

**EXAM PAST
PAPER
SOLUTIONS
2015 & JUNE
2014**

OCTOBER 2015**QN 1**

Salary		750000
Employer Vehicle-		5766
Protective clothing		—
Long service Award tax free up to R5000(6000-5000)		1000
Building Material(25000-20000)		5000
Motorbike-Not remuneration		—
Foreign dividends (25/40) Exempt(3200-2000)		1200
Local Interest-Exempt 23800 ; (25800-23800)		2000
Foreign interest		1056
		766022
Less Deductions		
Pension ltd to greater of 1750 or 7.5% *750000		-56250
Past period 2000 l.t.d to R1800		-1800
Taxable Income		707972
Tax tables= 208587+(707972-701300*41%)		211322.5
Less Primary Rebate		-13257
Medical scheme(270*2*12)		-6480
Additonal 48000-(6480*3) + 12000 *33.3%		-13506
Net Normal Tax		178079.5

Q N 2

Basic salary(42000*12)	504000				
Travelling allowance (4000*80%*12)	38400				
Meals(2500*12)	30000				
Loan (12000*3%*3)	1080				
Taxable	573480				
Maariage in Community divide by 2					
Taxable for Jane (573480/2)	286740				
((59314+(286740-284101)) *31%	60132				
Credit	-13257				
Medical Aid Credit	-270				
T2	46605				
Divide by 12= 46605/12	3884				

QN 3

Cost	600000					
Transfer	34000					
Legal Fees	9000					
Tiles	40000					
Electronic System	12000					
Commission	116000					
Base Cost	811000					
Proceeds	2900000					
Gain	2089000					
Primary Resident Exclusion(2000000 *90%)	1800000					
Taxable Gain	289000					
M Vehicle						
Proceeds	110000					
Purchases	180000					
Loss	70000					
Gold Coins						
Market Value	70000					
Cost	45000					
Gain	25000					

QN 4

ESTATE VALUATION		900000
Farm Bovlei		8000000
Holiday Apartment		2700000
Annuity use tables (7.06201*5000*12)		456121
Unlisted Shares		380000
Insurance(22000-9000)		1300000
Furniture		440000
		14176121
Allowable Deductions S.4		
Liabilities	2300	
Master's fees	365300	
Funeral & Death	9000	376600
Net Value of Estate		13799521
Less S. 4 Abatement		3500000
Dutiable Amount		10299521
* 20%		2059904
Less Esate Duty owing to annuity inclusion(456121/13799521)*2059904		68087
Estate Duty Payable		1991817

Notes

- Property subsequently sold (S 5 1 a) It says should be recognized at selling price.
- Unlisted shares to be included at the date of death value.

QN 5

PART A

Pension Fund		1100000
Less;		
Transfer	-300000	
Contribution Disallowed	-23000	
Previous Contribution	-600000	-923000
		177000
Use tables (177000-25000)*18%		27360
Primary Rebate		13257
Tax Payable		14103

PART B

For a receipt to be included in gross income, it must comply with all the requirements of the general definition of "gross income". That is:

- The total amount, Passes
- In cash or otherwise, Passes
- Received by or accrued to, Passes
- During the year of assessment, Passes
- Not of a capital nature. Passes, since this was in relation to the earning of income.

MAY/ JUNE 2015

QN 1

Salary		650000
Travel Allowance incl vat R182400...Check tables Fixed cost 46505		1659
Parking (4000-2000)		2000
Bursary		exempt
Housing		51445
Foreign dividends (25/40) Exempt(6400-4000)		2400
Local Interest-Not in his favour		-
Medical aid benefit 84000*50%		42000
		749504
Less Deductions		
Pension ltd to greater of 1750 or 7.5% *650000		-48750
RAF ltd to 7.5%(698754- 650000+48750) or 1750		-7313
Taxable Income		693441
Tax tables= 149619+(693441- 550100*39%)		205522
Less Primary Rebate		-13257
Medical scheme(270*2+181*12)		-8652
Additional 84000-(8652*3) + 12000 *33.3%		-19329
Net Normal Tax		164284

- 1 Trvel Allwance
46505/18000 2.58
Fuel 0.879
0.367

Benefit (2000*3.829)-(3*2000)
1659
- 2 Bursary with condition of repayment is
exempt
- 3 Use the formula (A-B) *C/100* D/12

(81945-30500)
51445

QN 2

(a)

Salary(22000*12)		264000
Travel Allowance(2000*80%*12)		19200
Use of Vehicle(587-400)		2244
Internet Benefit(350*70%*12)		2940
		288384
Less Donation(800*12)		9600
Taxable		278784
Tables 32742+(278784-181900)*26%		57932
Primary		-13257
medical		-270
Employee tax payable		44405
For March		3700

(b)

Retirement		200000
Provident		950000
		1150000
Allowable deductions		
Transfer	310000	
Previous Contribution	520000	830000
		320000
Using tables(320000-25000)*18%		53100
Primary		-13257
Medical		-270
Tax Payable		39573

QN 3

(a) We only adjust this 8% for 2014 and 2015 since 18 months lapsed from the last assessment.

2014 : 320000+8% = 345600

2015 : 345600+8%=373248

(b)

$(260000-181900) * 26\% + 32742 = R53048$

Less Primary Rebate	<u>13257</u>
Tax Payable	39791
Less 1st Provision	<u>8000</u>
Due for 2nd Provisional	31791
Paid	<u>19556</u>
Interest on	12235

@10.5% = 1285

QN 4

Proceeds		4420000				
Valuation Date Value		-1700000				
Allowable cost After 1 October		-246000				
Gain		2474000				
Less Primary Exclusion $(400-170)/400 * 2m$		1150000				
Taxable Gain		1324000				

Notes

- Insurance- Income tax Purposes(**ITP**)
- 2250 replacement **ITP** , although you can debate about depend with the explanation you give in the notes section.
- Interest- **ITP**
- Exclusion rate is apportioned if the other part is not used for business. 170 square meters to be excluded.

JUNE 2014 SUGGESTED SOLUTIONS

Salary 270 000
 Use of a company car 20 137, 60

Total fringe benefit value : $230\ 000 \times 114/100$
 $= 262\ 200$
 $262\ 200 \times 3,5\ \% \times 9$

Determined value = 82 593

Less business travel

$(7\ 000 \times 70\%) - 4\ 900/7\ 000 \times 82\ 593$
 $= (57\ 815,1)$

Less fuel cost reduction

$2\ 100\ \text{km} \times 130,3\text{c} = (2\ 736,3)$

Less vehicle repairs = (1 904)

Value of fringe benefit = 20 137,60

Use of Tablet Computer 2 100

Cost to the employer 2 800

$(25\% \times 2\ 800)$ (700)

Value of fringe benefit 2 100

The asset was used mainly for private purposes paragraph 6(2)a of the seventh schedule

Reimburse allowance nil

Reimburse allowance is exempted.

Cell phone allowance 1 100

Value of fringe benefit 1 800
 Less business use reduction (700)
 Value of the benefit 1 100

Foreign interest 7 000
 Foreign interest exempted (7 000)
 Local interest 28 000
 Exempt portion (23800)
 Medical fringe benefit 21 500
 11 000 + (3500 x 3)

Less: Pension Fund Contribution: R 22 000 (20 250)

Limited to the greater of

R 1 750 or

$7,5\% \times R\ 270\ 000 = 20\ 250$

Taxable Income **298 787,6**

Normal Tax

$59\ 314 + (298\ 787,6 - 258\ 750 \times 31\%)$ 71726

Less primary rebate (13257)

Medical scheme tax (8652)

$(270 \times 2 + 181) \times 12$

Employees' medical contribution 17 000

Employer's contribution 11 000

Less tax credit	(8652)	
Add qualifying expense	4 000	
Less (7,5%x 298 787,6)	(22 409,07)	
Net normal tax		43
955, 28		

B) Tax on Pension Fund Lump Benefit

Pension fund Lump sum		700 000
Less amount disallowed current year(22 000-20 250)		(1750)
Amount disallowed previous years		698 250

Taxable income

$$698\ 250 + 380\ 000 = 1\ 078\ 250$$

Tax 203 400 + 36% (1 078 250-990 000)

$$= \text{R}235170$$

2)

Calculation of employee Tax for the year of assessment 2014

Income	216 000
Travel allowance	13 140
24 000- 10 860	
Total kilometres travelled	
2 000* 12 = 24 000	
6 000 + 4 000 = 10 000 km	
Fixed cost $65\,667/10\,000 \times 239/365$	42,9
Deemed cost per kilometre	
Fuel	98,7
Maintenance	39,4
181c x 6 000 =	10 860
Income from client service	150 000
Foreign dividend	8 000
Exempt portion	(8 000)
Pension contribution by employer	17 280
Less deductible expenses	
Pension fund Contribution	(16 200)
Greater of, but limited to : 17280	
1750	
Or 7, 5% 216 000 = 16 200	
Annual equivalent	380 000
Tax on 380 220 (380 220-272 700*30%) + 55 957	88 213

Less rebate		(12 726)
Medical scheme tax credits 484 *12		(5 808)
Add qualifying expenses		2 000
Employee tax		71 679
Monthly employee tax 71 679/12	5 973, 25	

Calculation of employee tax for the month of February

Annual equivalent		380 000
Add annual bonus		18000
		398 000
Tax on 398 000 (398 000 -377 450) *35% + 87 382		94 547,5
Less rebate		(12 726)
Medical tax credit		(5 808)
76 013,5		
Less employee tax on annual equivalent		(71 679)
		4 334,5
Total employee tax for February 4 334,5 + 5 973,25		10 307,75

Part b)

First Provisional Payment

Basic amount 320 000

Used 2013 figure because is the latest available assessed amount

Tax on 320 000 (320 000-258 750) 30% + 53 096 = 71 471

First provisional payment 71 471/2 35 735,5

Question 3

Ayanda Radebe.

The building is a pre-valuation date asset therefore the taxpayer should calculate cost at 1/10/01, paragraph 26

Base cost :

$$= \text{market value} = 825\,000$$

$$20\% \text{ rule} = 20\% (4\,000\,000) = 800\,000$$

$$\text{TAB} = 850\,000$$

$$\text{Base cost} = 850\,000 \text{ greater of the above 3}$$

$$\text{B.C} = 850\,000 + 480\,000 (600\,000 * 80\%) + 240\,000 (6\% * 4\,000\,000)$$

$$= 1\,570\,000$$

Capital gain

$$= 4\,000\,000 - 1\,570\,000$$

$$= 2\,430\,000$$

Question 4			
a)	Cash to sister	75,000.00	
	Exemption -100000 limited to	75,000.00	
		-	
	Cash to cousin	100,000.00	
	Exemption (100000-75000)	25,000.00	
		75,000.00	
	Donations tax @ 20%	15,000.00	
	Car to son exemption	350,000	
		-	
		350,000.00	
	Donations tax @ 20%	70,000.00	
b)	Townhouse	4,200,000.00	
	Studio flat	2,980,000.00	
	Unlisted share	535,000.00	
	Insurance policy-business-bought to acquire peter's shares and peter did not pay premiums		not included
	Insurance policy-personal-deemed property	560,000.00	
	Painting	325,000.00	
	Sec 4 (4) deductions		
	Master's fees	-600.00	
	Executo'r rem	-165,725.00	
	painting	-325,000.00	
	Net value	8,108,675.00	
	Rebate	-3,500,000.00	
	Dutiable amount	4,608,675.00	
	Estate duty payable	921,735.00	