

(a) SOLUTION TO QUESTION 1 PART A

May-17 Paper 2

SONKE
NET NORMAL TAX

Salary (R)		120 000
Commission earned (R)		400 000
Travel allowance		
Allowance	80 000	
Less reduction	108 672	
Limited to zero	<u>(28 672)</u>	
Reduction is greater of:		
Actual		
Deemed	108 672	
Business kms	37 000	
Private kms	13 000	
Total kms	<u>50 000</u>	
Deemed cost/km		
Determined value (cost plus VAT)	262 200	
Fixed cost	93 267	
Total km/5	50 000	
Total days (365 - 28 - 31 - 31 - 30)	245	
Fixed cost/km(93 267/54000)x245/365	1,252	
Fuel cost/km	1,189	
Maintenance cost/km	0,496	
Total cost/km	<u>2,937</u>	
Total deemed travel cost (Bus kms x rate)	<u>108 672</u>	
Actual cost/km		
No actual cost given.		
Entertainment allowance		
Less general deduction	50 000	
Can claim general deduction or not a salaried employee	(55 000)	
Use of laptop - used for business no Fringe benefit		
Purchase of laptop - 9 000 - 5 000	4 000	
LIF	45 000	

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Exemption		(45 000)
Foreign dividends		8 200
Exemption 25/45 x 8 200		(4 566)
Local interest		54 800
Exemption		(23 800)
Subtotal		553 644

Provident Fund contributions	9 600	
RAF contribution	40 000	
Total contribution	<u>49 600</u>	
Limited to the lesser of:		
350000 and	350 000	
27.5% of Remuneration (660 000) or	181 500	
27.5% of subtotal	152 252	
Limit is therefore claim contributions	181 500	
Disallowed deductions		(49 600)
Taxable Income		<u>504 044</u>

Tax per tables (Taxable income-410461) x 36% + 97 225

130 915

Rebates

(13 635)

6A tax credit (303x2x8)

(4 848)

6B tax credit	50 000	
Total contributions	(19 392)	
Less 4 times 6A credit	<u>30 608</u>	x25%
Qualifying expenditure	6 000	
Less 7.5% of taxable income	(9 819)	
Limited to zero	<u>(3 819)</u>	x25%

Net normal tax

104 780

Less provisional tax
Less employees tax
Net normal tax payable

104 780

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(b) SOLUTION TO QUESTION 1 PART b

TAX PAYABLE LUMP SUM

Lump sum from fund - Provident	1 000 000
Lump sum from fund - RAF	800 000
Preservation fund	-
Disallowed deductions - prior year	(250 000)
Disallowed deductions - prior year	(60 000)
Taxable lump sum	<u>1 490 000</u>
Previous year amount	-
Current year amount	<u>1 490 000</u>
Cumulative taxable amount	<u>1 490 000</u>
Tax on cumulative amount (withdrawal tables) (1 490 000-990 001)x0.36 + 203 400	383 400
Tax on previous amount	0
Tax payable	<u>383 400</u>

(b) SOLUTION TO QUESTION 2 PART a EMPLOYEES TAX

Salary	332 000
Reimbursive travel allowance	-
Use of company car (172 500 x 1.14 x 3.25% x 12 x 80%)	61 355
Subtotal	51 000
Contributions Limited to lesser of 350000 or 27.5% of subtotal	393 355
Subtotal	51 000
Donations to PBO Limited to 5% of subtotal	(51 000)
Balance of remuneration	<u>342 355</u>
Annualised amount	17 118
Tax per tables (Annualised amount - 296 541) x 31% + 61 910	75 554
Rebates 6A tax credit (303 x 12 X 2) + (204 X 12)	(13 635)
Tax payable	(9 720)
Tax for March (tax/12)	52 199
Annual amounts	<u>4 350</u>
Study reward - no exemption	22 000
Annualised amounts	340 555
Tax per tables (Annualised amount - 296 541) x 31% + 61 910	82 374
Rebates 6A tax credit (303 x 12 X 2) + (204 X 12)	(13 635)
Tax payable on annual amounts	(9 720)
Therefore tax on the study reward (59 019 - 52 199)	6 820
Monthly tax	4 350
Tax paid in January	<u>11 170</u>

SOLUTION TO QUESTION 3

CAPITAL GAINS TAX

Asset 1 - Large house	230 000
Asset 2 - Small business	2 200 000
Asset 3 - House	(132 269)
Aggregate gain	2 297 731
Less prior year losses	(4 000)
Less annual exclusion	(40 000)
Net gain	2 253 731
Inclusion rate	40%
Taxable gain	901 492

Large house

Proceeds	1 418 000
Less Base cost	588 000
Cost - ((1 900 000+600 000)x30%)	588 000

Capital gain

Primary residence exclusion - 2m x 30%	830 000
	<u>-600 000</u>
	230 000

Sale of business

Proceeds	2 700 000
Base cost	500 000
Capital gain	<u>2 200 000</u>

Small business exclusion - not older than 55 therefore not excluded.

Pre-2001 Non-depreciable house

Proceeds

	700 000
Less Base cost (VDV plus post 2001 expenditure)	<u>(832 269)</u>

Valuation date value (VDV) - Refer below

Post 2001 expenditure - Fence	790 369
Post 2001 expenditure - valuation cost	40 000
Post 2001 expenditure - additions - removed	700
Post 2001 expenditure - advertising	-
	<u>1 200</u>

Capital loss

(132 269)

Valuation date value (VDV)

Proceeds	700 000
Pre and post 2001 expenditure	841 900
((800 000+700+40 000+1 200))	
Market value	850 000

Proceeds are less than expenditure therefore use paragraph 27

Expenditure is less than market value therefore VDV is the lower of Market value 850 000
TAB 790 369
Therefore use TAB

SOLUTION TO QUESTION 4

Estate duty (a)

Value of property	
Holiday home	4 140 000
Bare dominium = Market value - Usufruct 2 645 000 - (2645000x125x8,10881)	71 264
Cash in bank	2 593 724
Listed shares - proceeds	1 300 000
Value of property	8 104 988
Deemed property	
Policy A - In terms of marriage contract - excluded	-
Policy B - domestic policy	1 050 000
No deductions for premiums - paid by deceased	-
Less liabilities and expenses	
Final income tax	(16 521)
Executors remuneration	(42 000)
Loan	(500 000)
Holiday home - bequest to wife	(4 140 000)
Donation - bequest to PGO	(5 000)
Net Estate	4 451 467
Less Abatement	(3 500 000)
Taxable amount	951 467
Estate duty payable @ 20%	190 293

Part b

Maudie would have to pay Estate duty on the Bare Dominium as the asset is not under the control of the executor. She has to pay a proportion of the bare dominium to the net estate multiplied by the estate duty payable.

SOLUTION TO QUESTION 5

- o Trade purpose (1) - Vincent has a rental business, therefore he is carrying on a trade
- o Expenditure or losses (1) - The R14 000 payment is expenditure (1)
- o Actually incurred (1) - Vincent incurred a legal liability to pay the web designer for services.
- o During the year of assessment (1) - the expense was incurred during the 2017 year of assessment (1)
- o In the production of income (1) - The payment was made to advertise his business, it is closely connected to the business as sales are expected to increase therefore it is in the production of income as it is closely related to income earning operations.
- o Not of a capital nature (1) - The website creates an enduring benefit as it is expected to provide all information regarding the sale. It will form part of the income earning structure of the rental business and therefore is capital in nature.

Conclusion

- o The amount paid does not meet the requirements and therefore is not deductible.

(a) SOLUTION TO QUESTION 1 PART A

Nov-17

JAY
NET NORMAL TAX

Salary (R)		800 000	
Pension		120 000	
<i>Use of company car</i>			
(300 000 x 1.14 x 3.25% x 10) Value of FB	111 150		
Less reductions	(37 050)		
(9 000/27000 x Value of Fringe Benefit)	(22 896)		
Private fuel (18 000 x 1.272)	51 204		
Taxable portion	<u>51 204</u>	51 204	
<i>Long service award</i>			
Fringe benefit on television	34 200		
No exemption - Only at 15 years and 25 years	<u>34 200</u>	34 200	
<i>Foreign dividends</i>			
Exemption (41 000 x 25/45)		41 000	
		<u>(22 778)</u>	
<i>Purchased Annuity</i>			
Annuity	30 000		
Exemption (30000x1000000/(150000x6.00726x12)	(27 744)		
	<u>2 256</u>	2 256	
Pension Fringe benefit		64 000	
Medical Aid Fringe benefit		36 000	
Subtotal		1 125 882	
<i>Pension Fund contributions - Employee</i>			
Pension Fund contributions - Employer	64 000		
Pension Fund contributions - Employer	64 000		
Pension Fund contributions - Additional	100 000		
	<u>228 000</u>		
Limited to the lesser of:			
350000 and	350 000		
27.5% of Remuneration (999 000)	274 725		
Or			
27.5% of Subtotal	309 618		
Disallowed deductions			
Taxable income		<u>897 882</u>	

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Tax per tables (897 882-708 311) x 41% + 209032	286 756	
Rebates - primary	(13 635)	
Rebates - Secondary	(7 479)	
6A tax credit (303x2x12)	(7 272)	
6B tax credit	84 000	
Total contributions (48 000 + 36 000 + 0) (Contribution of R80000 not a Fringe Benefit therefore not included)	(21 816)	
Less 3 times 6A credit	62 184	x33.3%
Qualifying expenditure	22 000	
Limited to zero	22 000	x33.3%
Net normal tax	<u>237 816</u>	(7 326)
Less provisional tax		
Less employees tax		
Net normal tax refund	<u>237 816</u>	

SOLUTION TO QUESTION 1 PART B

Lumpsum		
Lumpsum from the Government	939 130	
(2 400 000 x 18/45)	50 000	
Severance benefit		
Less transfer to preservation fund		
Less disallowed contributions - prior years		
Less disallowed contributions - current year		
Taxable Lumpsum	<u>989 130</u>	
Tax per tables (989 130 - 700 000) x 27% + 36 000	114 065	
No Hypothetical tax as this is the first withdrawal		
Tax payable	<u>114 065</u>	

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(b) SOLUTION TO QUESTION 2 PART a

EMPLOYEES TAX

Salary	20 000
Meals - during office and extended hours, no Fringe benefit	-
Transport - to and from work, no Fringe benefit	-
No RAF deduction as not known by the employer	-
Subtotal	<u>20 000</u>
Total monthly amounts/ Balance of Remuneration	20 000
Annualised amount	240 000
Tax per tables	47 209
(240 000 - 189 881) x 26% + 34 178	(13 635)
Rebates	-
6A tax credit	-
Tax payable	<u>33 574</u>
Tax for January (Tax payable/12)	2 798
Annual amounts calculation	
Total monthly amounts	240 000
Bravery award	4 000
Less than R5000 therefore exempt	<u>(4 000)</u>
	-
Holiday accommodation (1 500 x 14)	21 000
Subtotal	261 000
Donations to P90	500
Limited to 5% of subtotal	<u>(500)</u>
	13 050
Total annual amounts	260 500
Tax per tables	52 539
(260 500 - 189 881) x 26% + 34 178	(13 635)
Rebates	-
6A tax credit	-
Tax payable on all amounts	38 904
Tax payable on monthly amounts	33 574
Tax for Annual amounts	5 330

SOLUTION TO QUESTION 2

CAPITAL GAINS TAX

Taxable capital gain	
Asset 1 - Small business	-
Asset 2 - House	760 800
Aggregate gain	760 800
Less prior year losses	-
Less annual exclusion	(40 000)
Net gain	720 800
Inclusion rate 40%	40%
Taxable gain	<u>288 320</u>
Small business	
Proceeds	2 200 000
Less Base cost	<u>1 400 000</u>
	800 000
Exclude the gain as he is over 55 years old, owned the business for over 5 years, was actively involved in the business and gain is less than R1,8 million	
Pre-2001 Non-depreciable asset - (House in Pretoria)	
Proceeds (gross amount 5 141 000/0,97)	5 300 000
Less Base cost (VDV plus post 2001 expenditure)	(2 764 000)
Valuation date value (VDV)	1 245 000
Post 2001 expenditure - air conditioner	540 000
Post 2001 expenditure - portable router, not fixed	-
Post 2001 expenditure - repaint/repairs	820 000
Post 2001 expenditure - improvements	159 000
Post 2001 expenditure - Selling cost (3% comm)	<u>159 000</u>
Capital gain	2 536 000
Less: business gain	
2 536 000 x 25%	(760 800)
Primary residence	1 775 200
Primary residence exclusion	<u>(1 775 200)</u>
	-
Valuation date value (VDV)	5 300 000
Proceeds	5 300 000
Pre and post 2001 expenditure	(1 980 000 + 302 000 + 5 300 + 7 900 + (13 000 000 x 3% + 540 000 + 820 000))
	<u>2 562 400</u>
Taxable amounts	760 800

Market value 1 245 000

Proceeds are greater than expenditure therefore use paragraph 76

Proceeds exceed market value therefore VDV is the greater of
 Market value 1 245 000
 TAB 1 058 680
 20% x proceeds less post 2001 expenditure
 20% x (5,300,000 - 54,000 - 820 000 - 159,000) 853 400
 Therefore use MV as VDV

SOLUTION TO QUESTION 4

Donations tax (a)

Market value of donation
 Exemption (Maintenance)
 General exemption
 Taxable donation
 Donation tax payable

	Adah	Samar	Tara
Market value of donation	80 000	35 000	100 000
Exemption (Maintenance)	-	-35 000	-
General exemption	-80 000	-	-20 000
Taxable donation	-	-	80 000
Donation tax payable	-	-	16 000

Estate duty (b)

Value of property	
Residence	3 800 000
Flat in London	4 172 800
Unlisted shares	505 000
Painting	168 000
Value of property Deemed property	8 645 800
Life policy	-
Less liabilities and expenses	-
Property bequeathed to wife	-3 800 000
Flat in London liability	-1 500 000
Painting lent for 30years to museum	-168 000
Masters fees and remuneration	-77 000
Outstanding taxes	-26 800
Net Estate	3 574 000
Less Abatement	3 500 000
	-3 500 000
Taxable amount	74 000
Estate duty payable @ 20%	14 800

Question 5 (a)

The second payment is due on the last day of the year of assessment. The calculation if taxable income is less than R1million is based on the lower of a seriously calculated amount and the basic amount.

The seriously calculated amount should not be less than 80% of the actual taxable income calculated at year end. Should the taxpayer use an amount lower than the seriously calculated estimate, then a penalty of 20% will be levied on the difference of the second provisional tax paid and the tax calculated on the seriously calculated estimate.

Question 5 (b)

Definition	Application
In the case of a resident, amounts in cash or otherwise	The Rally driver is a resident that won prize money (cash) for coming second.
Received by or accrued to such a resident	For an amount to be considered received, it has to be received by the taxpayer for his own benefit. The amount was paid over to a charity and hence was not received. In this case, the Rally driver has an unconditional right to the amount. He only has a moral obligation to donate his winnings to the charity. The obligation does not extinguish the right created to claim the amount. (Witwatersrand Association of Racing Clubs)
During year of assessment	The payment was paid to the Charity in December therefore falling in the current period of assessment.
Excluding receipts or accruals of a capital nature	The amount received is revenue in nature as this is the taxpayer's job. He races regularly so he can win the prize money.
Conclusion	The requirements of the gross income definition have all been met. Therefore the amount even if paid to the charity does constitutes gross income in the driver's hands.

SOLUTION TO QUESTION 1 PART A

May-18 Paper 1

SIMON
NET NORMAL TAX

Salary (R)		750 000
Subsistence allowance		
Allowance	3 900	
Less reduction	(3 500)	
Limited to zero	400	
Reduction is the greater of:		
1) Actual : 2 600 + 600 + 300 = 3 500	3 500	
2) Deemed: 397 x 6	2 382	
Therefore use actual		
Annuity - specific inclusion		60 000

Use of cellphone - private use is incidental

Loan from employer - low interest loan
 $(7.75 - 4) \times 250\,000 \times 59/365$ 1 515

Repo rate plus 1% = official interest
 Foreign interest 2 000

Gross foreign dividends
 Exemption $25/45 \times 4\,000$ 4 000
 (2 222)

Provident contribution fringe benefits 20 000

Medical Fringe benefit 12 000
 Subtotal 847 693

Provident Fund contributions - Employee 40 000
 Provident Fund contributions - Employer 20 000
 Retirement contributions 150 000
 Total contribution **250 000**

Limited to the lesser of:
 350 000 and 216 123
 27.5% of Remuneration (785 900) or 233 116
 27.5% of subtotal 233 116
 Limit is therefore claim contributions 233 116
 Disallowed deductions carried forward into the next year 16 884

Taxable income **514 578**

Tax per tables (Taxable income-555600) x 39% + 149 475 172 476

Rebates - primary rebate (13 635)

6A tax credit (303x2 +204x12) (9 720)

6B tax credit 30 000

Employee contribution 12 000

Employer contribution (38 880)

Less 4 times 6A credit 3 120

Qualifying expenditure 25 000

Less 7.5% of taxable income (46 093)

Limited to zero (21 093) x25%

Section 6 quot 200

Foreign tax paid 1 123

Limited to SA equivalent tax (200)

(Foreign income/taxable income) x normal tax 148 141

(4 000/614578) x 172476 148 141

Net normal tax -

Less provisional tax -

Less employers tax -

Net normal tax payable 148 141

SOLUTION TO QUESTION 2 PART a EMPLOYEES TAX

Salary (160 000/4) 40 000

Subsistence allowance- not remuneration -

Travel allowance - R20 000 x 20% 4 000

Retranchment package - taxed separately on lump sum table -

Pension fringe benefit - 44 000/4 x 50% 5 500

Subtotal 49 500

Contributions 11 000

Limited to lesser of 350000/12 or 27.5% of subtotal 13 613

Therefore limit is 11 000

Subtotal 30 500

Donations to PBO -

Limited to 5% of subtotal -

Balance of remuneration 38 500

Annualised amount 462 000

Tax per tables 115 779

(Annualised amount - 410 460) x 36% + 97 225 (13 635)

Rebates - primary rebate (7 479)

Secondary rebate -

6A tax credit - employer not aware of contributions 94 665

Tax payable 7 889

Tax for June (tax/12) -

Annual amounts 35 000

Long service award 40 000

Smart television (5 000)

Less exemption long service @ 25years 35 000

Annualised monthly amounts 462 000

Tax per tables 497 000

(Annualised amount - 410 460) x 36% + 97 225 128 379

Rebates (13 635)

Secondary rebate (7 479)

6A tax credit - employer not aware of contributions -

Tax payable on annual amounts 107 265

Tax on Lumpsum 1 200 000

Taxable Lumpsum 184 500

Tax per tables - (1 200 000 - 1 050 000) x 36% +130 500 184 500

Therefore tax on the long service award (107 265 - 94 665) 12 600

Monthly tax 7 889

Tax on lumpsum 184 500

Tax paid in June 204 989

Therefore, the right of use is more beneficial.

SOLUTION TO QUESTION 3 PARTa

Package 1

Travel allowance		125 000
Allowance		115 963
Less reduction		
Taxable amount		<u>9 037</u>
Reduction is greater of:		
Actual	63 734	
Deemed	115 963	
Business kms	7 200	
Private kms	2 400	
Total kms	<u>9 600</u>	

Deemed cost/Km

Determined value (cost plus VAT)	500 000
Fixed cost	134 035
Total km/s	9 600
Total days	365

Fixed cost/km(134 035/9600)X365/365

Fuel cost/km	1,460
Maintenance cost/km	0,684
Total cost/km	<u>16,106</u>
Total deemed travel cost (Bus kms x rate)	<u>115 963</u>

Actual cost/km

Wear and tear (Determined value/7)	71 429
Finance charges	-
Other expenses - 11 300+ 2 250	13 550
Total cost	<u>84 979</u>
Cost per km = (total cost/total kms)	8,85
Total actual travel cost (Bus kms x rate)	<u>63 734</u>

Package 2

Determined value x 3,5% x n		Value of Fringe benefit
319 200 x 0,85 x 3,5% x 12		113 954
Less reduction		
Bus kms/total kms x Value of Fringe benefit (75% x 113 954	(85 466)	
Less payments made - 1 500 x 12	(18 000)	
Less private fuel - private kms x deemed fuel rate	(2 854)	
2 400 x 1,189		
Taxable portion	<u>7 635</u>	

Question 4

For an amount to be included in gross income, all the following should be met:

Definition	Application
In the case of a resident, amounts in cash or otherwise	Mamma Thembo is a resident who runs a guest house. She received R8 000 000 in cash for her guest house. Therefore, a total amount was received.
Received by or accrued to such a resident	Mamma Thembo accepted the offer and received all monies on the sale in December for her own benefit. Therefore, the amount was received.
During year of assessment	The transaction took place on 1 December 2017 when the offer was accepted and monies received, therefore in the year of assessment. In order to determine whether an amount received by a taxpayer is of a capital nature, you need to apply the subjective and objective tests and base them on all the facts to determine the nature of the amount. Nature of taxpayer - Mamma Thembo runs a guest house and is not a property dealer. Manner of acquisition - The property was acquired by means of a market-related transaction. Intention on acquisition - The taxpayer's intention was to acquire continue business as a guest house which is an income-producing asset (an investment intention). Change of intention - The fact that the taxpayer sold the guest house at a huge profit is not an indicator that she changed her intention. In addition, the fact that she decided to sell the business would not automatically indicate a change in the taxpayer's intention. A taxpayer can dispose of their asset at a profit and it still remains capital in nature. Nature of the asset disposed of - The asset is a business, which can be used as an income-producing asset (tree) in the taxpayer's business. This transaction is a fortuitous transaction as it is a once off, never to happen again opportunity which she benefited from. Conclusion
Excluding receipts or accruals of a capital nature	On the given facts, it can be argued by the taxpayer that she acquired the guest house with the intention of making money from it. The sale of the property amounted to the sale of a capital asset and not the sale of a revenue in nature asset. The proceeds would therefore be of a capital nature and not included in gross income.
Conclusion	The requirements of the gross income definition have not been met therefore the amount is not taxable.

SOLUTION TO QUESTION 4

TAXABLE CAPITAL GAINS TAX

Asset 1 - House - business portion	310 000
Asset 1 - House - not primary residence	790 000
Asset 2 - Small business	2 200 000
Asset 3 - Boat	450 000
Aggregate gain	3 750 000
Less prior year losses	-
Less annual exclusion	(40 000)
Net gain	3 710 000
Inclusion rate	40%
Taxable gain	<u>1 484 000</u>

Pre-2001 Non-depreciable house

Proceeds (7 200 000/0,96) 7 500 000

Less Base cost (VDV plus post 2001 expenditure) (4 400 000)

Valuation date value (VDV) - Refer below
 Post 2001 expenditure - Swimming pool removed
 Selling cost (7 500 000 x 4%) 300 000

Capital gain 3 100 000
 Business portion - 3 100 000 x 10% (310 000)
 2 790 000

Primary residence exclusion (2 000 000)

790 000

Valuation date value (VDV)

Proceeds 7 500 000

Pre and post 2001 expenditure (3 000 000+(130 000+300 000)) 3 430 000

Market value 3 900 000

Proceeds are greater than expenditure therefore use paragraph 26

VDV is the greater of
 Market value 3 900 000
 TAB 4 100 000

20% of proceeds less post 2001 exp
 20%x(7 500 000 - 300 000 - 130 000)
 Therefore use TAB 1 414 000

SOLUTION TO QUESTION 5

Sale of business	
Proceeds	8 000 000
Base cost	4 000 000
Capital gain	4 000 000
Amount excluded	
Amount included in taxable gains	1 800 000
Small business exclusion - older than 55, owned for more than 5 years therefore R1,8m excluded.	<u>2 200 000</u>

Boat	
Proceeds	850 000
Less base cost - 350 000 + 50 000	(400 000)
Not a personal use asset	<u>450 000</u>

Estate duty (a)

Value of property	6 300 000
Farm - 9 000 000 x 70%	4 750 000
Primary residence	667 249
Annuity - 7 000 x 12 x 7,94344	895 000
Unlisted shares	-
Listed shares - already donated	-
Value of property Deemed property	<u>12 612 249</u>
Policy 1 - domestic policy	1 450 000
Deductions for premiums - paid by beneficiary	(315 000)
Less liabilities and expenses	
Property rates and taxes	(12 300)
Executor's remuneration	(365 300)
Donation - bequest to PBO	(1 000 000)
Net Estate	<u>12 369 649</u>
Less Abatement	(3 500 000)
Less wife's abatement (3,5m - 1,9m)	(1 600 000)
Taxable amount	8 869 649
Estate duty payable @ 20%	<u>1 773 930</u>

(a) SOLUTION TO QUESTION 1 PART A

May-18 Paper 2

KM		
NET NORMAL TAX		
Salary (R)		380 000
Travel allowance		
Allowance	80 000	
Less reduction	98 845	
Limited to zero	(18 845)	
Reduction is greater of:		
Actual	78 268	
Deemed	98 845	
Business kms	8 300	
Private kms	2 000	
Total kms	10 300	
Deemed cost/km		
Determined value (cost plus VAT)	390 000	
Fixed cost	113 179	
Total km/s	10 300	
Total days	334	
Fixed cost/km (113 179/10300)x334/365	10,055	
Fuel cost/km	1,272	
Maintenance cost/km	0,582	
Total cost/km	11,909	
Total deemed travel cost (Bus kms x rate)	98 845	
Actual cost/km		
Wear and tear (390000/7)x334/365	50 982	
Finance charges	-	
Running costs	46 145	
Total cost	97 127	
Total cost/km (121 403/10300)	9,430	
Total actual cost (Bus kms x rate)	78 268	
Relocation benefit:		
Moving household	68 000	
Rental April - 30 September	72 000	
Rental Oct - December	36 000	
Relocation benefits moving - exempt	(68 000)	
Relocation rent exempt - first 181 days	(72 000)	
Taxable portion	36 000	

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Scholarship - remuneration factor less than R600 000		3 000
R20 000 is exempt (23 000 - 20 000)		
Private use of computers - 7 000 x 15% x 9/12		788
Gross dividends		
Exemption - 2 303 x 25/45		2 303
Medical Fringe benefit		(1 279)
Provident contribution fringe benefit		10 000
Taxable gain		8 000
Subtotal		430 811
Provident Fund contributions - Employee	22 000	
Provident Fund contributions - Employer	10 000	
Retirement contributions	15 000	
Total contribution	47 000	
Limited to the lesser of:		
350000 and	350 000	
27.5% of Remuneration (483 000) or	132 825	
27.5% of subtotal	118 473	
Limit is therefore claim contributions	132 825	
Disallowed deductions		
Taxable income		383 811
Tax per tables (Taxable income-296 540) x 31% + 61 910		88 964
Rebates		(13 635)
6A tax credit ((303x2 +204)x11)		(8 910)
6B tax credit		
Total contributions - Employer contribution	33 000	
Employee contribution	(35 640)	
Less 4 times 6A credit	7 000	
Qualifying expenditure	(28 786)	
Less 7.5% of taxable income	(21 786)	
Limited to zero		
Net normal tax		66 419
Less provisional tax		
Less employees tax		
Net normal tax payable		66 419

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(b) SOLUTION TO QUESTION 2 PART a

EMPLOYEES TAX

Salary	2 500
Commission - 201 600/12	16 800
Travel allowance - R30 000 x 80%	24 000
Meals fringe benefit	3 000
Private client - not remuneration	-
Balance of remuneration	46 300
Annualised amount	555 600
Tax per tables	149 475
(Annualised amount - 555 600) x 39% + 149 475	(13 635)
Rebates	-
6A tax credit - not disclosed to employer	135 840
Tax payable	11 320
Tax for February (tax/12)	
Part b	
Gross cash amount - 20 000 x 12	240 000
Tax per tables	47 209
(Annualised amount - 189 880) x 26% + 34 178	(13 635)
Rebates	-
6A tax credit - not disclosed to employer	33 574
Tax payable	2 798
Tax for February (tax/12)	
Therefore net amount paid = R20 000 - 2 798	17 202

SOLUTION TO QUESTION 4

TAXABLE CAPITAL GAINS TAX

Asset 1 - Small business	1 325 000
Asset 2 - Penthouse business use	189 750
Asset 2 - Penthouse Amount above exclusion	1 605 250
Aggregate gain	3 120 000
Less prior year losses	-
Less annual exclusion	(40 000)
Net gain	3 080 000
Inclusion rate	40%
Taxable gain	1 232 000
Dealership	
Proceeds	6 500 000
Less base cost	3 375 000
Land	1 000 000
Transfer cost	300 000
Showroom	1 500 000
Inventory - not capital asset	-
Surveillance camera	400 000
Security beam	175 000
Insurance premiums	-
Capital gain	3 125 000
Less Small business exemption	(1 800 000)
	1 325 000
Penthouse	
Proceeds (6 975 000/0.93)	7 500 000
Less base cost	3 705 000
Cost	3 000 000
Central heating	180 000
Selling cost 7% of selling price	525 000
	3 795 000
Less: Business use 5%	(189 750)
	3 605 250
Less primary residence exclusion	(2 000 000)
Taxable portion after exclusion	1 605 250

Categories of assets which are excluded from Capital gains tax are:

- A) Primary residence B) Personal use assets C) Retirement (lump sums D) First R1,5million of a small business E) Assurance proceeds F) Compensation for personal injury, illness or defamation G) 9. Capital gains and losses on gambling H) Capital gain on a donation to public benefit organisation

SOLUTION TO QUESTION 4

Estate duty

Value of property		4 300 000
Residence Farm		
Usufruct	1 200 000	
Market value	144 000	
Multiply by 12%	7,81924	
Age next day Albert 46 - PV 7,81924	1 125 971	1 125 971
Usufruct		
Bare Dominium	1 200 000	
Market value	1 125 971	
Less usufruct	1 125 971	74 029
		<u>74 029</u>
Gym (210 000 - 35 000)		175 000
London Flat		1 600 000
Private company shares valued at market value		800 000
Value of property		8 075 000
Deemed property		
Life policy		750 000
Contributions (not deductible - paid by Renier)		-
Less liabilities and expenses		(54 050)
Property tax		(12 000)
Outstanding water and electricity		(310 000)
Administrative costs		(50 000)
Bequest to PBO		8 398 950
Net Estate		
Less Abatement	3 500 000	
Plus wife's excess abatement	1 500 000	
	5 000 000	15 000 000
Taxable amount		3 398 950
Estate duty payable (x20%)		679 790
Less Foreign tax	130 000	
Limited to 5A proportion of tax	128 430	(128 430)
Estate duty payable x Foreign property/net estate (679 790 x 1 600 000 / 8 398 950)		
Net tax payable		<u>551 360</u>

SOLUTION TO QUESTION 5

- (a)
- o Trade purpose - Glass Pro is a manufacturer, therefore he is carrying on a trade
 - o Expenditure or losses - The payment of insurance premiums is expenditure (1)
 - o Actually incurred - Glass Pro incurred a legal liability to pay the insurers for services. (1)
 - o During the year of assessment - the expense was incurred during the 2018 year of assessment (1)
 - o In the production of income (1) - The payment was made to protect the business it is closely connected to the business as sales are expected to be affected during power interruptions therefore it is in the production of income as it is closely related to income earning operations. The insurer will compensate them sales lost during the period.
 - o Not of a capital nature (1) - The expenditure does not create an enduring benefit therefore is not capital in nature.

Conclusion

o The amount paid does meet the requirements and therefore is deductible.

- (b)
- Total amount in cash - There is a total amount of cash which Glass Pro will receive. Received by/ accrued to - The amount will be received when claimed from insurers. In the year of assessment - This requirement is assumed to be met per the question required. Not of a capital nature - The payment is revenue in nature as it compensates losses of sales and not capital assets. Sales are revenue in nature and therefore taxable. Therefore, any compensation from their insurers are taxable.

Part b

The following donations are exempt:

- 1) Donation to a spouse
- 2) Donation mortis causa
- 3) Donation made when a person dies
- 4) Donations cancelled in 6 months
- 5) Donations to traditional communities
- 6) Donations to public benefit organisations
- 7) Donations to government organisations or political parties
- 8) Donation made in pursuance of a trust
- 9) Maintenance contributions
- 10) Donation of foreign assets owned prior to the donor becoming a SA resident

