



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 08BOAH	LEVEL: 8
COURSE CODE: ATX812S	COURSE NAME: ADVANCED TAXATION
DATE: November 2024	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

1st OPPORTUNITY EXAMINATION	
EXAMINER(S)	Dr. Moses Nyakuwanika
MODERATOR:	Mrs. Marian Amakali

INSTRUCTIONS
<ol style="list-style-type: none">1. Capture your full name, student number, mode of entry and assessment number on the first page2. Answer ALL the questions and manage your time properly.3. Number each page correctly4. Write clearly and neatly.5. Do not write in pencil and do not use tip-ex, as this will not be marked.6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.7. SHOW ALL WORKINGS!

THIS QUESTION PAPER CONSISTS OF 6 PAGES (including the front page)

QUESTION 1

The following is the statement of comprehensive income of a farmer who commenced farming 25 August 2023

	N\$	N\$
Dividends received from Namibian companies		6 000
Fee for letting of machine		9 600
Grazing fees		21 000
Interest received		1 920
Livestock sales		831 000
Produce sales (wool and fruit)		114 220
New irrigation equipment	25 000	
Dams & Boreholes	12 360	
Establishment of Orchards	13 600	
New fencing	3 420	
Roadmaking	15 340	
Soil erosion works	7 500	
Fertilizers and manures	5 250	
Food for livestock	9 360	
General Farming expenses (All allowable)	13 960	
Interest payable	6 340	
Livestock purchases	34 200	
Repair of damaged fencing	3 900	
Seeds	2 980	
Wages and rations	21 556	
Wear and tear allowance (All allowable)	14 800	
Total expenditure		<u>189 556</u>
Net profit		<u>794 174</u>

Notes

- 1) When he commenced farming, the executors of the estate of his late father handed over to him 1 800 ewes (female sheep), 200 rams and 400 lambs. The current market value of these animals at the date of his father's death was N\$650 000, and this was the fair market price on 25 August 2023. The standard value of his livestock would have been N\$12 800.
- 2) On 26 November 2023 he also received by way of donation from his uncle 600 ewes and 100 rams. At the date of the donation, the fair market value of these animals was N\$200 000. the standard value would have been N\$4 200.
- 3) He has elected the standard values fixed by regulations.
- 4) During the year, his wife and his family consumed produce at an estimated cost of N\$3 500.
- 5) 24 ewes and 12 rams were donated to charitable institutions during the year. These animals were acquired at a cost of N\$6 700, but at the date of donation their fair market value was N\$10 800.

- 6) On 28 February 2024 the numbers of livestock on hand were as follows: ewes 1 500, Rams 250, Lambs 400.
- 7) The estimated cost of production of wool and fruit on hand on 28 February 2024 was N\$9 100.

REQUIREMENT

You are required to calculate the taxable income of the farmer for the year of assessment ended 28 February 2024 **[25 marks]**

QUESTION 2

- a) What are the duties of the master of High Court in the administration of deceased estate **[5 marks]**
 - b) What is the purpose and what are the benefits of forming a trust **[8 marks]**
 - c) Describe the types of trusts that can be created **[7 marks]**
- TOTAL MARKS [20 marks]**

QUESTION 3

Paul (aged 34) and Sark (aged 65) started Vision Electronic on 1 March 2015 as a partnership. Sark retired as a partner on 28 February 2023. One of Vision Electronics employees, Nathaniel (aged) was admitted as a partner on 1 March 2023. Since 1 March 2023 Paul and Sark have shared profits and losses of partnership equally' the statement of comprehensive income is provided for the partnership for the year of assessment that ended on 28 February 2024:

Income	N\$
Gross income from trading	830 000
Interest received on credit balance of bank account	3 200
Dividends (the partners own 100 000 of the ordinary shares of Electron (Pty) Ltd and received a dividend of N\$2.60 per share)	260 000
Expenses	
Salaries paid to employees (the partnership employed 4 employees throughout the year of assessment who each received an annual salary of N\$80 000	(320 000)
Unemployment insurance fund contributions (UIF) and skill development levies (SDL) in respect of employee's salaries	(6 400)
Salaries paid to partners (N\$250 000 to each partner)	(500 000)
Contribution to employee's pension fund (the partnership contributes an amount equal to 8% of its employees' salaries to a pension fund on behalf of the employees)	(25 600)
Contribution to partners pension fund (the partnership contributes an equal amount equal to 8% of its partners salaries to a pension fund on behalf of the partners)	(40 000)

Contribution to medical scheme (the partnership contributes N\$1 000 per month per employee and per partner to a medical aid scheme)	(72 000)
Short-term insurance premiums	(68 000)
Life insurance premiums on the lives of partners	(3 600)
Depreciation on office furniture (the office furniture was purchased on 1 March 2017 for N\$75 000. The office furniture is depreciated over 4 years for accounting purposes.)	(18 750)
Interest paid in respect of partners capital contributions (Paul and Nathaniel each contributed N\$100 000 respectively on 1 March 2015 and 1 March 2023. Interest on the partners capital contributions is calculated at the end of each year at the rate of 12% per annum)	(24 000)
Net profit	14 850

Additional information relating to Nathaniel:

- ❖ He was an employee of Vision Electronic for the period 1 March 2015 to 28 February 2023. During the 2023 year of assessment, he received a salary of N\$120 000 from Vision Electronic. This amount was used to calculate Vision Electronic contribution to a pension fund on Nathaniels behalf.
- ❖ He contributed 8% of his monthly salary from the partnership to the partnerships pension fund in addition to the partnership contribution.
- ❖ He contributes N\$680 per month to a retirement annuity fund.
- ❖ He contributes N\$850 per month to a medical scheme in addition to the partnership's contribution. Nathaniel is the only dependent on the scheme.
- ❖ He received N\$36 000 net rental income during the 2024 year of assessment.

Assume that the salaries paid to partners and employees qualify as approved remuneration and that the Commissioner will allow a deduction of up to 20% of such approved remuneration.

REQUIREMENT

You are required to calculate Nathaniel's taxable income for 2024 year of assessment.
[25 marks]

QUESTION 4

ABC Enterprise is a company in the business of manufacturing domestic and office furniture for both the local and export markets. The following financial statements were submitted to NamRA for assessment for tax year ended 31 December 2023.

	Note	N\$
Gross Profit		30 000 000
Other income:		
Export incentive bonus		400 000

Interest from commercial bank		100 000
Dividends: Ok Namibia Ltd		105 000
Profit on disposal of Mercedes Benz	2	20 000
Less expenses:		
Administration expenses	3	2 390 500
Distribution Expenses	4	4 200 000
Other expenses	5	1 320 500
Repairs and maintenance		2 800 000
Miscellaneous	6	870 000
Bad debts		720 000
Donations	7	1 000 000
Net profit		17 324 000

Additional information

- The company had the following assets in its asset register as at 1 January 2023.

Asset	Date acquired/Constructed	Cost N\$
Freehold land	1 March 2019	800 000
Manufacturing building	1 March 2019	850 000
Administration block	10 September 2020	700 000
Computer Equipment	June 2021	180 000
5 passenger motor vehicles	August 2022	700 000
Commercial vehicle	1 April 2021	600 000
Staff bus	30 November 2022	540 000

The manufacturing building was acquired together with business stand, the administration block was however, constructed. The company had a policy of claiming maximum capital allowances possible on fixed assets.

- A Mercedes Benz with a book value of N\$90 000 was involved in an accident on 31 October 2023. The company received N\$110 000 as compensation from Insurance Company. The car was bought for N\$150 000. The Mercedes Benz is of the passenger motor vehicles, two of the passenger Motor Vehicle were bought for N\$140 000 each and the other two cars were bought for N\$270 000.

- Administration expenses

Extension of administration building	430 000
Depreciation	720 000
General repairs and maintenance	70 500
General entertainment costs	150 000
Salaries and wages	1 020 000
Total	<u>2 390 500</u>

- Distribution costs

Selling and marketing	1 920 000
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VAT	1 020 000
Cost of sending sample to a potential customer in Botswana	560 000
Other distribution costs	<u>700 000</u>
Total	<u>4 200 000</u>

5. Other expenses

Ex-gratia payments (to former employee)	410 000
HR manager trade convention costs	200 000
Interest on loan: the loan was used on extension of Administration block	350 000
Cash stolen by cashier	<u>360 500</u>
Total	<u>1 320 500</u>

6. Miscellaneous

Penalty on breaching customs procedures	120 000
Legal cost of being sued by a customer	330 000
Interest charged on overdue PAYE	160 000
Repairs to CEOs Dorado house	<u>260 000</u>
Total	<u>870 000</u>

7. Donations

Chief executive's wedding	200 000
National scholarship fund	<u>800 000</u>
Total	<u>1 000 000</u>

REQUIRED:

Calculate minimum tax liability for ABC Enterprise for the year ended 31 December 2023
[30 Marks]