
Answers

Marks

1 Cedric Matheson

(a) SITE is withheld on the annual equivalent of remuneration limited to a maximum of R60 000.

	R	
Tax on R60 000	10 800	1/2
less rebate	<u>(7 200)</u>	1/2
Annual tax	<u>3 600</u>	
SITE for period of employment R3 600 x 3/12	<u>900</u>	<u>1</u>
		<u>2</u>

(b) Total tax liability

Salary		R	
Bonus	R	120 000	1/2
Travel allowance	30 000	40 000	1/2
Actual kms 34 000 limited to 3/12 of 32 000	8 000		1 1/2
Deemed private 18 000 x 3/12	<u>(4 500)</u>		1
Deemed business kms	<u>3 500</u>		
Rate per km			
VAT inclusive price = R300 000 x 114/100 = R342 000			
Fixed cost $\frac{99\ 240}{34\ 000} \times \frac{3}{12}$ $\left[\text{or } \frac{92}{365} \right]$	72.97		2
Fuel	59.80		1/2
Maintenance	<u>65.50</u>		1/2
Cents per km	<u>198.27</u>		
Deemed business expense 3 500 x 1.9827	<u>(6 939)</u>	23 061	1
Provident fund contributions		–	1/2
Fee income		500 000	1/2
Salary		(90 000)	1/2
Mrs Smith's holiday (cost of employment)		(25 000)	1
Electricity, water and rates (10 000 + 8 000)		(18 000)	1
Insurance premium		(4 000)	1
Travel expenses		(9 000)	1/2
Sundry expenses		(2 649)	1/2
Wear and tear			
– computer R25 000 x 100/114 x 1/3 x 8/12		(4 873)	1 1/2
– furniture R57 000 x 100/114 x 1/6 x 8/12		(5 556)	1 1/2
Interest income		32 000	1/2
Exempt portion		(16 500)	1
Dividends (exempt)		–	1/2
RAF contribution (below 15% of non-retirement funding employment income)		(60 000)	1
Sale of house	R		
Proceeds	3 200 000		
less base cost	<u>(800 000)</u>		
Capital gain	2 400 000		1 1/2
less primary residence rebate	(1 500 000)		1
less annual exclusion	<u>(12 500)</u>		1
	<u>887 500</u>		
Include in taxable income 25%		<u>221 875</u>	1
Taxable income		<u>701 358</u>	
Tax per the table		237 543	1
less rebate		<u>(7 200)</u>	1/2
Total tax liability		<u>230 158</u>	

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2 Furnco (Pty) Ltd

(a) VAT output in respect of use of cars			
Cost excluding VAT = R500 000 x 100/114 = R438 596			1
Output tax R438 596 x 0.3% x 14/114 x 12		R1 939	2
		<u> </u>	<u>3</u>
(b) Taxable income		R	R
Sales (gross income)		12 000 000	1/2
Purchases (s.11(a))		(4 000 000)	1/2
Opening stock		(300 000)	1
Closing stock		1 200 000	1
Less:			
Salaries and wages	3 500 000		
Less provision	<u>(400 000)</u>	(3 100 000)	2
Operating expenses		(410 000)	1/2
Wear and tear:			
– Buildings			
Cost = 5 000 ÷ 2% = 250 000			
Tax wear and tear at 5%		(12 500)	3
– Plant and machinery			
Cost of plant on hand at 28 February 2007 R700 000			
s.12C 20% x 700 000		(140 000)	2
Machine sold			
Cost	100 000		
12C 2006	(40 000)		
2007	<u>(20 000)</u>	(20 000)	1
Tax value	<u>40 000</u>		2
Recoupment		35 000	1
– Motor cars cost R500 000			
s.11(e) R500 000 x 20%		(100 000)	1
– Fixtures and fittings			
s.11(e)		(20 000)	1/2
VAT on fringe benefit (s.11(a))		(1 939)	2
Lease rental		(140 000)	1
Lease premium 100 000 ÷ 5		<u>(20 000)</u>	2
Taxable income		<u>4 970 561</u>	<u>21</u>
(c)		R	
Accounting profit (W1)	4 537 500		2
less tax 29% x 4 970 561	<u>(1 441 463)</u>		1
After tax profit	<u>3 096 037</u>		
Dividend declared 50%	<u>1 548 019</u>		1
STC 12 1/2% x 1 548 019		<u>R193 502</u>	<u>1</u>
			<u>5</u>
W1 Accounting profit		R	
Sales	12 000 000		
Purchases (300 + 4 000 – 1 200)	(3 100 000)		
Operating expenses	(410 000)		
Salaries and wages	(3 500 000)		
Depreciation	(312 500)		
Lease costs	<u>(140 000)</u>		
	<u>4 537 400</u>		
(d) The 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 of Furnco ends on 28 February 2007, thus the STC must be paid on or before 31 March 2007.			<u>2</u>
			<u>31</u>

3 David Sing

	R	R	
1. Sale of holiday home			
Proceeds:	1 600 000		1/2
Base cost (time apportioned)			
200 000 + $\frac{(1\ 600\ 000 - 200\ 000) \times 4}{9}$	<u>(822 222)</u>		3
Capital gain		777 778	
2. Sale of furniture			
Personal use asset		-	1 1/2
3. Fishing boat (greater than 10 metres)			
Proceeds	250 000		
Base cost	<u>(260 000)</u>		
Loss	<u>(10 000)</u>		1
While gains on such assets are taxed, a loss is specifically disallowed as a deduction.		-	1 1/2
4. Residence			
Proceeds	6 000 000		1/2
Base cost			
(i) TABC			
500 000 + $\frac{(6m - 500\ 000) \times 12}{17}$			3
= R4 382 353			
(ii) Market value			
R4 400 000	<u>(4 400 000)</u>		1
Capital gain	1 600 000		
Primary residence allowance	<u>(1 500 000)</u>		1
Capital gain		100 000	
5. Motor car			
Personal use asset		-	1 1/2
6. Shares sold			
Proceeds	2 000 000		1/2
Base cost			
(i) 300 000 + $\frac{(2m - 300\ 000) \times 4}{9}$			
= R1 055 556	<u>(1 055 556)</u>		3
(ii) Market value R900 000			
Capital gain		<u>944 444</u>	1
Total capital gains		1 822 222	
less annual exclusion		<u>(12 500)</u>	1
		1 809 722	
Include in taxable income 25%		<u>R452 430</u>	1
			<u>21</u>

4 Mr Blackcap

(a) Monthly employees' tax	R	R	
Cash salary		35 000	1/2
Company car: Cost excluding VAT	315 790		
Fringe benefit 2·5% x 315 790		7 895	2
Residential accommodation: the greater of			
(i) costs borne by the employer			
i.e. rent	18 000		
other	3 000		
	<u>21 000</u>		1
OR			
(ii) (360 000 – 40 000) x 18% x 1/12			
	<u>4 800</u>		2
Greater amount		21 000	1
Medical aid: Contribution	2 500		
less Limit	<u>(1 300)</u>	1 200	1 1/2
Monthly remuneration		<u>65 095</u>	
Annual equivalent (65 095 x 12)		<u>781 140</u>	1/2
Tax per table		269 456	1/2
less rebate		<u>(7 200)</u>	1/2
Annual tax		<u>262 256</u>	
Therefore monthly employees' tax is (262 256 ÷ 12)		<u>R21 855</u>	1/2
			<u>10</u>
(b) First 2007 provisional payment			
Basic amount is R800 000		R	
Tax on R800 000 after rebate		<u>269 800</u>	1
for half a year (269 800 ÷ 2)		134 900	1
less employees' tax R21 855 x 6		<u>(131 130)</u>	1
First 2007 provisional		<u>3 770</u>	
Second provisional payment			
Because the basic amount has not changed the second payment is the same as the first i.e.,		<u>3 770</u>	1
			<u>4</u>
(c) Taxable income for the 2007 year:		R	
Taxable income from employment (per (a))		781 140	1/2
Interest income		135 000	1
Interest exemption		(16 500)	1
Dividends (exempt)		–	1/2
Taxable income		<u>899 640</u>	
Tax per table		316 856	1/2
less rebate		<u>(7 200)</u>	1/2
		309 656	
less employees' tax (21 855 x 12)		(262 260)	1
provisional payments (3 770 x 2)		<u>(7 540)</u>	1
Shortfall		<u>39 856</u>	6

(d) If Mr Blackcap wishes to avoid any s.90 *quat* interest he must make a third top up provisional payment of R39 856 by no later than 30 September 2007.

Marks

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