid R35 000 for the two return tickets. Economy class would have cost the company only R10 000. The accommodation costs R1 500 per person per day and R2 200 a day per person sharing. The company paid R2 200 a day for the accommodation for 61 days.

4. He contributes R5 400 per month in medical aid contributions and his wife is the only dependent. KDG Ltd contributed the 135% of the amount contributed by Richard to the medical aid. Qualifying medical expenses not covered by the medical aid amounted to R3 600 for the year of assessment.

**REQUIRED:**

	<b>QUESTION 2 (30 Marks)</b>	<b>Sub-totals</b>	<b>Total</b>
<b>A</b>	Based on the information provided under " <b>Background</b> " only, discuss whether Richard Uai is a resident as defined for the 2025 year of assessment. Provide reference to legislation and case law (if applicable) to support your answer.  <b><u>Decision-making</u></b>	(14)  (1)	(15)
<b>B</b>	For this part of the question, <b>assume</b> that Richard Uai and his wife will be South African <b>residents</b> for Income tax purposes for the 2025 year of assessment Calculate Richard Uai's Income tax payable for the 2025 year of assessment.	(15)	(15)

### QUESTION 3

25 MARKS

Junior John, a Namibian resident, established JJ Foods (Pty) Ltd, a fast-food delivery company based in Windhoek, which specialises in transportation of food from well-established restaurants within the city. The company's financial year-end is the last of September each year.

On 1 November 2024, he signed a fifteen-year lease agreement for premises in the Southern Industrial Area for parking of the delivery scooters, with a monthly rental of N\$15,000. As part of the lease terms, JJ Foods (Pty) Ltd was required to improve the building at a cost of N\$235,000, with an additional 15% lease premium based on the agreed value of the improvements as per the agreement. The improvements were completed on 1 January 2025, ultimately at a cost of N\$225,000.

To set up operations, the company purchased seven fuel efficient scooters for N\$35 000 each at the end of October 2024, incurring N\$250 in delivery charges in total and N\$50 for each scooter for the installation costs of phone holders to enable the scooter to be user friendly for their operations.

During the 2025 year of assessment, JJ Foods (Pty) Ltd reported a net profit before tax of N\$970,000. These profits were arrived at after taking the below into account correctly in terms of IAS & IFRS only:

1. Local dividends of N\$3,750 from Trustco (a Namibian owned company) and N\$11,000 interest from a loan granted to Junior's cousin.
2. The company incurred N\$700,000 in wages, consisting of N\$270,000 for permanent staff, N\$400,000 for casual workers, and a N\$30,000 pension fund contribution for permanent staff.
3. Administrative costs included N\$20,000 for rent of software for the mapping the city of Windhoek renewed annually at the same cost, N\$7,450 in municipal costs, and N\$250,000 in telephone expenses, which includes a navigator system valued at N\$180,000 which will be used for five years in terms of IAS 38 (Intangible Assets). Following an unfortunate incident, King Speedy, a delivery personnel, was killed during the while head-on collision, and due to his widow's financial distress, JJ

Foods (Pty) Ltd decided to pay her an annuity of N\$2,000 per month for two years. Additionally, the company recorded depreciation expenses on various assets, including a motor vehicle, printing equipment, and office furniture. Refer to the table below for depreciation provided for:

Item	Purchase date	Cost Price	Depreciation
Motor vehicle	1/6/2023	125,000	16,667
Office Furniture	1/1/2024	60,000	3,333

4. A bad debt including interest of N\$7,720 was written off in respect of a loan granted to King Speedy for private vehicle repairs, with an interest charge of N\$1 720 accounted for. Other deductible expenses for tax purposes amounted to N\$365,000.

**REQUIRED:**

	QUESTION 3 (25 Marks)	Sub-totals	Total
A	Calculate the normal tax liability of JJ Foods (Pty) Ltd for the 2025 year of assessment, commencing with the net profit before tax of N\$970,000.  <i><u>Presentation and layout</u></i>	(24)  (1)	(25)

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**END OF ASSESSMENT 6 – 100 MARKS**

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## APPENDIX A – South African Tax

### Section 6 Rebates (Natural Persons) — 2025/2026

Rebate	Amount	Who Qualifies
Primary Rebate	R 17 235	All natural persons
Secondary Rebate	R 9 444	Persons aged 65 years or older
Tertiary Rebate	R 3 145	Persons aged 75 years or older

## APPENDIX B – South African Tax

### MEDICAL AID TAX CREDITS

Monthly amounts deductible from tax payable	2025	2026
Main member	R364	R364
Main member with one dependant	R728	R728
Main member with two dependants	R974	R974

Each additional dependant qualifies for a credit of R246 (2023 : R234) per month.

## APPENDIX C – South African Tax

### TAX RATES INDIVIDUALS - 2026

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