

PROGRAMME : LLB
SUBJECT : TAX LAW
CODE : TLW41A0/BRE0011
ASSESSMENT : SICK EXAM
DURATION : 3 hours
TOTAL MARKS : 50



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MODERATOR PROF J CALITZ
EXTERNAL EXAMINER PROF C FRITZ (UNIVERSITY OF THE WITWATERSRAND)
INSTRUCTIONS Your answer should not exceed 1 500 words.

QUESTION (50 MARKS)

Neo is a 68 year old individual born in Lesotho. He has lived in Maseru, Lesotho throughout his life and considers himself tax resident in Lesotho. He owns a house in Maseru, which he purchased for R1.5 million in 2010. On 12 April 2013 he came to South Africa and started a business of making and selling blankets as a sole proprietor. On 30 August 2015 he purchased a house in Mookgophong, South Africa for R3.5 million to stay in while he is in South Africa. Since his arrival in South Africa he spent more than 200 days per tax year in South Africa. On 22 September 2020 his house in Mookgophong was burnt down. His insurer paid him R5 million, estimating that to be the true value of the house at the time it burnt down. In 2019 he bought shares for investment at R1 million in a South African company and in 2020 he decided to open a share trading account, using them as start-up trading stock. He also received a dividend of R200 000 from LeCo, a Lesotho tax resident company on 30 November 2020. The gross income of the business for the 2020/21 tax year was R6 million and the deductible expenditure in terms of section 11(a) of the Income Tax Act 58 of 1968 was R7.5 million.

Advise Neo on the tax implications of the above facts for the tax years 2013 - 2021.