



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Accounting
DEPARTMENT	Commercial Accounting
CAMPUS(ES)	SWC
MODULE NAME	Taxation 3A
MODULE CODE	TAX33A3
SEMESTER	1
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment Opportunity May/June 2019

ASSESSMENT DATE	29 May 2019	SESSION	08:30 – 11:30
ASSESSOR(S)	Ms. K Esterhuizen Mr. K Masehela Ms. J Soobramoney		
MODERATOR(S)	Dr. M Bornman Ms. L Bester		
DURATION	3 hours (180 min)	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	7
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INFORMATION/INSTRUCTIONS:

- **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 all amounts to the nearest Rand. Round off question 1 to 2 decimal places.

Question	Topic	Marks	Time
1	VAT	20	36 minutes
2	Theory	15	27 minutes
3	Company Question	50	90 minutes
4	Provisional Tax – Company	15	27 minutes
		100	180 minutes

QUESTION 1**[20 MARKS]**

EZee CC is registered for VAT on the invoice basis and is required to submit its VAT201 return every 2 months. You are provided with the following information for the 2-month tax period ended 30 April 2019. All amounts include VAT where applicable.

R

- S.A sales:
 - Invoices issued to non-vendors for cash sales 674 810
 - Invoices issued to vendors for credit sales 382 500
- Export sales direct to clients in China 128 649
- Interest earned on bank deposit 5 400
- Cash received from S.A debtors 721 936
- Settlement discount allowed to S.A debtors 12 528
- Bad debts from S.A debtors written off for the period 6 283
- Bad debts recovered from S.A debtors for the period 5 134
- Insurance indemnity pay out for the loss of a stolen motor car 68 400

Purchases from vendors:

- Purchases of trading stock on credit
(Included in this amount are two purchases for the amounts of R5 180 and R45, for which no tax invoices are available) 726 830
- Contributions made to staff medical aid fund 48 652
- Advertising space in newspapers and trade magazines 28 940
- Purchase of new office coffee machine 9 750
- Petrol for business vehicles 6 249

Purchases from non-vendors:

- Purchase of used shelving for use in the storeroom 17 500

Other:

- Cost of employer-owned passenger vehicles provided to members of the CC during the 2 month tax period 712 500

REQUIRED:

Calculate the VAT payable by or refundable to, EZee CC for the VAT period ended 30 April 2019. **Provide reasons for amounts not included in your calculation. (20)**

QUESTION 2**[15 MARKS]**

Taxi Co (Pty) Ltd is a company incorporated in South Africa. The company's year-end is the 30 June. The company owns a number of taxis that it uses to transport people to many different places within South Africa. The following are two transactions that occurred during the company's 2019 year of assessment:

- During the 2019 year of assessment, new safety regulations in South Africa resulted in the company being forced to sell a number of its older taxis, and replace these with new taxis purchased. The older taxis were sold, and were delivered to the new owners on the 30 June 2019. R3 000 000 of the proceeds on sale of the older taxis were received on that date, and a remaining R2 000 000 was due to be received on 5 July 2019. The cost of the replacement taxis was R25 000 000.
- The demand for taxis was very high during December 2018. As such, the drivers were required to work long hours. While working the longer hours, one of the drivers lost control of his taxi. The taxi crashed. Luckily, none of the passengers were hurt. The driver, however, injured his hand and had to go to the hospital. Taxi Co (Pty) Ltd paid the drivers medical costs of R10 000.

REQUIRED:

- 2.1 Explain fully, in terms of the gross income definition, whether any amount indicated above should be included in Taxi Co (Pty) Ltd's gross income for the 2019 year of assessment. **(8)**
- 2.2 Explain fully, in terms of the general deduction formula, whether Taxi Co (Pty) Ltd would be allowed a general deduction for the medical costs paid. **(5)**
- 2.3 If Taxi Co (Pty) Ltd's drivers incurred speeding fines of R5 000 for speeding while transporting passengers, would the R5 000 be allowed to be deducted in terms of the general deduction formula? Please indicate your answer as Yes or No and support your answer with a short explanation. **(2)**

QUESTION 3**[50 MARKS]**

You have been appointed as the Accounting Officer of Sports CC. Sports CC manufactures sports equipment. You are required to prepare the annual income tax return for the 2019 year of assessment which ended 28 February 2019. Sports CC is NOT a Small Business Corporation as defined in S12E. The bookkeeper of Sports CC provided the following to you for the year ended 28 February 2019:

Statement of Comprehensive Income for the year ended 28 February 2019

	Note	R
Sales		3 845 000
Less: Cost of Sales	1	<u>1 270 000</u>
Gross Profit		2 595 000
Less: Expenses		
Bad debt	2	205 000
Salaries	3	950 000
Allowance for bad debts	4	70 000
Advertising	5	150 000
Legal costs	6	40 000
Donations	7	<u>5 000</u>
Profit for the year		975 000

NOTES

1. Cost of sales comprise of:

- Opening stock R220 000
- Purchases R900 000
- Closing stock R130 000

During the year the company donated stock costing R75 000 and which had a market value of R80 000 to a charity which is not authorized to issue certificates in terms of s18A. The cost of these goods are included in opening stock.

Raw Materials comprise of:

- Opening raw material R950 000
- Closing raw materials R670 000

2. Bad debts include:

- An amount of R12 000 owing by a former employee for a loan made to him to enable him to pay his child's school fees, plus interest on the loan of R1 500.
- The balance of bad debts are trade debtors.

3. Salaries include:

- Cash salaries of R560 000
- An annuity of R75 000 paid to a dependent of a deceased former employee. The employee was a factory worker and had been killed in a factory accident. The accident was not due to negligence.
- An annuity of R35 000 paid to a former employee who resigned at the age of 51 years to look after his parents.
- A provision for bonuses and leave pay of R280 000.

4. List of doubtful debts:

- Debts of 90 days in arrears R200 000

The company does not apply IFRS 9.

5. Advertising comprises of the following:

- Weekly newspapers R35 000
- Production costs for a TV advert to be aired over the next year R115 000

6. Legal costs comprises:

- Cost of collecting debts from trade debtors R12 000
- Cost of collecting amounts owed by former employees R28 000

7. Cash donation made to ARR a PBO. Sports CC received the necessary receipts in terms of s18A.

8. On 1 September 2018 Sports CC acquired a new patent at a cost of R125 000.

9. On 1 December 2018 Sports CC entered into a restraint of trade agreement with a former employee for R130 000 preventing the former employee from working at any competition with Sports CC for a period of 4 years.

10. Wear and tear:

- Sports CC had delivery vehicles on hand on 1 March 2018 which cost R500 000 and which had a tax value of R280 000. All the delivery vehicles were still in use on 28 February 2019 except for a delivery vehicle which had cost R120 000 and which had a tax value on 1 March 2018 of R70 000. This delivery vehicle had been sold on 30 September 2018 for R60 000 and was not replaced.
- Computer equipment purchased on 1 March 2015 to the value of R170 000 were on hand on 28 February 2019.
- Office furniture purchased 1 March 2015 to the value of R250 000 were on hand on 28 February 2019.

The write-off periods allowed by SARS are:

- Delivery Vehicles: 4 years
- Computer equipment: 3 years
- Office furniture: 5 years

11. A machine, Machine X, was irreparably damaged in transit to the new factory on 1 September 2018. It was purchased second hand for R450 000 and brought into use in a process of manufacture on 1 January 2017. Proceeds from the insurer amounted to R270 000. This machine was replaced by a new unused machine, Machine B. It was purchased for R1 250 000 excluding the cost of a stabilizing platform costing R60 000 plus installation costs of R20 000, and brought into use in the manufacturing process on 1 June 2018. Sports CC wishes to postpone the payment of tax where applicable.

REQUIRED:

Calculate the taxable income of Sports CC for the 2019 year of assessment. Ignore VAT and CGT. If any amount should not be included in your calculation, please state the reason why. (50)

QUESTION 4**[15 MARKS]**

You have recently been appointed as the Accounting Officer for Dudes Ltd. Part of your duties is to ensure tax compliance of the entity. Dudes Ltd's financial year-end is February.

Date Assessed	Taxable income
2018 tax assessment received on 19 August 2018	R140 000
2017 tax assessment received on 1 January 2018	R125 000
The financial manager estimated the 2019 taxable income on 1 February 2019.	R130 000
Actual taxable income for the 2019 year of assessment	R135 000

REQUIRED:

4.1 Calculate the first provisional payment for the 2019 year of assessment.

Also indicate the date the amount becomes payable. **(5.5)**

4.2 Calculate the second provisional payment for the 2019 year of assessment.

Also indicate the date the amount becomes payable. **(4.5)**

4.3 Calculate the third provisional payment for the 2019 year of assessment. **(3)**

4.4 Please indicate whether the following statement is True or False:

The third provisional tax payment in 4.3 above is always compulsory.

Provide an explanation for your answer. **(2)**

TOTAL: 100 MARKS



DEPARTMENT OF COMMERCIAL ACCOUNTING

TAX MODULE A

TAX33A3

FINAL ASSESSMENT OPPORTUNITY

May 2019

ANSWER SHEET

INDEX NO: _____

SURNAME: _____

INITIALS: _____ SIGNATURE: _____

STUDENT NO: _____ MODULE CODE _____

VENUE: _____

Question 1		%
Question 2		
Question 3		
Question 4		
	100	

[illegible]

[illegible]

QUESTION 2

[illegible]

Question 2 continued.....

[illegible]

[illegible]

Question 4

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Question 4 continued.....