
Answers

		R	Marks
1 (a)	Partnership pro-forma taxable income.		
	Sales	5 000 000	1/2
	Cost of sales: 1 500 000		
	Less closing stock consumables (20 000)	(1 480 000)	1 1/2
	Salaries and wages		
	Jake (200 000)	(200 000)	1/2
	Cedric (150 000)	(150 000)	1/2
	Employees (1 100 000)	(1 100 000)	1
	Lumpsum (not in production of income) –	–	1
	Factory rental (320 000)	(320 000)	2
	Lease premium 100 000/20 (5 000)	(5 000)	2 1/2
	Machinery rental 480 000		
	Reduced by VAT 224 000 x 480/2 400 (44 800)	(435 200)	3 1/2
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	Vehicles wear and tear:		
	Cost R30 000/10% = R300 000		
	s.11(e) 25% x 300 000 (75 000)	(75 000)	2
	Fixtures and fittings (10 000)	(10 000)	1
	Interest (25 000)	(25 000)	1
	Sundry expenses (135 000)	(135 000)	1/2
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	Net divisible 'taxable income'	1 064 800	
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	Cedric Pillay – Taxable income	R	
	Share of partnership profits 532 400	532 400	1
	Salary 150 000	150 000	1
	Interest (15 000 + 20 000) 35 000	35 000	1 1/2
	Exempt (10 000)	(10 000)	1
	Dividends exempt –	–	1
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		707 400	
	RAF contribution		
	Limited to 15% x 707 400 (85 000)	(85 000)	2
	Medical expenses 20 000		
	Less (500)	(19 500)	2
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	Taxable income	602 900	
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	Tax 213 260	213 260	1
	Less rebate (5 400)	(5 400)	1
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	SA tax liability	207 860	
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(b) No SITE is payable in respect of the salary paid to Cedric because in law Cedric is not an employee of the partnership and the so-called salary is merely a profit share variation. 2

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		R	Marks
2 (a)	– Accounting profit	2 500 000	1/2
	– Less dividend income (exempt)	(250 000)	1
	– Less profit on sale of asset	(350 000)	1
	– Depreciation on asset sold (add)	25 000	
	Tax on asset sold:		1
	Cost of asset	R500 000	1/2
	Less s.12C 2002 (40%)	(200 000)	
	2003 (20%)	(100 000)	
	2004 (20%)	(100 000)	1
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	Tax value 31/6/2004	100 000	
	s.8(4)(a) recoupment	400 000	2
	Capital gain:		
	Proceeds (750 – 400)	350 000	
	Base cost (500 – 400)	(100 000)	
	Capital gain	250 000 x 50%	125 000
	– Staff costs:		3
	Add annuity to dependants (50 000 – 2 500)	47 500	1 1/2
	annuity to former employee – no adjustment		1/2
	– VAT on fringe benefit 1 000 000 x 0,3% x 14/114 x 12	(4 421)	2
	– Add depreciation (1 500 000 – 25 000)	1 475 000	1/2
	– Less wear and tear:		
	(i) Machinery		
	Depreciation is R975 000		
	Cost is R9 750 000		
	s.12C at 20%	(1 950 000)	1 1/2
	(ii) Vehicles	(400 000)	1
	(iii) Office furniture	(100 000)	1
	– Add interest paid (not in production of income)	200 000	2
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	Taxable income	1 618 079	20
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(b)	Profit before tax	2 500 000	
	Less tax 30% x R1 618 079	(485 424)	1 1/2
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	Profit after tax	R2 014 576	
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	Dividend declared 25%	503 644	
	Less dividend received	(250 000)	2
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	Net amount of dividend	R253 644	
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	STC at 12 1/2%	R31 705	1 1/2
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			5
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			25
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		R	Marks
3	Other taxable income	3 800 000	1/2
(a)	Sale of residential property:		
	Proceeds	6 500 000	1/2
	Less base cost:		
	(i) market value on 1/10/01 R4m		1/2
	(ii) time apportioned:		
	600 000 + $\frac{(6\,500\,000 - 600\,000 \times 3)}{5}$		
	= R4 140 000		2
	Use time apportioned	(4 140 000)	1
	Capital gain	2 360 000	
	Less primary residence exclusion	(1 000 000)	1
		1 360 000	
	Less annual exclusion	10 000	1
	Include in taxable income 25%	1 350 000	1/2
		337 500	
(b)	The flat was bought with a profit intention and the proceeds are therefore of a revenue nature.		
	Gross income	4 500 000	1 1/2
	Opening stock	(2 800 000)	1 1/2
(c)	The stamp is a personal-use capital asset		
	The capital gain or loss is disregarded	-	2
(d)	Because the yacht exceeds 10 metres it is subject to capital gains tax		
	Proceeds	2 800 000	1/2
	Base cost		
	(i) market value R2.5m		
	Time apportioned:		1/2
	800 000 + $\frac{(2,8m - 0,8m \times 11)}{13}$		
	= R2 492 308		2
	Use market value	(2 500 000)	1
	Capital gains	300 000	
	Include in taxable income 25%	75 000	1/2
(e)	Share sale proceeds	4 600 000	1
	Less base cost	(3 000 000)	1
	Capital gain	1 600 000	
	Include in taxable income 25%	400 000	1/2
(f)	The Audi is a personal-use asset	-	2
	Taxable income	6 312 500	21

	R	Marks
4 (a) SITE on remuneration excluding the bonus.		
Salary 4 x 4 500	18 000	1/2
Taxable medical aid 4 x 100 ((900 x 1/3) – 200)	400	1 1/2
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	18 400	
Less RAF contributions 4 x 300	(1 200)	1
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	17 200	
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Annual equivalent 12/4 x 17 200	51 600	1
Tax on R51 600	9 288	1/2
Less rebate	(5 400)	1
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Annual tax	3 888	
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SITE R3 888 x 4/12	1 296	1
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SITE on bonus		
Annual salary plus bonus	63 600	
SITE of first R60 000		
Tax on R60 000 after rebate	5 400	
Less annual tax on salary	(3 888)	
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SITE on bonus	1 512	3 1/2
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Total SITE payable (1 512 + 1 296)	R 2 808	10
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(b) Salary	18 000	1/2
Bonus	12 000	1/2
Medical (fringe benefit)	400	1/2
Interest (15 000 + 25 000)/2	20 000	2
Less exempt	(10 000)	1
Rental 36 000/2	18 000	2
Less RAF contributions R300 x 12	(3 600)	1 1/2
Medical 800 + 7 200 =	8 000	
Less limit	(500)	2
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Taxable income	47 300	10
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(c) Piet is subject to employees tax on his pension and to SITE on the first R60 000.		
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Annual pension	144 000	
Tax on R144 000	33 000	
Less rebates (5 400 + 3 100)	(8 500)	
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Employees tax	24 500	2
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SITE on R60 000 only		
Tax on 60 000	10 800	
Less rebates	(8 500)	
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SITE	2 300	2
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