



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

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC	LEVEL: 6
COURSE: TAXATION 202	COURSE CODE: TAX621S
SESSION: JANUARY 2025	PAPER: THEORY & CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION	
EXAMINERS:	Mrs. Y van Wyk; Mr. G Jansen; Ms. E Ndakondja and Ms. G Uises
MODERATOR:	Dr. Z van der Walt

INSTRUCTIONS TO CANDIDATES

1. This paper consists of 5 pages (excluding cover page and the Annexure).
2. You are reminded that answers may **NOT** be written in pencil. **NO** tippex may be used.
3. Answer the questions by the use of:
 - Effective structure and presentation; clear explanations.
 - Logical arguments; and clear and concise language.
5. Show all calculations clearly. **Round off calculated amounts to the nearest Rand.**
6. Questions pertaining to this question paper should 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 and any assumption made by the student should be clearly stated.

QUESTION 1

(40 MARKS)

The following statements pertain to South African tax legislation. Each statement should be analyzed within the framework of South African tax laws and regulations. Consider how these laws apply to individual taxpayers and businesses alike. Ensure that each scenario is understood in light of current tax provisions in South Africa.

1. If a person's receipts or an accrual is of capital nature it is not included in his gross income.
2. The Supreme court of Appeal (previously the Appellate Division of the Supreme Court) has confirmed that the term "accrued to" means 'due and payable' to the taxpayer.
3. The term "capital nature" is defined in the Income Tax Act.
4. The preamble to the so-called special inclusions to the definition of gross income results in an amount that is of capital nature being included in gross income.
5. The world-wide receipts and accruals of a resident are subject to normal tax in the Republic of South Africa.
6. Law books to a bookseller are his trading stock and when sold, the amount received or accrued is gross income.
7. The preamble to the so-called special inclusions to the definition of gross income results in an amount that accrues to a non-resident from a foreign source being subject to normal tax in the Republic of South Africa.
8. All physical receipts of a taxpayer that are not of a capital nature will be included in his gross income.
9. For an amount to be included in a taxpayer's gross income, it must be "received" by him.
10. Paragraph (c) of the definition of gross income applies only to transactions that result from an employer – employee relationship.
11. A person who is ordinarily resident in the Republic of South Africa and has not lived in the South Africa since 2021 is a resident for the 2024 year of assessment.
12. Adam Smith, an Australian resident, receives an annual royalty income of R600 000 from a South African company which uses a patented process (invented by Adam in Australia) in South Africa. This royalty is exempt.
13. Annuities received are exempt from normal tax.
14. The full amount expended for business purposes in respect of a travel allowance will be deductible from the allowance received, if it exceeds such allowance received.
15. Local interest received by a natural person is fully exempt from normal tax.

16. Contributions made by the employer and the employee towards the pension fund will be a fringe benefit in the hands of the employee (natural person).
17. Local dividends received by a natural person is fully exempt from normal tax.
18. The gross income definition clearly distinguishes between residents and non-residents.
19. The principle laid down in the Butcher Bros case is that the onus rests on the Commissioner to determine the amount.
20. One of the elements of the gross income definition are "amount in cash or otherwise".
21. To determine the residency of a company, the place of effective management is applied when the company is incorporated in the Republic of South Africa.
22. The compensation for damages received by a property dealer is capital in nature.
23. Receipts or accruals must be obtained in a legal manner for it to form part of gross income.
24. Subsequent disposal of amounts is irrelevant as laid down by the Geldenhuys court case.

REQUIRED:

For each of the statements above, write down the number and indicate whether the statement is **True or False**. Provide *reasons or the correct statement* where a statement is regarded as **False**.

(40)

QUESTION 2

(10 MARKS)

	Special Inclusions / Exempt income	Reference to the Act
1.	?	Paragraph c(A) and c(B)
2.	Annuities	?
3.	?	Section 10 (1)(i)
4.	?	Paragraph (c)
5.	Local Dividends	?
6.	Leasehold improvements	?
7.	War pension	?
8.	?	Section 10A
9.	?	Paragraph (n)
10.	Unemployment Insurance Fund (UIF)	?

REQUIRED:

Complete the table above. **Only** Fill in the missing Special inclusion/Exempt income OR the reference to the Act, e.g **1. Alimony**

(10)

QUESTION 3

(50 MARKS)

Peter Pan is 36 years old, married (out of community of property) and employed by Office & More Ltd in Bloemfontein. The company manufactures office furniture.

Peter has been employed by Office & More Ltd for the past ten years and he earns a salary of R37 800 per month. **Ignore Capital Gains Tax (CGT).**

OTHER RECEIPTS:

Dividends received:

Peter received the following dividends during the 2024 year of assessment:

Dividend from South African public company (gross amount)	R3 000
Dividend from South African private company (gross amount)	R2 200
Dividend from United Kingdom public company (taxable portion)	R3 800
Dividends from South American public company (taxable portion)	R2 700

Interest received:

Peter received the following interest during the 2024 year of assessment:

Interest on fixed deposit at a registered bank in South Africa (not a tax-free investment) R15 600.

Sale of stamp collection:

Peter sold his stamp collection for R27 600, which he bought in 2006 for R1 800.

Cash Prize:

Peter was a contestant on the 'Who wants to be a millionaire' game show. He won R50 000.

Rent:

Peter owns a house in Upington, which he leases to Adele Gabis for R5 800 per month, and a once-off non-refundable deposit of R4 000 is payable by Adele. Adele Gabis has been renting the house for the past two years.

Peter incurred the following expenses during the 2024 year of assessment in respect of this house:

Rates and taxes	R8 800
Repairs to roof and windows damaged during a hailstorm	R4 200
Costs incurred to erect para fencing around the house to improve the market value	R6 000
Replacement of a faulty geyser	R5 500

Peter also received the following fringe benefits from Office & More Ltd during the 2024 year of assessment:

Travel allowance:

Peter received a travel allowance of R5 600 per month for the whole year. His motor vehicle cost R270 000 (excluding VAT) and he did not keep accurate records of his actual vehicle costs. He travelled 30 000 kilometres in total during the current year of assessment and his logbook indicates that he travelled 18 000 private kilometres. The travel allowance was **not** in respect of the company car he received from his employer (see below). Peter paid for all of the running costs of this vehicle.

Use of a company car:

The managing director of Office & More Ltd, decided that Peter's own motor vehicle was not equipped to pick up office furniture that needed repairs, and gave him the use of a brand-new VW kombi for the whole year. The retail market value of the motor vehicle amounted to R380 000 including a maintenance plan. Office & More Ltd paid for all the running costs of the vehicle. The business kilometres make 20% of total kilometres travelled.

Use of company laptop

On 1 November 2023, Office & More Ltd granted Peter the right to use the company's laptop for private purposes. The laptop cost Office & More Ltd R15 000 (including VAT) when it was acquired in 2022. The market value of the laptop on 1 November 2023 amounted to R12 700. Peter does not pay anything for the use of the laptop.

Low interest debt:

On 1 October 2023, Peter's employer granted him a loan of R14 000 to do maintenance on his residence. Peter paid interest at a rate of 5.5% a year on the loan (you may assume that the official interest rate remained constant at 7.75%).

Housing Benefits:

Peter's employer allocated the private use of a house (owned by the employer), consisting of at least 6 rooms, to him for the whole year. The house is furnished, and Peter is responsible for the water and electricity account and for maintaining the house. His remuneration proxy is R400 000.

Holiday Accommodation:

During the April 2023, Peter and his wife, Sofia, spend five days at the coast in a furnished flat that is owned by Office & More Ltd. Office & More Ltd usually rents the flat out at a cost of R575 per person per day.

Pension Fund contributions:

Peter is a member of his employer's pension fund and contributes R2 300 per month to the fund. The

employer does not contribute towards the pension fund.

Donation:

On 1 January 2024, Peter donated R2 000 to the University of Limpopo. The University issued a section 18A certificate.

Medical Aid:

Peter is a member of his employer's medical aid fund. According to the rules of this fund the employer makes a contribution of R2 550 per month for Peter and his wife. Peter is obligated to make a contribution of R600 per month.

Other information:

Office & More limited deducted R210 325 from Peter as Employees taxes during the year.

REQUIRED:

Calculate the normal tax liability for Peter Pan for the year of assessment ending 29 February 2024.

You are required to provide a short reason for the exclusion or non-deductibility of an amount from your calculation. Round off all amounts to the nearest RAND. Ignore Capital Gains Tax. **(50)**

END OF SECOND OPPORTUNITY EXAMINATION

ANNEXURE

TAX RATES

INDIVIDUALS - 2024

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

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R1 817 001 +	R644 489 + 45% of the amount over R1 817 000

TAX

THRESHOLDS

	Taxable income 2024	2025
Persons under 65	R 95 750	R 95 750
Persons 65 and under 75	R148 217	R148 217
Persons 75 and over	R165 689	R165 689

TAX

REBATES

Amounts deductible from the tax payable	2024	2025
Persons under 65	R17 235	R17 235
Persons 65 and under 75	R26 679	R26 679
Persons 75 and over	R29 824	R29 824

MEDICAL AID

TAX CREDITS

Monthly amounts deductible from tax payable	2024	2025
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.

DEDUCTIONS TRAVEL EXPENSES

The deduction in respect of business travel is limited to the allowance granted and may be determined using actual expenditure incurred or on a deemed cost per kilometre basis in accordance with the table below.

Accurate records of the opening and closing odometer readings must be maintained in all circumstances.

As from 1 March 2010, the claim must be based on the actual distance travelled for business purposes, supported by a detailed log book.

The cost of the vehicle includes VAT but excludes finance costs.

Where actual expenditure is used the value of the vehicle is limited to R800 000 (2024 : R800 000) for purposes of calculating wear and tear, which must be spread over a **seven** year period.

The finance costs are also limited to a debt of R800 000 (2024 : R800 000).

In the case of a leased vehicle, the instalments in any year of assessment may not exceed the fixed cost component in the table.

DEEMED EXPENDITURE - 2024

Cost of vehicle	Fixed R	Fuel c	Repairs c
Does not exceed R100 000	33 760	141,5	43,8
Exceeds R100 000 but not R200 000	60 329	158,0	54,8
Exceeds R200 000 but not R300 000	86 958	171,7	60,4
Exceeds R300 000 but not R400 000	110 554	184,6	65,9
Exceeds R400 000 but not R500 000	134 150	197,6	77,5
Exceeds R500 000 but not R600 000	158 856	226,6	91,0
Exceeds R600 000 but not R700 000	183 611	230,5	102,1
Exceeds R700 000	209 685	234,3	113,1

DEEMED EXPENDITURE - 2025 (updated table not available at time of publication)

Cost of vehicle	Fixed R	Fuel c	Repairs c
Does not exceed R100 000	33 760	141,5	43,8
Exceeds R100 000 but not R200 000	60 329	158,0	54,8
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Exceeds R500 000 but not R600 000	158 856	226,6	91,0
Exceeds R600 000 but not R700 000	183 611	230,5	102,1
Exceeds R700 000	209 685	234,3	113,1

VARIABLE REMUNERATION

Variable remuneration, such as commission, bonuses, overtime, leave pay, night shift or standby allowances and reimbursive travel, is taxed on a payment basis.

As from 1 March 2023, this includes performance-based remuneration. The rule applies to the deduction of PAYE, the employee's gross income inclusion and the employer's income tax deduction.