
Answers

**ACCA Certified Accounting Technician Examination – Paper T9(ZAF)
Preparing Taxation Computations (South Africa)**

**June 2004 Answers and
Marking Scheme**

		R	
1	Sales – gross income	3 000 000	1
	Cost of sales:		
	Opening stock	6 000	
	Purchases	1 300 000	
	Closing stock	(11 000)	1½
		<hr/>	
	Salaries	580 000	
	Less retirement lumpsum	(30 000)	1½
		<hr/>	
	Output tax on fringe benefit		
	R120 000 x 0,3% x 14/114 x 12 (s.11(a))	(530)	2
	Wear and tear:		
	– Building 280 000 x 5%	(14 000)	2
	– Equipment s.12C 300 000 x 20%	(60 000)	2
	Destroyed machine cost	60 000	
	S.12C 20% x 3	(36 000)	
		<hr/>	
	Tax value	24 000	
	Proceeds 34 200 x 100/114	30 000	
		<hr/>	
	Recoupment	6 000	3
		<hr/>	
	Set-off against new machine		
	New machine	60 000	
	Less recoupment	(6 000)	
		<hr/>	
	S.12C	54 000 x 40%	(21 600) 2
	– Motor vehicles		
	Cost 304 000 x 20%	(60 800)	2
	Rental	(90 000)	2
	Patent R30 000 x 5% – s.11(gA)	(1 500)	2
	Legal cost – capital	–	1
	Bad debts s.11(i)	(8 000)	2
	Other costs	(130 000)	1
		<hr/>	
	Taxable income from trade	768 570	
	Interest income (28 000 + 12 000) ÷ 2	20 000	2
	Interest exemption	(10 000)	1
	Rental income (machine) R300 x 12	3 600	2
	Rental (house) R60 000 ÷ 2	30 000	2
		<hr/>	
	Taxable income	812 170	
	Tax per the table	296 968	1
	Less rebate	(5 400)	1
		<hr/>	
		291 568	
		<hr/>	

34

		Marks	
2 (a)	Providing the services which Wealth Generator cc provides is a supply of services for the purposes of the VAT Act.		
	The services are not financial services as defined in the Act.	1	
	If annual taxable supplies exceed R300 000 the person is a vendor.	1	
	Wealth Generator cc is therefore a VAT vendor.	1	
		<u>3</u>	
(b)	A close corporation is a company as defined for tax purposes.	1	
	– The members are defined as shareholders.	1	
	– A Dividend is defined as any amount distributed by a company to its shareholders.	1	
	– Amount distributed means profits distributed.	1/2	
	– The distribution is therefore subject to STC.	1/2	
		<u>4</u>	
(c)			
	R		
	Services gross income 2 850 000 x 100/114	2 500 000	1
	Salaries to members	(1 000 000)	1
	Interest paid to members 600 000 x 15%	(90 000)	1
	Other expenses	(500 000)	1
	Dividend income	90 000	1
	Net income before tax	<u>1 000 000</u>	
	Tax payable (1 000 000 – 90 000) x 30%	(273 000)	1
	After tax profit	727 000	
	$x + (x - 90) \times 0,125 = 727\ 000$		
	Therefore $x = R656\ 222 =$ dividend declared		
	Dividend declared	R656 222	
	Less dividend accrued	<u>(90 000)</u>	
		$566\ 222 \times 12\frac{1}{2}\% =$	<u>R70 778</u>
			<u>2</u>
			<u>8</u>
(d)	The STC must be paid by no later than 31 March 2004.		<u>2</u>
(e)	Bert and Alex are directors for the purposes of the Income Tax Act. Salaries paid to directors of a private company are subject to employees tax. However, such amounts are not net remuneration and none of the employees tax is therefore SITE.		<u>3</u>

		R	Marks
3 (a) (1)	Proceeds	2 800 000	1/2
	Less base cost:		
	(i) Market value = 1 500 000		1/2
	OR		
	(ii) $600\,000 + \frac{(2\,800\,000 - 600\,000 \times 4)}{8} = 1\,700\,000$	(1 700 000)	2
	Capital gain	<u>1 100 000</u>	<u>3</u>
(2)	Selling price	380 000	
	Tax value	nil	
	Recoup	300 000	1
	Proceeds (380 000 – 300 000) =	80 000	1
	Cost:		
	(i) Market value	200 000	1/2
	OR		
	(ii) $R0 + \frac{(80\,000 - 0 \times 3)}{4}$	R34 286	1/2
	Use market value but base cost limited to proceeds	(80 000)	2
	Capital gain	<u>Rnil</u>	<u>5</u>
(3)	Cost	R800 000	
	s.12C 02	(320 000)	
	03	(160 000)	
	04	(160 000)	
	Tax value	160 000	
	Cost	800 000	
	Recoup	640 000	2
	Proceeds: (1m – 640 000)	360 000	1/2
	Cost 800 000 – 640 000	(160 000)	1
	Capital gain	<u>R200 000</u>	<u>3 1/2</u>
(4)	Proceeds	1 800 000	1
	Cost	(2 000 000)	1
	Capital loss	<u>(R200 000)</u>	<u>2</u>
(5)	Proceeds	300 000 (limited to cost)	
	Less tax value	190 000	
	Recoup	<u>110 000</u>	1 1/2
	Proceeds (310 000 – 110 000)	200 000	1/2
	Cost (300 000 – 110 000)	(190 000)	1/2
	Capital gain	<u>10 000</u>	<u>2 1/2</u>

			Marks
(b)	Taxable income pre adjustments	1 800 000	
	Recoupment: (2)	300 000	1/2
	(3)	640 000	1/2
	(5)	110 000	1/2
	Capital gain/loss: (1)	1 100 000	
	(2)	-	
	(3)	200 000	
	(4)	(200 000)	
	(5)	10 000	
		<u>1 110 000</u> x 50%	
		555 000	3 1/2
	Taxable income	<u>R3 405 000</u>	<u>5</u>
R			
4 (a)	Monthly salary	4 500·00	
	Less pension limited to 7 1/2%	337·50	
		<u>4 162·50</u>	
	Annual equivalent	R49 950	
	Tax on R49 950	8 991	
	Less rebate	(5 400)	
	Annual tax	<u>3 591</u>	
	SITE on salary R3 591 x 6/12	R1 795·50	3 1/2
	Annual salary plus bonus	R64 950	
	Limited to R60 000		
	Tax on R60 000 less rebate	5 400	
	Less annual tax on salary	(3 591)	
	SITE on bonus	<u>R1 809</u>	2
	Total SITE	<u>R3 604·50</u>	1/2
			<u>6</u>
(b)	<i>Remuneration</i>	<i>Amount (R)</i>	
	Salary	20 000	1
	Travel allowance (R1 800 x 50%)	900	1
	Entertainment allowance	500	1
	Medical aid fund (R1 000 - 2/3 x 1200)	200	1
			<u>4</u>
(c)	SITE is limited to R60 000 of net remuneration.		
	Tax on R60 000	R10 8000	
	Less rebate	(5 400)	
		<u>5 400</u>	<u>2</u>

			Marks	
(d)	Salary 20 000 x 12		240 000	1
	Entertainment allowance 500 x 12		6 000	1
	No deduction allowed for entertainment		-	1
	Travel allowance	21 600		
	Less deemed business:			
	Total kms	22 000		
	Less private (deemed)	<u>(14 000)</u>		
	Deemed business	8 000 kms		1 ^{1/2}
	Rate:			
	- fixed cost	44 535 = 202.43 cents		
		<u>22 000</u>		
	- fuel	26.5		
	- maintenance	<u>23.4</u>		
		252.33 cents		
	Business expenditure 8 000 x R25 233	(20 186)	1 414	2 ^{1/2}
	Medical aid 200 x 12 (fringe benefit)		<u>2 400</u>	1 ^{1/2}
			49 200	
	RAF contributions	R48 000		
	Limited to 37 380 (15% x 249 200)		(37 380)	2
	Medical expenses:			
	Contributions to fund paid	2 400		
	Non-recoverable expenses	<u>21 000</u>		
		23 400		
	Less	<u>(500)</u>	(22 900)	2 ^{1/2}
	Taxable income		<u>188 920</u>	<u>13</u>