



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

EXAMINER : PROF T LEGWAILA
MODERATOR : PROF J CALITZ
EXTERNAL EXAMINER : PROF C FRITZ (UNIVERSITY OF THE WITWATERSRAND)

INSTRUCTIONS:

- 1 Your answers must be substantiated in detail. You are required to explain the rationale for your answers.
- 2 Type your answers and submit them on Blackboard. Only if you are unable to you are allowed to submit via email to tlegwaila@uj.ac.za
- 3 This is an open-book examination. You may use any materials but are not allowed to share information with other students.
- 4 You are not allowed to be in contact with other students.
- 5 Your answers will be tested for plagiarism in general and in respect of the answers of other students.
- 6 Do not copy and paste from any sources. Answers must be provided in your own words.
- 7 Use quotation marks where literally quoting from sources.

Question 1 (30 marks)

Paul is an individual who is tax resident in South Africa because he is ordinarily resident in South Africa. He is employed by SACo, a South African tax resident company. Due to gross negligence on his part, Paul sustained injuries while discharging his employment duties at SACo's premises. As a result, his employment contract was terminated due to negligence and injuries that rendered him unable to continue discharging his employment duties. Following an agreement between SACo and Paul's attorneys, SACo made the following payments to Paul:

1. R100 000 for compensation for injuries sustained by Paul, including medical expenses;
2. R20 000 for legal fees incurred by Paul in obtaining advice and representation in this matter;
and
3. R1 million as compensation for future loss of earnings by Paul.

Advise Paul and SACo on the tax implications of these payments for both Paul and SACo.

Question 2 (20 marks)

Sali is a non-resident individual who owns one hundred shares in Resego (Pty) Ltd, a South African tax resident company. Resego (Pty) Ltd's trade is mainly the manufacture and sale of curtains. Sali acquired the shares in 2010 at the price of R2000 a share. Thus Sali paid R200 000 for the shares. In March 2020 the company paid Sali a dividend of R400 000. Immediately after receipt of the dividend, and anticipating the massive decline of the value of the shares due to COVID-19, Sali sold all the shares in Resego (Pty) Ltd for R350 000.

Advise Sali on the tax implications of the above 2020 transactions.