
Answers

			Marks
1	Sales	1 200 000	1
	Purchases	(200 000)	1
	Packing materials	(10 000)	1
	Closing stock – raw materials	50 000	
	– packing materials	1 000	
	Electricity and water	51 000	1
	Advertising	(35 000)	1/2
	Repairs – s.11(d)	(20 000)	1
	Repairs – s.11(d)	(5 000)	1
	Building:		
	– lease premium R57 000 x 100/114 x 1/20	(2 500)	2
	– rental R5 130 x 100/114 x 12	(54 000)	1
	– improvements R100 000 x 1/19 yrs 10 months	(5 042)	2
	– building allowance (140 000 – 100 000) x 5%	(2 000)	2
	Plant:		
	– baking oven		
	rent R25 000 x 12	30 000	
	less VAT 14 000 x 30/150	(2 800)	
	– dough machine		
	s.12C, R68 400 x 100/114 x 40%	(24 000)	2
	Equipment R20 000 x 20% x 10/12	(3 333)	1
	Delivery van R120 000 x 25% x 10/12	(25 000)	1
	Salaries	500 000	
	less leave pay	(30 000)	
	Computer R13 680 x 100/114 x 1/3	(4 000)	1
	Software – s 11(a)	(2 500)	1
	Insurance R2 280 x 100/114 x 12	(24 000)	1
	Interest income	25 000	1/2
	less exempt interest	(11 000)	1/2
	Dividends income	15 000	1/2
	less exempt	(15 000)	1/2
	Medical – fund contributions	24 000	
	– expenses	8 200	
		32 200	
	less	(500)	
	RAF contributions (below limit)	(31 700)	1 1/2
	Property rental	(12 000)	1
	Expenses	60 000	1/2
	Repairs – renewal of subsidiary part of whole – s.11(d)	(10 000)	1/2
	Repairs – renewal of subsidiary part of whole – s.11(d)	(15 000)	1
	Taxable income	342 725	
	Tax per table	107 160	1/2
	less rebate	(5 800)	1/2
	Tax liability	101 360	
			<u>30</u>
2	(a) Amount on which Beth's monthly employment tax is calculated:	R	
	Cash salary	60 000	1/2
	Use of car R410 400 x 14/14 x 1.8%	6 840	1/2
	Interest free loan R100 000 x 8.5% x 1/12	708	1
	Entertainment allowance	2 000	1/2
	Provident fund	–	1/2
	Medical aid fund R2 100 x 1/3	700	1
		70 248	<u>4</u>
	(b) Because Beth is a director none of the employees tax is SITE.		1

			Marks
(c) Fee income		6 000 000	1/2
Interest income		700 000	1
Dividend income exempt		–	1
less Salaries and wages	1 500 000		
less 2/3 of restraint	<u>(200 000)</u>	(1 300 000)	3
Operating expenses		(1 000 000)	1/2
Beth and June:			
Cash salary R60 000 x 2 x 12		(1 440 000)	1
Company car:			
Wear and tear 410 400 x 100/114 x 20% x 2		(144 000)	2
Fuel		(36 000)	1
Insurance 11 000 x 100/114		(9 649)	1
Licence		(1 200)	1
Maintenance 5 700 x 100/114		(5 000)	1
Entertainment allowance 2 000 x 12 x 2		(48 000)	1
Provident fund contribution 10 000 x 12 x 2		(240 000)	1
Medical aid fund contribution 2 100 x 12 x 2		(50 400)	1
VAT on fringe benefits (s.11(a))			
– cars (360 000 x 0,3 x 14/114) x 2 x 12		(3 183)	2
Taxable income		<u>2 422 568</u>	<u>18</u>
(d) Taxable income		2 422 568	
Add dividend income		300 000	1
less 2/3 of restraint		<u>(200 000)</u>	1
Accounting profit		2 522 568	
less tax 2 422 568 x 30%		<u>(726 770)</u>	1
After tax profit		<u>1 795 798</u>	
Dividend declared at 50%		897 899	1
less dividend accrued in dividend cycle		<u>(300 000)</u>	1
		597 899	
STC at 12 1/2%		<u>R74 737</u>	1
			<u>6</u>

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	R	Taxable income R	
1. Cost of machine	100 000		
s.12C allowance 2004 (40%), 2005 (20%)	<u>(60 000)</u>	(20 000)	1 1/2
Tax value	40 000		
Selling price	<u>250 000</u>		
Recoupment		60 000	1
CGT:			
Proceeds (250 000 – 60 000)	190 000		
Base cost (100 000 – 60 000)	<u>(40 000)</u>		
Capital gain	150 000		2
Include 50% in taxable income		75 000	1/2
2. Cost of machine	180 000		
s.12C 2003 (40%), 2004 (20%), 2005 (20%)	<u>(144 000)</u>	(36 000)	1 1/2
Tax value	36 000		
Proceeds	<u>200 000</u>		
Recoup	144 000		1
Defer ito s.8(e)			
New machine cost	600 000		
s.12C 40%		(240 000)	1/2
Add deferred recoupment 40% x 144 000		57 600	1
3. Shares sold (gross income)		900 000	
Cost s.11(a)		(600 000)	2

			Marks
4. CGT Proceeds	800 000		
Base cost:			
(i) market value (MV) 640 000			1/2
(ii) TABC R640 000			
500 000 + $\frac{(800\ 000 - 500\ 000 \times 4)}{7}$			1 1/2
= 671 429			
∴ use TABC	(671 429)		1
Capital gain	<u>128 571</u>		1/2
Include 50% in taxable income		64 286	1/2
5. Machine cost	300 000		
12C, 2001 to 2005 at 20% per year	(300 000)	(60 000)	1 1/2
Tax value	<u>NIL</u>		
Proceeds	<u>500 000</u>		1
Recoup		300 000	
CGT			
Proceeds (500 000 – 300 000)	200 000		
Base cost			
(i) MV 200 000			
(ii) TABC			
Nil + $\frac{(200\ 000 - \text{nil} \times 1)}{5}$	(200 000)		1 1/2
= 40 000			
Capital gain	<u>Nil</u>	–	1
Effect on taxable income (add)		<u>500 886</u>	<u>20</u>

4	1. Include in income:		R	
	– Car 1: R342 000 x 100/114 x 4% x 12		144 000	
	– Car 2: R456 000 x 100/114 x 1,8% x 12		<u>86 400</u>	3
			<u>230 400</u>	
	2. Include the greater of:			
	(i) (A – B) x 18%			
	(500 000 – 20 000) x 18%	<u>86 400</u>		2
	(ii) Costs incurred by Gen			
	– bond interest	200 000		
	– electricity/water	20 000		2 1/2
	– rates	18 000		
	– insurance	<u>10 000</u>		
		<u>248 000</u>	<u>248 000</u>	1/2
	3. Total kilometres limited to	32 000		
	Deemed private	<u>(14 000)</u>		
	Deemed business	<u>18 000</u>		2
	Deemed rate per km			
	Fixed cost $\frac{62\ 677}{36\ 000} =$	174,10		1
	Fuel	29·40		
	Maintenance	<u>26·90</u>		2
		<u>230·40</u> cents		2
	Business expense 18 000 x 2·304	41 472		
	Travel allowance	<u>48 000</u>		
	Include in income		<u>6 528</u>	

			Marks
4.	Cost of gold watch R11 400 x 100/114	10 000	
	Exclude long service exemption	<u>(5 000)</u>	
	Include in income		
			<u>5 000</u>
			<u>3</u>
5.	Include 200 000 x (8,5% – 5%)		
			<u>7 000</u>
			<u>2</u>
			<u>20</u>