

TAXATION (Module A) TAX33A3 and 1A1BBG

LAST ASSESSMENT OPPORTUNITY

06 JUNE 2014

Time: 3 hours

Marks: 100

Assessors:

Ms M BORNMAN

Ms G MNGUNI

Mr M NDLOVU

Internal Moderator:

Ms M LEPHOTO

External Moderator:

Ms R MATENCHE (UNISA)

INSTRUCTIONS:

- This paper consists of 7 pages (including the cover page).
- Answer all questions in the specially printed Answer Book.
- Show all calculations, workings and reasoning clearly.
- Silent, non-programmable calculators may be used.
- Round up to the nearest Rand

Question	gCST representation and the company of the company		
1	Topic VAT	Marks	Tîme
2 3 4	Provisional Tax – Company Theory Company Taxable Income	25 13 12 50	47 minutes 25 minutes 27 minutes 81 minutes
		100	180 minutes

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TAXATION (Module A) TAX33A3 and BBG11A1

LAST ASSESSMENT OPPORTUNITY

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Time: 3 hours Marks: 100

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Mr M NDLOVU

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Question	Topic		
1 2 3 4	VAT Provisional Tax – Company Theory Company Taxable Income	25 13 12 50	45minutes 23minutes 22minutes 90minutes

QUESTION 1 (25 Marks)

ACE CC carries on business as a manufacturer of all types of wooden furniture. ACE CC is registered for VAT on the invoice basis and is required to submit their VAT201 return every 2 months. You are provided with the following information for the 2-month tax period ended 28 February 2014. (All amounts include VAT where applicable)

Receipts:

)	Cash Sales	
	 Made to south African residents 	
	 Made to Australian residents 	370 500
>	Credit sales made to South African residents	91 200
A	Credit notes issued to South African residents	150 000
Α,	stolen in the Republic	22 000
A	interest received on a loan	182 000
>	Cash received for the sale of an old machine to the director's daughter. The machine originally cost R21 000 and the open market value on the date of sale was R18 200.	14 500
pens	;es·	12 300
A	Purchase of trading stock on credit (included in this amount are purchases of R5 500 and R50 for which no tax invoices are as all the contract of the contract	
A	that cridis purchased from other vendors	450 000
	wages and salaries	289 500
	Credit notes received from suppliers	132 543

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A	Purchase of trading stock on credit (included in this amount are purchases of R5 500 and R50 for which paters	
>	of R5 500 and R50 for which no tax invoices are available) Raw materials purchased from other vendors	450 000
	Wages and salaries	289 500
A	Credit notes received from suppliers	132 543
A	Electricity and water	38 700
	Telephone	3 576
	Cost of entertaining important customers	1 896
A	Purchase of a new single-cab bakkie	985
A	Purchase of a new motor car	123 000
A	Petrol	85 000
	Maintenance of delivery vehicles	1 250
	Purchase of a second hand desk from a non-yender	1 188
	The owner bought a motor car on the 1 January 2014 and gave the Director the full use of the vehicle.	890
211101		65 000

REQUIRED:

Calculate the VAT payable by or refundable to ACE CC for the two-month tax period ended 28 February 2014. If there are no VAT consequences for an amount, please provide a brief reason. **QUESTION 2** (12 Marks)

Gabriel Ltd is one of your clients. Its financial year ends on 31 October 2014. By late April 2014, the taxable income of Gabriel Ltd for 2013 has not yet been assessed by SARS. Assessments from previous years of assessment reflect the taxable income of the 2011 year of assessment:

R685 000 (received in February 2012)

2012 year of assessment:

R720 000 (received in February 2013)

On 15 May 2014, SARS issued the company's 2013 income tax assessment, reflecting a taxable income of R744 000. The accountant also informs you that the estimated taxable income for the financial year ending 31 October 2014 is R752 000.

The taxable income, as determined after the annual financial statements of Gabriel Ltd have been compiled for the year ended 31 October 2014, amounts to R748 500.

Gabriel Ltd is a company operating in the shoe retail industry and is **not** a small business corporation as defined in S12E. No other taxes have been paid.

REQUIRED:

- 2.1 Calculate the minimum amount of the provisional tax to be paid by Gabriel Ltd for its first provisional tax payment for 2014 to avoid penalties. Also indicate the date on which the amount becomes due and payable.
- 2.2 Calculate the minimum amount of the provisional tax to be paid by Gabriel Ltd for its second provisional tax payment for 2014 and indicate the date on which the amount (4)
- 2.3 Calculate the third provisional tax payment for 2014, if any, to be made by Gabriel Ltd and indicate the date on which it becomes due and payable.

QUESTION 3

You are required to (13 Marks)

You are required to answer TRUE or FALSE to each of the statements below. Give a brief comment to support your answer in the case of a FALSE statement.

- 3.1 A restraint of trade payment received by a person from a former employer is not included in his gross income.
- 3.2 An amount received for the sale of the goodwill of a business is a receipt of a capital nature.
- 3.3 A taxpayer earning rental income from the letting of residential flats, cannot deduct as defined.
- 3.4 The cost of moving machinery used in a process of manufacturing, from an old factory to a new factory will be a deductible expense.
- 3.5 Compensation paid by an architect to one of his clients for injuries sustained as a result of the architect's dog attacking the client, is a tax deductible expense for the architect.
- 3.6 If a deduction is not claimed in the correct year of assessment, the deduction may not be claimed in a later year of assessment.
- 3.7 If a taxpayer replaces an old conventional type burst geyser (10 000 litres) in a rentand thus be deductible for tax purposes.
- If a lease stipulates that improvements to the value of R1 800 000 must be effected to the leased property and the lessee spends R1 500 000 on such improvements, the annual (13)

QUESTION 4

Jim Jam CC manufacture (50 Marks)

Jim Jam CC manufactures canned foods and has a 31 March year end. The CC is based in Soweto with a branch in Sandton. The entity is a South African resident for tax purposes. Below are transactions which took place during the 2014 year of assessment. The company wishes to postpone the payment of tax as much as possible.

Swaziland customers Swaziland customers Stock was sold to a related company for R95 000, the market value of the stock was R100 500. This sale was not included in the sales figure above Dividends received: ABC (Pty) Ltd a RSA Company Compensation Audit fees Bribe paid in foreign country Interest paid Bad debts: Trade Loan to Manager Provision for bad debts— 20 0000 20 0000 Provision for bad debts— 2014 list of debtors The 2013 debtors' list was less than the 2014 list by R5 000. Garden service paid Delivery trucks- traffic fines Annuity to former employee who retired to raise his handicapped son Restraint of trade Salaries and wages Unemployment insurance Fund Benefit (UIF) company contribution Raw materials: Purchases On hand: 13 900 14 pril 2013 stock 15 March 2014 stock 16 0000 17 0000 18 pril 2013 stock 18 do 0000 19 pril 2013 stock 20 0000 19 pril 2013 stock 20 0000 10 April 2013 stock 20 0000 10 April 2013 stock 21 do 0000 11 do 00000 12 pril 2013 stock 23 do 0000 14 pril 2013 stock 24 do 0000 15 maintenance 16 he following machines were acquired for use in the process of the following machines were acquired for use in the process of the control of the insurance of the following machines were acquired for use in the process of the control of the insurance in Soweto on 1 July 2013 at a cost of R2 000 and was damaged in ansist. The entity received an insurance payout of R650 000 in this	Sales:		Note	Amount
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e in Soweto on 1 July 2012 at	Use on 30 June 2012			
nsit. The entity received an insurance payout of R650 000 in this	e in Soweto on 1 Ltd. as moved from the Sandton factory to the		1	
ard.	The option 2013 at a cost of R2 000 and was damaged in			
and.	ard rice entity received an insurance payout of R650 000 is the			
	ard.			

 (ii) On 1 August 2013, a new machine "200" was purchased new unused to replace machine "100" (cost R880 000). For machine "200 function effectively, a foundation which cost the entity R12 700 constructed. (iii) On 1 November 2013, manufacturing machine "300" was donated the CC by a foreign Company that supports black owned entities in So Africa. On 1 November 2013, the market value of the machine value of the machine value on machine "200" (cost = R130 000). This will improve the production machine "200" (cost = R130 000). This will improve the production capacity of the machine. Assets on hand on 01 April 2013: (i) A can sealing machine (process of manufacture machine) which we bought new from the manufacturer on 1 June 2012 for R520 000 and brought into use at the same time. (ii) On 1 December 2012, the CC purchased a machine "50" for the producing of "bottled" foods to add to its product offering. This cost the entity R245 000. (iii) Delivery trucks were all purchased during the 2010 year of assessment at a total cost of R789 000. (iv) Machine "99" used in the process of manufacture was purchased on May 2012 at a cost of R732 000. 	on as and		
entity R245 000. (iii) Delivery trucks were all purchased during the 2010 year of assessment at a total cost of R789 000. (iv) Machine "99" used in the process of manufacture was purchased on 1 May 2012 at a cost of R232 000. This was a second hand purchase. On 1 March 2014 3 spanners were purchased each at a cost R1 000. The Sandton factory was bought new on 1 April 2013, and immediately brought into use at a cost of R867 000, this building is used in a process of manufacture.	e f		
Factory lease Donations:	9	1	
The CC made the following donations (i) To a church which is a registered S18A organization. (ii) To an orphanage which could not provide the entity with a valid S18A certificate	9	? 20 000 22 890	

Notes:

- 1. A stock packer was paid R600 000 in damages because he fell from a ladder while performing a stock count. An investigation revealed that this occurred because the packer had stacked the cans beyond the maximum allowed per shelf; however the legal team lost this case in the court of law on the grounds of lack of evidence.
- 2. The CC plans to open a branch in one of the countries in the SADC region; the CFO was required to pay a bribe in order to register the entity. This is accepted common practice and thus not viewed as a criminal offence in the neighboring country.
- 3. The interest was on the loan used to buy shares in ABC (Pty) Ltd.

- 4. The entity paid for a garden service; the amount paid relates to a period of 15 months commencing on 01 April 2013.
- 5. The legal team was paid R30 000 to defend the entity against the claim (see note 1). The balance of the legal fees paid was for the collection of amounts owing by trade debtors who had failed to make payment; these amounts were later written off as bad debts..
- 6. On 1 April 2012, a former chef was paid R130 000 to prevent her from working for the competing entities for a period of 4 years after her retirement.
- 7. There was a coffee spill on the computer keyboard, a replacement was purchased.
- 8. A special printer used to print the labels on the package was purchased on 01 December 2013. It was manufactured in Cape Town and delivered to the entity at a cost of R5 800; the delivery cost was not included in the cost of R40 000. The printer requires monthly maintenance by the manufacturer at R5 000 per month.
- 9. On 1 May 2012, JimJam CC entered into a lease agreement for the lease of a factory in Soweto; this is for a period of 28 years. A lease premium of R290 000 was paid on that date. The monthly rental payable is R19 000.

SARS allows wear and tear as follows:

Computers – 3yrs Special Printers – 4yrs Delivery trucks – 5yrs Can sealing machines – 4yrs

Required:

Calculate the tax payable by JimJam CC for the year of assessment ended 31 March 2014. Show all your calculations. If any amount should **not** be included in your calculation, provide a brief reason. **(50)**

TOTAL [100]



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Ms M LEPHOTO

External Moderator:

Ms R MATENCHE (UNISA)

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- Show all calculations, workings and reasoning clearly.
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- Round up to the nearest Rand

Question	Topic	Maula	
1 2 3 4	VAT Provisional Tax – Company Theory Company Taxable Income	25 13 12 50	47 minutes 25 minutes 27 minutes 81 minutes
		100	180 minutes

Matente



TAXATION (Module A) TAX33A3 and BBG11A1 LAST ASSESSMENT OPPORTUNITY 06-Jun-14

ANSWER SHEET

NAME AND SURNAME:	8.8
STUDENT NUMBER:	
INDEX NUMBER:	
CELLPHONE NO:	
VENUE:	
SIGNATURE:	

Question number	Marks
1	
2	
3	
4	
Total	
	100
Percentage	

Instructions:

- 1. This answer sheet contains of 8 pages (including the front page)
- 2. Show all calculations
- 3. Only write in black or blue ink.

Question 1
Calculation of VAT due to/by ACE CC for the 2-month tax period ended 28 February 2014

25 Marks

R C R			nput V	AT	Output \	
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T Payable//VAT Refundable)						\dashv
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Payable/(VAT Refundable)						-
Payable/(VAT Refundable)				\dashv		+-
Payable/(VAT Refuelable)				+		+
Payable/(VAT Refuelable)				+		-
Payable/(VAT Refundable)						├
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2.1	First	Provisional	Tax Payment	due on	30 Anri	1 2014
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2.2 Second provisional tax payment due on 31 October 2014

2.3 Third provisional tax payment due on 31 May 2015

JimJam CC tax payable for the year of assessment ended 31 March 2014

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