



UNIVERSITY  
OF  
JOHANNESBURG

Department of Commercial Accounting

TAXATION (Module B)  
TAX33B3

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FINAL ASSESSMENT OPPORTUNITY

NOVEMBER 2015

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Time: 3 hours

Marks: 100

**Assessors:** MS G MNGUNI  
MS J SOOBRAMONEY  
MR K MASEHELA  
**Internal Moderators:** MS M LEPHOTO  
MR S MAKHAYA  
**External Moderator:** MS R MATENCHE (UNISA)

**INSTRUCTIONS:**

- This paper consists of 8 pages (including the cover page).
- **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 to the nearest Rand.

Question	Topic	Mark	Time
1	Individuals' tax calculation	40	72 minutes
2	Fringe Benefits	20	36 minutes
3	Employees' Tax	10	18 minutes
4	Provisional Tax – Individuals	10	18 minutes
5	Capital Gains Tax - Individuals	20	36 minutes
		<b>100</b>	<b>180</b>

**QUESTION 1****[40 Marks]**

Thembeni Ndaba is married to Vusi Ndaba in community of property. Thembeni retired from employment at the age of 66 on 30 November 2014 and is a South African resident for tax purposes. Thembeni elected not to receive an annuity from her RAF until her 70th birthday

Thembeni provided you with the following information relating to the year of assessment ended 28 February 2015:

<b>Transaction</b>	<b>Note</b>	<b>R</b>
Salary per month until retirement	1	16 000
Annual bonus		15 000
Local dividends received (15% equity share holding)		73 900
Foreign dividends received (7% equity share holding)		43 700
Local interest received		22 400
Monthly rental income	2	20 000
Pension received per month after retirement		9 500
Lump-sum from the pension fund	3	1 775 000
Purchased annuity per month	4	1 250
Winnings	5	50 000
Pension fund contributions per month until retirement	1	1 750
Retirement Annuity Fund contributions per month until retirement (current)		800
Retirement Annuity Fund contributions per month until retirement (arrear)		400
Qualifying medical expenses incurred during the year	6	14 500

**Additional information:**

1. Only Thembeni's salary is considered to be Retirement Funding Employment Income for pension fund purposes.
2. Thembeni inherited an office building from her uncle, she started leasing out the building from January 2005. Rental income amounted to R20 000 per month, the related expenses were R7 500 per month. This building is specifically excluded from the Ndaba's joint estate.
3. Thembeni had been a member of the pension fund for 35 years. Contributions amounting to R52 500 had not been deductible in terms of s11 (k) at 28 February 2014. She had not received any lump sums in the past.
4. Thembeni had purchased an annuity of R1 250 per month for 10 years from an insurance company on 31 December 2009 at a cost of R112 500.
5. Vusi took Thembeni with to the casino once during the 2015 year of assessment and she won the R50 000 jackpot.

6. Thembeni is the main member of the medical aid which also covers Vusi and their only child Eric (18 years old). Her total contributions for the year amounted to R33 800.
7. Thembeni made the following donations:
- Sunshine Cancer Care Association, a registered Public Benefit Organisation and obtained the necessary s18A receipt – R26 700
  - Local Baptist church – not a registered Public Benefit Organisation – R15 000

**REQUIRED:**

Calculate the normal tax payable by Thembeni Ndaba for the year of assessment ended 28 February 2015. **Please remember to include the pension fund lump sum and the normal tax thereon in your calculation.** (40)

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**QUESTION 2****[20 Marks]**

1. Herbert owns a property in Betty's Bay. He had initially taken out a bond on the property of R1 000 000 at the prime interest rate. The company that employs Herbert had an arrangement with the bank and amended the terms on 1 April 2014 such that Herbert would only have to pay prime less 5% and the company would pay 5% interest to the bank. No portion of the outstanding capital has ever been repaid.
- Prime rate was:
- 9% from 1 March 2014 to 31 August 2014.
  - 6% from 1 September 2014 to the end of February 2015.
- The official rate of interest was 7% for the entire year. (5)
2. An employee purchased a car for R120 000 (including VAT) in 2014. He leases the car to his employer for R5 000 per month. The employer then lets him have the use of the car as a fringe benefit. During the 2015 year of assessment the car travelled 20 000 kilometres, of which 2 000 were for business purposes. The employee pays all costs relating to the car but has not kept accurate records with regard to these costs. The car was used for a period of 12 months for business purposes. (7)
3. After only three weeks at DIY (Pty) Ltd (hereafter "the company"), Mr. X rescued the Managing Director from a brutal dog attack. The company decided to give Mr. X a bravery award. The bravery award was a microwave taken from trading stock. The microwave had cost the company R5 400 (excluding VAT) and had a market value of R6 300 on the date it was given to Mr. X. (3)

4. Mr. Y lived in a house provided by the company that employs him, ABC (Pty) Ltd (hereafter “the company”). It was a reasonably nice three-bedroom house in Soweto and was fully furnished. While it had no dining room, it had a large kitchen and a separate lounge (i.e. it has more than three rooms). Mr. Y was responsible for paying the utility bills (water and electricity). The remuneration proxy is considered by the Commissioner to be R420 000. Mr. Y applies no ownership or control over the company. The nature of the business does not require the company to provide employees with accommodation. Mr. Y received the above benefits since 1 April 2014 from the company.

**(3)**

5. (a) Mr Good (aged 50) is married and has one child, aged 16. Mr. Good is employed by Big Ltd and is a member of the Goodhealth Medical Scheme. Mrs. Good and the child are dependants in terms of the scheme. The monthly contributions of R2 000 were paid by Big Ltd for the period 1 March 2014 to 28 February 2015. The employees make no contributions to the scheme.

**(1)**

- (b) Mr. Average (aged 65) is a widower and also works for Big Ltd, on a part-time basis (afternoons only). He is also a member of the Goodhealth Medical Scheme. Big Ltd pays R800 per month from 1 March 2014 to 28 February 2015 to the scheme in respect of Mr. Average’s membership. The employees make no contributions to the scheme.

**(1)**

**REQUIRED:**

In each of the cases above, calculate the normal tax effect for the employee for the 2015 year of assessment. Assume that an employer – employee relationship exists in all the above cases.

**(20)**

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**QUESTION 3****[10 Marks]**

Mrs. Nkosi, aged 35, is an employee of Taxi Maxi (Pty) Ltd (hereafter "Taxi Maxi"). Mrs. Nkosi had a last salary increase in January 2014 from which time Mrs. Nkosi earned a monthly salary of R14 200. Mrs. Nkosi also received a travel allowance of R500 per month from Taxi Maxi (Pty) Ltd. Taxi Maxi is satisfied that the vehicle will be used **80% for business purposes**. Mrs. Nkosi received an annual bonus amounting to R8 500. Mrs. Nkosi resigned from Taxi Maxi on 31 December 2014.

**REQUIRED:**

Calculate Mrs. Nkosi's employees' tax payable for the year of assessment ended 28 February 2015. **(10)**

**QUESTION 4****[10 Marks]**

For the 2013 tax year, Mr. P (aged 50) was assessed on a taxable income of R90 000. Mr. P's employer withheld employees' tax of R1 960 for the period 1 March 2014 to 31 August 2014 and R2 000 for the period 1 September 2014 to 28 February 2015. Mr. P has not yet received his assessment for the year ended 28 February 2014. In February 2015, Mr. P's estimated taxable income is R75 000.

**REQUIRED:**

1. Calculate the first provisional tax payment for the 2015 tax year. **(5)**
  2. Calculate the second provisional tax payment for the 2015 tax year. **(5)**
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**QUESTION 5****[20 Marks]****Part A****[14 Marks]**

Mrs. Boots, aged 55, decided to dispose of some of her assets during the year of assessment to compensate for a salary reduction at work. Below are the details of her disposals relating to her 2015 year of assessment.

1. Mrs. Boots Sold her primary residence for R3 000 000 on 1 June 2014. Mrs. Boots bought the primary residence on 1 October 1990 for R500 000.
2. A painting bought for R1 000 at an auction on 1 April 2014 was sold for R1 800 on 25 September 2014.
3. Mrs. Boots acquired an 11 meter yacht on 1 May 2012 for R60 000 and sold it for R80 000 on 1 January 2015.
4. Mrs. Boots sold her shares at XYZ Ltd for R33 000 on 5 February 2015 she had acquired them for R35 000. Mrs. Boots is not a share dealer.
5. Mrs. Boots had bought a holiday house for R500 000 on 1 October 1992. In December 2000, Mrs. Boots added an additional garage. These improvements amounted to R40 000. The holiday house was not valued on 1 October 2001. Mrs. Boots sold the holiday house for R1 800 000 on 1 January 2015. **Assume that Mrs. Boots elected to use the TAB cost as her valuation date value.**

**REQUIRED:**

Calculate Mrs. Boot's taxable capital gain for her 2015 year of assessment. **(14)**

**Part B****[6 Marks]**

Tennis for Africa (Pty) Ltd carries on business as a wholesaler of tennis equipment. On 1 May 2012, Tennis for Africa (Pty) Ltd acquired a machine for R250 000. The machine was sold on 31 December 2014 for R210 000.

The Commissioner allows a section 11(e) allowance on machines to be written off over four years.

**REQUIRED:**

Calculate the capital gain or loss of Tennis for Africa (Pty) Ltd for its 30 April 2015 year of assessment. **(6)**

**Appendix A:****2015 - STATUTORY RATES OF TAX****Rates applicable to individuals**

<b>TAXABLE INCOME</b>	<b>RATES OF TAX</b>
Not exceeding R174 550	18% of each R1
Exceeding R174 550 but not exceeding R272 700	R31 419 + 25% of the amount by which taxable income exceeds R174 550
Exceeding R272 700 but not exceeding R377 450	R55 957 + 30% of the amount by which the taxable income exceeds R272 700
Exceeding R377 450 but not exceeding R528 000	R87 382 + 35% of the amount by which taxable income exceeds R377 450
Exceeding R528 000 but not exceeding R673 100	R140 074 + 38% of the amount by which taxable income exceeds R528 000
Exceeding R673 100	R195 212 + 40% of the amount by which taxable income exceeds R673 100

**Retirement fund lump sum benefit - tax table**

<b>Taxable income from Lump sum benefits</b>	<b>Rate of Tax</b>
R0 – R500 000	0% of taxable income
R500 001 – R700 000	R0 plus 18% of taxable income exceeding R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income exceeding R700 000
R1 050 001 -	R130 500 plus 36% of taxable income exceeding R1 050 000

**Retirement fund Lump sum Withdrawal benefit - tax table**

<b>Taxable income from Lump sum benefits</b>	<b>Rate of Tax</b>
Not exceeding R25 000	0% of taxable income
R25 001 - R660 000	R0 plus 18% of taxable income exceeding R25 000
R660 001 - R990 000	R114 300 + 27% of taxable income exceeding R660 000
R990 001 -	R203 400 plus 36% of taxable income exceeding R990 000

**Appendix B:****TRAVEL ALLOWANCE - COST SCALE**

Travel allowance for years of assessment **commencing** on or after 1 March 2014 (Government Gazette No. 37375 of 26 February 2014):

Where the value of the vehicle -			
	Fixed Cost R	Fuel Cost c/km	Maintenance Cost c/km
Does not exceed R80 000	25 946	92,3	27,6
Exceeds R80 000, but does not exceed R160 000	46 203	103,1	34,6
Exceeds R160 000, but does not exceed R240 000	66 530	112,0	38,1
Exceeds R240 000, but does not exceed R320 000	84 351	120,5	41,6
Exceeds R320 000, but does not exceed R400 000	102 233	128,9	48,8
Exceeds R400 000, but does not exceed R480 000	120 997	147,9	57,3
Exceeds R480 000, but does not exceed R560 000	139 760	152,9	71,3
Exceeds R560 000	139 760	152,9	71,3

**FORMULAE:**

1.	$Y = A/B \times C$
2.	$X = A - D$
3.	$A = B \times C$
4.	$(A - B) \times C / 100 \times D / 12$
5.	$Y = B + [(P-B) \times N] / T + N$
6.	$P = R \times B / (A + B)$