



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Economics
DEPARTMENT	Commercial Accounting
CAMPUS(ES)	SWC
MODULE NAME	Taxation 3B
MODULE CODE	TAX33B3
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Supplementary assessment opportunity January 2020

ASSESSMENT DATE	January 2020	SESSION	
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)	10
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INFORMATION/INSTRUCTIONS:

- Answer all questions.
- Use a blue or a black pen only.
- Show all calculations, workings and reasoning clearly.
- Silent, non-programmable calculators may be used.
- **Round up** all amounts to the nearest **Rand**.

Question	Topic	Marks	Time
1	Individuals	35	63 minutes
2	Fringe Benefits	15	27 minutes
3	Capital Gains Tax	23	41 minutes
4	Employees' Tax	11	20 minutes
5	Provisional Tax	16	29 minutes
		100	180 minutes

QUESTION 1**[35 Marks]**

Busi is 60-years-old and Sipho is 68-years-old. They are married **out of community of property**. They have two kids, Shante and Adam. Shante is 16 years old and is disabled, and Adam is 23 years old. Adam is currently a full-time student studying towards a Diploma in Accountancy. On 28 February 2019, Busi retired from her employment after 42 years of service.

Below are Busi's income and expenses for the 2019 year of assessment:

	Note	
Monthly salary		45 000
Bonus		32 500
Long-service award	1	22 000
Compensation received	2	28 000
Purchased annuity	3	?
Commutated annuity	3	500 000
Dividends:		
- Australia	4	3 500
Interest:		
- Australia		9 000
Lump sum from pension fund	5	345 000
Pension fund contribution (Monthly)	5	2 200
Medical aid scheme	6	4 600
Other medical expenses	6	?
Donations made for the year	7	1 500

Notes:

1. At Busi's retirement party, Busi was awarded a Gold watch valued at R22 000 in recognition of her long service.
2. In December 2018, Busi was injured in a motor vehicle accident while on duty. The compensation received was paid in terms of the Workmen's Compensation Act.

3. Busi purchased the annuity at a cost of R700 000 on 1 September 2017, the contract entitles her to receive R80 000 per annum for 18 years. She received her first annuity on 30 September 2011. Due to financial constraints, Busi commuted her annuity on the 31 October 2018 and received a lump sum of R500 000.
4. Busi held 9.5% of the shareholding in the Australian company.
5. Busi received a lump sum from the pension fund on retirement.
Pension fund contributions not allowed as deduction in terms of section 11F on 28 February 2018 amounted to R7 700. Busi contributed R2 200 per month towards the pension fund.
6. Busi is the main member of the medical aid scheme with Sipho, Shante and Adam as dependants for the entire tax year of assessment. Busi contributes R4 600 per month towards the medical aid.

Other medical expenses incurred during the year of assessment that were not covered by the medical aid, are summarized as follows:

- Vitamins and diet pills for Busi, bought at the gymnasium R 900
- Visits to a registered psychiatrist by Adam R2 500

All the medical expenses were paid for by Busi.

REQUIRED:

Calculate the tax payable to SARS by Busi in respect of her normal income tax liability for the year ended 28 February 2019. **(35)**

QUESTION 2

[15 Marks]

REQUIRED:

For each of the questions below, calculate the taxable value of the fringe benefit for the employee for the year ended 28 February 2019. Explanations must be provided where necessary.

1. An employee uses his car for business purposes and is paid a travel allowance of R2 000 per month. He keeps a record of kilometers travelled. Kilometers travelled for the year of assessment was 74 500, of which 14 000 was for

business travel. The car is a BMW, 3 series which he bought for R185 000 (including VAT). The employee is responsible for all the maintenance costs of the vehicle. **(6)**

2. Company M bought a yacht for R1 400 000. Mr. P, one of the employees of Company M, was granted the right of use of the yacht for eight days in February 2019. **(2)**

3. Mr. Q is the sole shareholder and director of a private company, Q (Pty) Ltd. The company owns a house which it purchased from Mr. Q for R1 200 000. It lets Mr. Q live in the house as a fringe benefit and he was given the sole right of use of a 10-roomed flat owned by the company from 1 April 2018, the date on which he joined the company. The flat is unfurnished and the company pays all the power and electricity. Mr. Q was paid a monthly cash salary of R50 000 by his employer.

The following costs in respect of the house was paid by the company:

▪ Insurance	R15 000
▪ Rates	R12 000

(7)

QUESTION 3

[23 Marks]

PART A

(8 Marks)

Two independent events relating to the disposal of capital assets, follows below.

a) Mr A. bought a motor vehicle for use in his business in an earlier tax period. He uses this motor vehicle (cost price of R70 000 and a market value of R69 000), as a business asset.

During the 2019 year of assessment, Mr. A decided to take the vehicle for his personal use only. On the date he changed his intentions of use, the market value of the motor vehicle was R30 000, and the tax value of the vehicle was calculated as R20 000.

- b) Mrs. B was a South African resident. During the 2019 tax year of assessment, she immigrated to Canada. The details of the assets she owned when she immigrated were as follows:

Boat:

The cost of her 15m boat which she bought during 2010, was R385 000.

On the date she immigrated, the market value of her boat was R145 000.

House:

She had bought a house in South Africa during 2014 for R1 000 000.

The market value of her house at her time of immigration was R1 800 000.

REQUIRED:

- 3.1. For each capital asset referred to in a) and b) above, you are required to indicate, whether there was a disposal; deemed disposal; or non-disposal of these assets. **(3)**
- 3.2. For both cases a) and b) above, determine the net capital gain or loss (if any) to be included in the 2019 taxable income calculation. **(5)**

PART B

(9 Marks)

Mr. C purchased a holiday house on 1 August 1994 at a cost of R1 500 000. He immediately effected renovations to the property at a total cost of R350 000. In February 2019, Mr. C sold the holiday house for R3 000 000. Mr. C had the house valued on 1 October 2001; the valuation was R2 000 000.

REQUIRED:

Calculate the amount of the net capital gain or loss made on the sale of the holiday house. **(9)**

PART C**(6 Marks)**

Company One (Pty) Ltd is a company that manufactures towels for distribution to outlet shops. The company owns and uses machines to manufacture their towels. The company decided to sell one of these machines, as it was not being used to full capacity. The company's financial year ends on 31 December.

The details of the machine sold is as follows:

- The machine was purchased new by Company One (Pty) Ltd on 1 June 2018, at a cost of R500 000.
- The company applied S12C to the asset.
- Total S12C allowances claimed in respect of the asset amounted to R300 000.

Company One (Pty) Ltd sold the machine on 1 May 2019, for a price of R470 000.

REQUIRED:

Calculate the capital gain or loss arising from the sale of the machine in the 2019 year of assessment. **(6)**

QUESTION 4**[11 Marks]**

Miss K is 35 years old. She has been employed as a sales consultant by XYZ (Pty) Ltd since 1 September 2010.

The following amounts represent her income, deductions and/or contributions for the 2019 year of assessment:

- A monthly salary of R35 000.
- Commission income from successful sale deals she signs on behalf of XYZ (Pty) Ltd, amounting to R250 000 for the 2019 tax year of assessment.
- A monthly travel allowance of R5 000. Miss K estimated that she used her car for business purposes for 90% of the time.
- Miss K was allowed the use of a holiday house for a weekend during December 2018. The house was owned by XYZ (Pty) Ltd. The value of this benefit was R10 000.

- Miss K belongs to a medical aid. Her monthly contribution amounted to R1 000. She had no dependants. In terms of her employment contract, her employer is entitled to deduct her monthly medical aid contributions from her salary and pay this amount to her medical aid on her behalf.

Miss K resigned from her job at XYZ (PTY) Ltd on 1 January 2019 to start her own company. No amounts, other than those indicated above, were received or paid by Miss K in relation to her employment for the 2019 year of assessment.

REQUIRED:

4.1 Calculate the employees' tax withheld from Miss K's remuneration while employed by XYZ (Pty) Ltd, for the 2019 year of assessment. **(9)**

4.2 Provide answers to the following questions:

4.2.1 Who is required to pay the employees' tax withheld from Miss K's remuneration to the South African Revenue Services (SARS)? **(1)**

4.2.2 In a tax year of assessment, how often must the Employees' Tax payments be made to SARS? **(1)**

QUESTION 5

(16 Marks)

PART A

(11 Marks)

Mrs. D is a provisional taxpayer and has been assessed for the 2017 and 2018 tax years of assessment. The 2017 assessment was issued on the 15 March 2018 and the 2018 assessment was issued on 1 August 2018.

The taxable income reflected on her 2017 tax return was R180 000, and the taxable income for the 2018 return was R220 000.

REQUIRED:

5.1 What would be Mrs. D's basic amount if she submits her first provisional tax return for 2019 tax year on 29 August 2018? Please provide an explanation for your answer. **(2)**

5.2 What would be Mrs. D's basic amount for her first provisional tax payment if her 2018 assessment was received on 20 August 2018? Please provide an explanation for your answer. (2)

5.3 When is the first and the second provisional tax payment due for the 2019 tax year of assessment? (2)

5.4 Name five (5) exclusions from the definition of the provisional taxpayer in terms of paragraph 1 of the 4th Schedule to the Income Tax Act. (5)

PART B (5 Marks)

Zones Zakes (known to his friends as ZZ) is a provisional taxpayer. ZZ is 54-years-old. During the 2019 year of assessment, the following took place:

- Two weeks before the end of February 2019, ZZ submitted his second provisional tax payment. He had received his 2017 assessment by 28 December 2018, which reflected taxable income as R300 000. However, ZZ decided to use an estimate of taxable income as he was expecting the downward trend of his earnings to continue as a result of failing clothing operations. He made his second payment based on an estimate of taxable income in which he had included an estimated taxable capital gain of R100 000 on the planned sale of the factory. His total estimate was R150 000.
- The employee's tax paid for ZZ for the 2019 year of assessment was R2 150.
- His first provisional tax payment for the 2019 year of assessment was R3 500.

REQUIRED:

Calculate ZZ's second provisional tax payment for the 2019 year of assessment. (5)

TOTAL: 100 MARKS

APPENDIX**Rates of tax for individuals****2019 tax year (1 March 2018 - 28 February 2019)**

Taxable income (R)	Rates of tax (R)
Not exceeding - 195 850	18% of taxable income
Exceeding 195 850 – but not exceeding R305 850	R35 253 + 26% of the amount above R195 850
Exceeding R305 850 – but not exceeding R423 300	R63 853 + 31% of the amount above R305 850
Exceeding 423 300 – but not exceeding R555 600	R100 263 + 36% of the amount above R423 300
Exceeding R555 600 – but not exceeding R708 310	R147 891 + 39% of the amount above R555 600
Exceeds R708 310 – but not exceeding R1 500 000	R207 448 + 41% of the amount above R708 310
Exceeds R1 500 000	R532 041 + 45% of the amount above R1 500 000

Retirement Lump Sum Withdrawal Benefit**2019 tax year (1 March 2018 - 28 February 2019)**

Taxable income (R)	Rate of tax (R)
R0 - R25 000	0%
R25 001 - R660 000	18% of the amount above R25 000
R660 001 - R990 000	R114 300 + 27% of the amount above R 660 000
R990 001 and above	R203 400 + 36% of the amount above R990 000

Retirement & Death Benefits or Severance Benefits**2019 tax year (1 March 2018 - 28 February 2019)**

Taxable income (R)	Rate of tax (R)
R0 - R500 000	0%
R500 001 - R700 000	18% of the amount above R500 000
R700 001 - R1 050 000	R36 000 + 27% of the amount above R700 000
R1 050 001 and above	R130 500 + 36% of the amount above R1 050 000

Travel allowance – cost scale

Travel allowance for years of assessment **commencing** on or after 1 March 2018 (Government Gazette No. 38516 of 28 February 2019):

Where the value of the vehicle -	Fixed Cost	Fuel Cost	Maintenance
	R	c/km	Cost c/km
Does not exceed R85 000	28 352	95,7	34,4
Exceeds R85 000, but does not exceed R170 000	50 631	106,8	43,1
Exceeds R170 000, but does not exceed R225 000	72 983	116	47,5
Exceeds R225 000, but does not exceed R340 000	92 683	124,8	51,9
Exceeds R340 000, but does not exceed R425 000	112 443	133,5	60,9
Exceeds R425 000, but does not exceed R510 000	133 147	153,2	71,6
Exceeds R510 000, but does not exceed R595 000	153 850	158,4	88,9
Exceeds R595 000	153 850	158,4	88,9