
Answers

		<i>Marks</i>
1 (a) SITE is withheld on remuneration limited to a maximum of R60 000. Thhe SITE is:		
	R	
Tax on R60 000	10 800	
less rebate	(6 300)	
	<hr/>	
SITE	4 500	2
	<hr/>	
(b) Taxable income		
	R	
Salary	350 000	1/2
Use of car R200 000 x 100/114 x 1·8 x 12	37 895	2
Lunches excluded	–	1
Bonus	40 000	1/2
Interest	20 000	1
Exempt interest	(15 000)	1
Dividends (exempt)	–	1
Rent	60 000	1
Annuity R5 000 x 2	60 000	
Less exempt 40/60 x 60 000	(40 000)	2
	<hr/>	
Pension contributions limited to 7½% x 350 000	(26 250)	2
Rental property expense (s.11(d)) (Note the alarm is an improvement)	(14 000)	2
Medical expenses (i) 800 x 12	9 600	
(ii) 40 000 – 25 00	15 000	
	<hr/>	
less limit	24 000 (500)	3
	<hr/>	
RAF contributions limited to 15% of R172 645	(25 897)	2
Capital gain (600 000 – 400 000) x 25%	50 000	2
	<hr/>	
Taxable income	472 648	
	<hr/>	
Tax per the table	155 059	2
Rebate	(6 300)	1
	<hr/>	
SA normal tax	148 759	
	<hr/>	
		24
		<hr/>
(c) Because Harry has non-remuneration taxable income which exceeds R10 000 per annum he is a provisional taxpayer.		
Harry must make two provisional payments per year. The first must be paid by no later than 31 August and the second by no later than 28 February.		4
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	R	R	Marks
2 (a) Sales: SA		8 000 000	1/2
Botswana/Namibia		2 000 000	1
Cost of sales	3 000 000		
Add back depreciation	(1 000 000)		1/2
	<hr/>		
	2 000 000		
Tax allowances:			
– Building R15m x 5%	750 000		2
– Machines s.12C 40% x R2.8m	1 120 000		2
	<hr/>		
		(3 870 000)	
Interest income		50 000	2
Dividends (exempt)		–	1
Sale of asset			
Selling price	R140 000		
Book value	R100 000		
therefore cost	R200 000		
s.22 200 000 x 20% x 6/12		(20 000)	3
Tax value = R120 000			
s.8(4)(a) recoupment		20 000	2
Salaries	1 000 000		
add back restraint	(300 000)		
	<hr/>		
	700 000		
tax allowance in respect of restraint	100 000	(800 000)	2
	<hr/>		
Depreciation			
Heavy duty vehicles R1.6m x 25%		(400 000)	2
Motor cars R800 000 x 20%		(160 000)	2 1/2
Sundry expenses		(700 000)	1/2
		<hr/>	
Taxable income		4 120 000	
		<hr/>	
Tax at 29%		1 194 800	1
		<hr/>	22
		<hr/>	
(b) Profit before tax		R4 775 000	
SA normal tax		(1 194 800)	2
		<hr/>	
		3 580 200	
		<hr/>	
Dividend declared (50%)		R1 790 100	2
less dividends accrued		(10 000)	
		<hr/>	
Net dividend		1 780 100	1
STC at 12 1/2%		R222 513	5
		<hr/>	
(c) STC must be paid by no later than the end of the month following the month in which the dividend cycle ends. The dividend cycle ends on 30 June 2006. The STC must be paid on or before 31 July 2006.			

			Marks	
3	1.	Machine cost	400 000	
		s.12C 2004 – 40%	(160 000)	
		2005 – 20%	(80 000)	
		2006 – 20%	(80 000)	
			<hr/>	(80 000)
		Tax value	80 000	
			<hr/>	
		Selling price	600 000	
		Recoup s.8(4)(a)		320 000
		CGT		
		Proceeds (600 – 320)	280 000	1 ¹ / ₂
		Base cost (400 – 320)	(80 000)	1 ¹ / ₂
			<hr/>	
		Capital gain	200 000	
			<hr/>	
	Include in taxable income 50%		100 000	
	2.	Cost	300 000	
		s.11(e) 2004	(50 000)	
		2005	(60 000)	
		2006	(15 000)	
			<hr/>	(15 000)
		Tax value	175 000	
			<hr/>	
		Selling price	200 000	
			<hr/>	
		Recoup		25 000
		CGT		
		Proceeds (200 – 25)	175 000	
		Base cost (300 – 125)	175 000	
			<hr/>	–
			<hr/>	
	3.	Proceeds	5 000 000	
		Base cost		
		$P = R \times \frac{B}{(B + A)}$		
		$5m \times \frac{1}{1.4}$		
		$= 3\,571\,429$		
		$Y = B + \frac{[(P - B) \times N]}{T + N}$		
		$= 1m + \frac{[(3\,571\,429 - 1m) \times 7]}{12}$		
		$= 2\,500\,000$		
		Add post 1/10/01	400 000	
		Base cost	<hr/>	2 900 000
			<hr/>	
		Capital gain	2 100 000	
			<hr/>	
		Include 50% in taxable income		1 050 000
	4.	Proceeds	300 000	
		Base cost	400 000	
			<hr/>	
		Capital loss	100 000	
			<hr/>	
		Set off against gains 50%		(50 000)
	5.	Proceeds (deemed)	5m	
		Base cost	2m	
			<hr/>	
		Capital gain	3m	
		Include in taxable income 50%		1 500 000

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		Marks
4 (a)	1. Motor car	
	VAT	
	– Input	<u>Rnil</u>
	No input tax may be claimed when the motor car is acquired.	1
	– Input on fuel	<u>Rnil</u>
	fuel is zero rated	1
	– Input on insurance R1 026 x 14/114 x 12	<u>R1 512</u>
	– A VAT output is payable in respect of the fringe benefit.	1/2
	The annual output is R399 000 x 100/14 x 0.3% x 14/114 x 12	<u>R1 547</u>
		1 1/2
	INCOME TAX	
	– Wear and tear claimed (s.11(e)) R399 000 x 20%	<u>R79 800</u>
	– Fuel cost deducted (s.11(a))	<u>R18 000</u>
	– Insurance premiums (s.11(a)) R1 026 x 100/114 x 12	<u>R10 800</u>
	– Output tax (s.11(a))	<u>R1 547</u>
		1
	2. Residential accommodation	
	VAT	
	Inputs and outputs	<u>Rnil</u>
	Residential accommodation is an exempt supply.	1
	INCOME TAX	
	– Bond interest deducted s.11(a)	<u>R204 000</u>
	– Electricity and water deducted (s.11(a)) R3 420 x 12	<u>R41 040</u>
	(The VAT may not be claimed as an input)	1
	– Rates deducted (s.11(a))	<u>R18 000</u>
	– Wear and tear on furniture R100 000 x 1/6	<u>R16 667</u>
		1/2
		1
	3. Vacation	
	VAT	
	Inputs and outputs	<u>Rnil</u>
	INCOME TAX	
	– All costs deducted (s.11(a))	<u>R90 000</u>
		1
(b)	1. Use of motor car	
	The taxable fringe benefit is as follows:	
	R399 000 x 100/114 x 1.8% x 12	<u>R75 600</u>
		2
	2. Residential accommodation	
	The staff member is taxed as follows:	
	An amount determined using the formula	
	$(A - B) \times \frac{C}{100}$	
	$(400\,000 - 20\,000) \times \frac{19}{100}$	<u>R72 200</u>
		2
	3. Vacation	
	Taxable amount equals all expenses paid by the employer i.e.	<u>R90 000</u>
		2
		<u>20</u>