



UNIVERSITY OF JOHANNESBURG

FACULTY OF LAW (AUCKLAND PARK CAMPUS)

SUBMISSION OF FINAL EXAMINATION PAPERS

JANUARY/JANUARIE 2018(3rd Round)

MODULE NAME: Tax Law

MODULE CODE: BRE 0011

LECTURER (S): PROF LECHAILA T.

HEAD OF DEPARTMENT: PROF DU TOIT

EXIT MODULE: YES NO

FOR EXIT MODULES:
EXTERNAL MODERATOR: DR C FRITZ

EXTERNAL MODERATOR FORM ATTACHED: _____

INSTRUCTIONS:

1. How many of the following items will be required per student?

Examination script (4 pages)

X1

Scanner sheet

/

Other (please specify)

/

2. How many students are still attending lectures,
(With a view to the number of examination papers required)? 17

SIGNATURE OF LECTURER:

DATE:

[Signature]
26.01.2018

**SIGNATURE AS HEAD OF DEPARTMENT/
(AS INTERNAL MODERATOR)**

DATE:

[Signature]

FOR ADMINISTRATIVE PURPOSES:

Noted: _____

Date: 26.01.2018



PROGRAM : LLB
SUBJECT : TAX LAW
CODE : BRE 0011
DATE : 2017 SPECIAL EXAM
DURATION : 2 HOURS
WEIGHT : 50%
TOTAL MARKS : 50

EXAMINER : PROF T LEGWAILA
MODERATOR : PROF K E VAN DER LINDE
EXTERNAL EXAMINER : DR C FRITZ (UNIVERSITY OF PRETORIA)
NUMBER OF PAGES : 2 PAGES

INSTRUCTIONS : ANSWER ALL QUESTIONS.
: QUESTION PAPERS MUST BE HANDED IN.

QUESTION 1 (15 marks)

With reference to relevant case law, discuss the “trade requirement” as it applies to the general deductions formula in the Income Tax Act 58 of 1962.

QUESTION 2 (15 marks)

Pamela is a 32 year old South African tax resident who owns a two hectare piece of land which she inherited from her great-grandfather in 2006. Pamela has not used the piece of land since the land was transferred to her. In 2013 Pamela was approached by Vuyokazi (“Vuyo”), a 25 year old lady who plans to grow her crop farming business. Vuyo presented Pamela with a proposal in terms of which Pamela would let her property to Vuyo for farming purposes. Vuyo would pay rent of R 200 000 per year to Pamela. This presented problems as the property was completely undeveloped and in order for Vuyo to carry out her business activities in the land it was agreed that Vuyo would have to clean the property and construct certain structures, including farm and production buildings. These assets attach to the land and will in terms of Property Law, form part of the land at the end of the lease period. Vuyo would also purchase a few movable assets, being tractors and other machinery for use in her farming operations that she would hand over to Pamela at the end of the lease period in addition to the structures constructed on the land. The lease commences at the beginning of the 2014 tax year, endures for 3 years ending at the end of the 2016 tax year. During the term of the lease Vuyo constructs the structures at the cost of R 600 000 in 2014, R 300 000 in 2015 and R100 000 in 2016. At the end of the 2016 tax year, the market value of the structures constructed is R1 500 000. The value of the movable assets, tractors and other machinery handed over to Pamela is R250 000

Advise Pamela and Vuyo on the tax implications of the above leasing arrangements.

QUESTION 3 (20 marks)

Hussain is a South African tax resident. In 2010 Hussain bought property with an intention to rent it out, or if the rental market is not as lucrative as people say it is, to develop the property and sell it at a profit. He bought this property for R3 million. In 2011, the property was still not rented out and Hussain decided to not sell the property anymore, but to convert it into a private home for himself and his wife and children. At this time, in 2011, the value of the property was R4 million. In 2016 Hussain sold the property for R9 million. Advise Hussain of the tax implications of these transactions in 2010, 2011 and 2016.