

Tutorial Letter 101/3/2014

PRINCIPLES OF TAXATION

TAX2601

Semesters 1 & 2

Department of Taxation

This tutorial letter contains important information regarding this module.

Bar code

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1 INTRODUCTION AND WELCOME

Dear Student

Welcome as a student to the module, PRINCIPLES OF TAXATION. We hope that you will find your studies interesting and rewarding and that you will be successful in the examination.

Please read this tutorial letter very carefully in order to orientate yourself with the requirements specific to this module.

This is a practical module and therefore you will have to learn certain rules and how to apply them. This will mean that you will have to start with your studies immediately as the semester is only 15 weeks long, and you will need to give yourself ample time to practise what you learn. For your convenience we include a proposed study program indicating the MINIMUM time that you will have to put aside for each study unit as well as the specific outcomes and assessment standards for the module. The specific outcomes and assessment standards will be repeated in the appropriate study units in your study guide.

There are a number of lecturers in the undergraduate section of the Department of Taxation who will be assisting you, but your primary lecturers are Prof Boela Swanepoel, Ms Lenatha Wentzel, Ms Carien Cass and Ms Refilwe Matenche.

How to get started on *myUnisa*

It is important that you regularly make use of *myUnisa*. This technological resource makes it easier to communicate with the university, your lecturers and fellow students about your studies. By using *myUnisa*, you will be able to submit your assignments electronically, access the library resources, get your assignment marks and take part in activities, tasks and discussions relating to the contents of this module. Register TODAY and visit *myUnisa* regularly.

In addition to registering on *myUnisa*, it is crucial that you activate your myLife email address, as all your official correspondence regarding this module will be sent to your myLife address and not your private email address. Please consult with the ***my Studies @ Unisa*** brochure for more information on the activation of your myLife email address as well as obtaining access to the *myUnisa* module website.

We would like to take this opportunity to extend our best wishes for success in your studies and assure you that we realise that you are not studying under ideal conditions. We invite you to communicate with us on any matter concerning this module.

2 PURPOSE OF AND OUTCOMES FOR THE MODULE

2.1 PURPOSE

The aim of this module is to provide students studying towards an accounting degree with an overview of the South African tax system as it applies to all forms of income, general deductions and all classification of taxpayers. On completion of this module, students will have detailed knowledge of the Income Tax Act as it applies to the calculation of special deductions, capital allowances and capital gains tax for business entities.

2.2 SPECIFIC OUTCOMES AND ASSESSMENT CRITERIA

SPECIFIC OUTCOME 1

Students must be able to demonstrate detailed knowledge of the South African tax system.

Assessment criteria

Students are competent if evidence shows that they are able to

- recall the principles on which taxation is founded
- describe the annual tax process
- describe the different Acts relating to taxation in South Africa and the taxes that they make provision for
- rewrite the framework for calculating normal tax
- distinguish between direct and indirect taxes
- state the rules for interpreting statutes
- state the application of court decisions, interpretation notes, practice notes and media releases

SPECIFIC OUTCOME 2

Students must be able to demonstrate an ability to identify, analyse and solve problems in the taxation administrative process (from registering as a taxpayer to objecting to an assessment).

Assessment criteria

Students are competent if evidence shows that they are able to

- identify the different taxpayer profiles in respect of tax rates and rebates
- state the process of registering as a taxpayer
- illustrate the process of assessment
- summarize the process of objecting (appeal) to an assessment

SPECIFIC OUTCOME 3

Students must be able to demonstrate an ability to evaluate “income” (as defined by the Income Tax Act) of a business entity and to apply well-developed processes of analysis and evaluation of that information.

Assessment criteria

Students are competent if evidence shows that they are able to:

- manage and evaluate information regarding the requirements, including applicable case law, of the definition of gross income
- apply special inclusions to the definition of gross income in the calculation of “income”
- apply exempt income in the calculation of “income”

SPECIFIC OUTCOME 4

Students must be able to demonstrate an understanding of the calculation of selected deductions and allowances in terms of the Income Tax Act of a business entity.

Assessment criteria

Students are competent if evidence shows that they are able to

- manage and evaluate information regarding the requirements, including applicable case law, of the general deduction formula

- apply selected special deductions in calculating the taxable income of a business entity
- apply selected expenditure and allowances relating to capital assets in calculating the taxable income of a business entity

SPECIFIC OUTCOME 5:

Students must be able to demonstrate the ability to evaluate, select and apply appropriate methods to calculate the taxable capital gains tax of a business entity.

Assessment criteria

Students are competent if evidence shows that they are able to

- determine the applicability of capital gains tax to a scenario
- determine the proceeds for the purposes of capital gains tax
- determine the base cost for the purposes of capital gains tax
- select and apply the relevant exclusions for the purposes of calculating capital gains tax
- select and apply the rules relating to the inclusion of an amount in taxable income, with regard to capital gains tax

3 LECTURERS AND CONTACT DETAILS

3.1 ADMINISTRATIVE QUERIES

For any contact with the University concerning administrative matters, please consult the **My studies @ Unisa** brochure. Enquiries in connection with administrative matters must be addressed to the relevant administration department to which the problem applies and **NOT** to the lecturers.

Administrative enquiries should be directed to:

E-mail addresses	SMS numbers	Use to enquire about:
econ@unisa.ac.za	n/a	Registration and credit/exemption
study-info@unisa.ac.za	43578	Applications and registrations
assign@unisa.ac.za	43584	Assignments (not for submission purposes)
exams@unisa.ac.za	43584	Examinations
despatch@unisa.ac.za	43579	Study material
finan@unisa.ac.za	31954	Student accounts
gaudeamus@unisa.ac.za	n/a	Graduation ceremonies
myUnisaHelp@unisa.ac.za	43582	myUnisa
myLifeHelp@unisa.ac.za	43582	myLife e-mail
CEMSenquiries@unisa.ac.za	Call: (012) 429-2982/ 3925/2233/4462	CEMS related enquiries

When corresponding with the University in writing, always supply

- your student number
- module code, and
- a telephone number where we can contact you

3.2 MODULE CONTENT-RELATED QUERIES

Ensure that you have the correct module code on hand when you contact the lecturers.

Telephonic contact with lecturers:	012 429 4133 (this is a hunting line – you will need to let it ring so that the exchange can find a free extension)
The lecturers who are available to assist you are: Prof AP Swanepoel Ms MSI Wentzel Ms R Matenche Ms C Cass Mr A Swanepoel Mr M van Dyk Ms R Moosa Ms N Thoothe Ms C Stedall Ms E Doussy	
Departmental cell phone number:	079 365 1124 (Please do not send text messages, missed calls or “please call me” messages to this number, it will not be responded to.)
E-mail contact with lecturers:	TAX2601-14-S1@unisa.ac.za (semester 1) TAX2601-14-S2@unisa.ac.za (semester 2) course contact tab on <i>myUnisa</i>

3.3 ACADEMIC ADMINISTRATIVE QUERIES

Ms P Mohase (Administrative assistant)	012 429 4918
Ms O Swart (Deputy COD)	012 429 4382

4 MODULE-RELATED RESOURCES

4.1 TUTORIAL LETTERS

The Department of Despatch should supply you with the tutorial letters.

Note: Some of this tutorial matter may not be available when you register. Tutorial matter that is not available when you register will be posted to you as soon as possible. Also, see the ***My studies @ Unisa*** brochure. Any enquiries you may have on the non-receipt of study material or if the wrong study material was issued to you, please contact the Department of Despatch at despatch@unisa.ac.za.

Tutorial letters you can expect to receive for this module:

Tutorial letter	Content	Study units to be covered
101	<p>Contains very important information regarding the module. Keep it at hand, as you will have to refer to it regularly.</p> <p>NB: This tutorial letter contains the assignments for both semesters.</p> <p>Assignment 1 – compulsory for exam admission, multiple-choice questions, counts towards year mark.</p> <p>Assignment 2 – counts towards year mark.</p> <p>Assignment 3 – see Tutorial Letter 201.</p>	<p>1 to 3</p> <p>1 to 5</p> <p>1 to 7</p>
102	Contains the first of two study guides you will use for this module.	1 to 4
103	Contains the second study guide you will use for this module.	5 to 7
201	Contains the questions and solutions to Assignment 3 (old exam paper)	
202	Contains the solution to Assignment 1.	
203	Contains the solution to Assignment 2.	

Further tutorial letters

You may also receive further tutorial letters during the year as the need may arise. Tutorial letters are all sequentially numbered.

Additional study material

The above study material is the only study material that the University supplies to you. The lecturers believe that this is sufficient in order for you to complete your studies successfully.

If you have access to the internet, you can view the study guides and tutorial letters for the modules for which you are registered on the university's online campus, myUnisa, at <http://my.unisa.ac.za>.

4.2 PRESCRIBED BOOK

It is essential that you obtain the following prescribed textbook:

Fundamentals of South African Income Tax: 2014. Carpenter, R, Parsons, S & West, C. H & H Publications. ISBN 978 1 874 92972 7

You must obtain the prescribed book as early as possible in the semester. Note that the library does not provide for this book specifically and that copies of this book may not always be readily available in the library.

Please refer to the full list of official booksellers and their addresses in **My studies @ Unisa** brochure.

The prescribed textbook can also be ordered online:

<http://hedron.co.za/fundamentals> (directly from the publisher)

<http://www.kalahari.com>

4.3 E-RESERVES/RECOMMENDED BOOKS AND READING LISTS

There are no e-reserves for this module.

5 STUDENT SUPPORT SERVICES FOR THE MODULE

5.1 myUnisa

To go to the *myUnisa* website, start at the main Unisa website, <http://www.unisa.ac.za>, and then click on the “Login to *myUnisa*” link on the right-hand side of the screen. You can also go there directly by typing in <https://my.unisa.ac.za>.

Please consult the *my Studies @ Unisa* brochure for more information on *myUnisa*.

PLEASE ACTIVATE YOUR MYLIFE E-MAIL ACCOUNT SO THAT WE CAN COMMUNICATE WITH YOU!

For this module, we will make use of the following functions on *myUnisa*:

- Official study material – all tutorial letters that you will need for this module
- Course contact – all e-mails will be answered within two business days
- Podcasts
- Schedule – you will be provided with a weekly study schedule
- Announcements – when required
- Discussion forum – please take part in meaningful content-related discussions

Please make arrangements to visit *myUnisa* often in order to make use of these valuable resources.

5.2 E-TUTORS

All TAX2601 students are allocated with an e-tutor to help when you are stuck, explain concepts and give advice. They communicate exclusively via the internet on *myUnisa*. Please visit the *myUnisa* e-tutor site regularly.

5.3 DVD

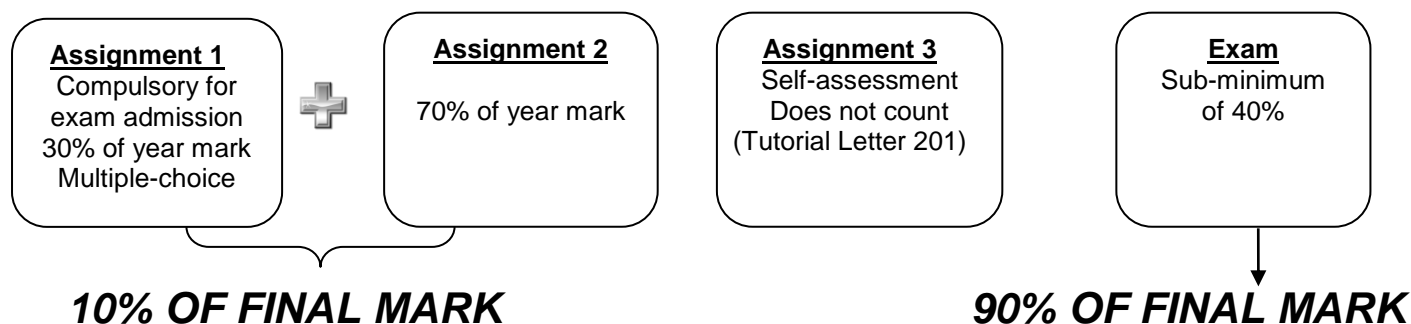
We will be sending out a DVD for this module. The DVD is a **revision tool** and may therefore only be available later in the semester. The DVD is **not a replacement for doing the work** – it is merely a tool to assist you to revise for the exam.

6 MODULE-SPECIFIC STUDY PLAN

Below is a proposed weekly plan for TAX2601 – based on a minimum time spent on the module of 9 hours per week. Please keep in mind that you have 15 weeks of study from registration to start of exams. Semester 1 commences on 27 January 2014 and semester 2 commences 15 July 2014. If you start later, you need to realise that you will have to catch up the time that you have missed.

Study Week	S1	S2	Topic	Minimum time needed
1	27/1	15/7	Read Tutorial Letter 101 Introduction to Tutorial Letter 102 Study unit 1: Introduction	2 hours 1 hour 6 hours
2	4/2	22/7	Study unit 2: Administration Study unit 3: Different taxpayers	6 hours 3 hours
3	11/2	29/7	Study unit 3: Different taxpayers Assignment 1 (Tutorial Letter 101/3) Study unit 4: Income	3 hours 2 hours 4 hours
4	18/2	5/8	Study unit 4: Income	9 hours
5	25/2	12/8	Study unit 5: Deductions	9 hours
6	4/3	19/8	Study unit 5: Deductions	9 hours
7	11/3	26/8	Study unit 5: Deductions Assignment 2 (Tutorial Letter 101/3)	6 hours 3 hours
8	18/3	2/9	Study unit 6: Capital allowances	9 hours
9	25/3	9/9	Study unit 6: Capital allowances	9 hours
10	1/4	16/9	Study unit 6: Capital allowances	9 hours
11	8/4	23/9	Study unit 7: CGT	9 hours
12	15/4	30/9	Study unit 7: CGT	9 hours
13	22/4	7/10	Study unit 7: CGT	9 hours
14,15	29/4	14/10	Revision Assignment 3 (Tutorial Letter 201)	6 hours 3 hours

7 ASSESSMENT



7.1 ASSIGNMENTS

There are three assignments **per semester**.

As a Unisa student, you do not write tests and, therefore, you need to use the assignments as a substitute. It is part of your learning process to receive feedback in the form of an assignment solution. The completion of your assignment will also help you, as you will only obtain a total understanding of this module through practice by working through the questions.

Assignment 1 and 2 count 30% and 70% respectively of your year mark. Only Assignment 1 is compulsory; this means that **you have to do Assignment 1 and submit it if you would like admission to the exam**. Assignment 3 is a self-assessment assignment and does not count towards your year mark.

The assignments do not cover ALL the essential work of the module – they are just a tool to assist you to study the material in good time. Furthermore, just doing assignments is **not** sufficient preparation for the examination. For your own good, and in preparation for the examination, we recommend that over and above the assignments, you must also go through the study material.

Compulsory assignment

Assignment 1 is a compulsory assignment. The submission of the compulsory assignment will prove that you are an active student and will therefore earn you admission to the examination.

Admission to the examination will be obtained by submitting the compulsory assignment before or on the due date and not by the marks obtained for it.

You will undoubtedly realise the importance of commencing your study programme in good time so that you can obtain admission to the examination and earn a good year mark.

Submission of assignments

You may submit assignments electronically via *myUnisa*. Although assignments may still be submitted by post, we would like to encourage you to submit your assignment online on *myUnisa*.

Submit assignment 1 using myUnisa:

- Go to www.unisa.ac.za
- Go to *myUnisa*
- Enter your student number and password
- Select your module from the orange strip
- Click on “Assignments”
- Find the TAX2601 course code in the Course column
- Find the corresponding number of the assignment, e.g. 01 or 02 in the Ass.No. column
- Click on the Submit link in the Action column next to the assignment number
- Enter the total number of questions for your assignment in the Number of Questions field
- Click on the Continue button
- The number of questions requested in the previous step will now be displayed with five answer options next to each one. Please note that each row represents a question in your assignment
- Click on the radio button [the small circle] that corresponds to your answer for that question. If you want to restart the assignment, click on Clear Form to remove all your selections and start from new
- Click on the Continue button after you have completed all the questions and checked if you are happy with all your answers
- If you want to redo the answers to the assignment, click Back
- Click on the Continue button to submit your assignment. If you do not click Continue, no submission action will take place
- The assignment submission report is your proof that your assignment was submitted. You must print this page for your record purposes
- Click on the Return to Assignment List button to go back to the Assignment overview screen.

Submit assignment 2 using myUnisa:

- Go to *myUnisa*.
- Log in with your student number and password.
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.
- **Remember that your assignment document (attachment) must be in a pdf-format.**

For detailed information on assignments, please refer to *My studies @ Unisa* brochure.

PLEASE NOTE: We have experienced in previous semesters that students have difficulty to submit their assignments on the *myUnisa* system on the due date. This is probably because so many students are accessing the system on the same day. Therefore, please be advised to submit your on-line assignment WELL IN ADVANCE to avoid this problem.

You **MUST** keep a copy of your completed assignment, so that in the event of the assignment getting lost, before it can be assessed, you will have a copy that we can mark.

Enquiries about assignments must be addressed to assign@unisa.ac.za. Information about assignments, (eg whether or not the University has received your assignment or the date on which an assignment was returned to you) can be obtained on *myUnisa*. The lecturers can't provide you with this information.

Please note: Although students may work together when preparing assignments, each student must write and submit his or her own individual assignment. It is unacceptable for students to submit identical assignments on the basis that they worked together. That is copying (a form of plagiarism) and none of these assignments will be marked. Furthermore, you may be penalised or subjected to disciplinary proceedings by the University.

Marking of assignments

Assignment 1 will be marked electronically.

Assignment 2 will be marked by the lecturers.

Assignment 3 is a self-assessment assignment, which means that you do not submit it to Unisa, but that you mark it yourself. It is an old exam paper and you can find it in Tutorial Letter 201 (both the questions and the solutions).

The solutions to all assignments will be sent to all students registered for this module in a follow-up tutorial letter, and not only to those students who submitted the assignments. The tutorial letters will be numbered 201, 202, etc. Feedback regarding assignments will be announced on *myUnisa*. The assignments and the feedback on these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination.

Due dates

The due dates for the assignments are as follows:

FIRST SEMESTER		
ASSIGNMENT	DUE DATE	UNIQUE NUMBER
1 (compulsory)	28 February 2014	737086
2	28 March 2014	759148
SECOND SEMESTER		
ASSIGNMENT	DUE DATE	UNIQUE NUMBER
1 (compulsory)	12 August 2014	835478
2	9 September 2014	856048

Finality of due dates

Please remember that Assignment 1 is marked by the computer and these marks are finalised on a given date. Therefore, NO extensions can be granted WHATSOEVER.

The receipt of assignments after the due date disrupts our marking program and as the uncontrolled submission of assignments furthermore creates administrative problems for us, you are requested to note carefully the under-mentioned requirements and suggestions and to adhere strictly to it:

NO EXTENSION OF TIME WILL BE GIVEN FOR THE SUBMISSION OF ASSIGNMENTS, SINCE SOLUTIONS WILL BE AVAILABLE ON MYUNISA AUTOMATICALLY TO ALL STUDENTS AFTER THE DUE DATES. NO CORRESPONDENCE OR TELEPHONE CONVERSATION WILL BE CONDUCTED REGARDING THE LATE SUBMISSION OF ASSIGNMENTS. ASSIGNMENTS RECEIVED AFTER DUE DATE WILL NOT BE MARKED.

7.2 EXAMINATION

The examination counts 100 marks and is written in two hours. The entire syllabus is covered in the examination and you can therefore not afford to leave out any part of it.

The mark obtained for this examination will contribute 90% towards the final mark for this module. **In order to obtain admission to the examination you must submit assignment 1 (the compulsory assignment) on or before the due date.** Assignment 2 is not compulsory but it will count towards your year mark.

Once again, all-important information regarding the administration of the exam is contained in the **My studies @ Unisa** brochure.

Final mark

The final mark for this module is calculated as follows, an example:

Assignment	Weighting	Mark achieved	Final mark (weight x actual mark)
1	30% x 10%	80%	2,4%
2	70% x 10%	68%	4,76%
3	0%	75%	0%
Examination	90%	64%	57,6%
Final mark			65%

You must obtain a final mark of 50% or more in order to pass this module.

You have to achieve 40% or more in the exam before your year mark will be taken into account when calculating your final mark.

7.3 SUPPLEMENTARY, AEGROTAT OR SPECIAL EXAMINATIONS

Supplementary, aegrotat and special examinations are allowed in this module.

Each year the Income Tax Act is amended. We **expect** you to update yourself but you will not be issued with any new study material. You can visit the SARS website on www.sars.gov.za for relevant updates/changes. Work through the study material that you have at your disposal together with updates/changes. Remember that if you become a tax practitioner, you will need to continually update your knowledge.

You will not be required to submit assignments if you are a supplementary, aegrotat or special examination student.

Supplementary, aegrotat or special examination students – your year mark from the previous semester will be carried forward.

As a supplementary student, you will still have access to myUnisa and we encourage you to make use of all the resources.

8 OTHER ASSESSMENT METHODS

There are no other assessment methods for this module.

9 OTHER

9.1 PLAGIARISM

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft, which involves a number of dishonest academic activities.

The *Disciplinary Code for Students* (2004) is given to students at registration. Students are advised to study the Code, especially Sections 2.1.13 and 2.1.14 (2004:3–4). Kindly also read the University's *Policy on Copyright Infringement and Plagiarism*.

10 FREQUENTLY ASKED QUESTIONS

1. Must I buy the 2014 textbook or can I use a previous version?

The Income Tax Act is amended (changed) each year with the budget speech. This means that old textbooks will be out of date and you might lose a lot of marks if you use the old legislation. Please only use the current version of the textbook.

2. I think that I found a mistake in the study material, what should I do?

In spite of the care taken to ensure that the tutorial letters, assignments and solutions are comprehensible and free from errors, omissions and discrepancies may occur. Should you come across such matters, or matters not clearly expressed, kindly let us know to enable us to make the necessary correction. As soon as we discover a mistake we will make an announcement on the *myUnisa* system, please ensure that you register yourself to receive e-mails from the system.

3. Please could I have the answers to the old exam papers that are available on *myUnisa*?

The papers are uploaded automatically on *myUnisa*. The solutions to the previous exam papers are not made available to students, as they are out of date. We advise you not to focus on old examination papers as a source to learn the content of the modules, but rather master the content of your study material. You may accept that the type of questions that will be asked in the examination will be similar to those asked in the activities in your study guide and in the assignments.

Assignment 3 is a previous exam paper that has been updated with the legislative amendments and a new solution is provided for you in Tutorial Letter 201. Also, in most instances, the other exam questions have been incorporated into your study guide as additional questions to work through.

4. I received my study material too late to submit my first assignment on time. What do I do now?

You will have to prove that you indeed received your study material late and submit it with a motivated request to examadmission@unisa.ac.za.

11 ASSIGNMENTS FOR FIRST SEMESTER STUDENTS

NOTE:



SUBMISSION OF ASSIGNMENT 1 IS COMPULSORY IN ORDER TO OBTAIN ADMISSION TO THE EXAMINATION. ADMISSION WILL BE OBTAINED BY SUBMITTING THE ASSIGNMENT AND **NOT** BY THE MARKS YOU OBTAIN FOR IT. THIS ASSIGNMENT WILL COUNT A MAXIMUM OF **3%** OF YOUR FINAL MARK. PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE, SINCE LATE SUBMISSION WILL RESULT IN YOUR **NOT BEING ADMITTED TO THE EXAMINATION.** NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

IF YOU INTEND MAILING YOUR ASSIGNMENT, MAKE A COPY OF IT BEFORE YOU POST IT TO UNISA, IN CASE YOUR ASSIGNMENT IS LOST IN THE POST.

WE ADVISE YOU, IF AT ALL POSSIBLE, TO **SUBMIT YOUR ASSIGNMENT ELECTRONICALLY.**

IMPORTANT INFORMATION ON MULTIPLE-CHOICE ASSIGNMENTS:

- (1) Questions must be answered on a **mark-reading sheet** or submitted **electronically** via the *myUnisa* online system.
- (2) Before completing the mark-reading sheet, study the instructions in ***My studies @ Unisa.*** Read these instructions carefully and follow them closely to avoid mistakes.
- (3) Do your calculations on a separate piece of paper before you complete the mark-reading sheet.
- (4) There is only one correct answer to each question.
- (5) All questions are equal in value.



FIRST SEMESTER
ASSIGNMENT 1 (30 marks, 36 minutes)

MODULE	DUE DATE	UNIQUE NUMBER
TAX2601	28 February 2014	737086

ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment, you will need to have achieved the learning objectives set out in **study units 1 to 3** as contained in Tutorial Letter 102/3/2014. This assignment will assess your ability to select the appropriate alternative that best reflects the quantitative/qualitative answer to a problem. This assignment will count a maximum of **3%** towards your final mark.

REQUIRED:	MARKS
Select the number ((1) – (4)) that represents the correct answer to the question. (The mark reading sheet has 5 options, please ignore option 5 for each question in this assignment)	30

ASSIGNMENT 1: 1st SEMESTER STUDENTS

QUESTION 1

Which of the following is a tax not provided for by the South African government?

- (1) estate duty
- (2) income tax
- (3) Value-added tax
- (4) wealth tax

QUESTION 2

The South African tax regime is set by ...

- (1) SARS.
- (2) the Commissioner.
- (3) National Treasury.
- (4) the Minister of Finance.

QUESTION 3

A residence basis of taxation means that persons who are....

- (1) residents are subject to tax on their worldwide income.
- (2) non-residents are subject to tax on their foreign income only.
- (3) residents are subject to tax on their South African income only.
- (4) non-residents are subject to tax on their worldwide income.

ASSIGNMENT 1: 1st SEMESTER (continued)**QUESTION 4**

Taxes in South Africa are classified according to a number of factors. One of the factors is based on the method used to calculate tax.

Which one of the following is not a method used to calculate tax in South Africa?

- (1) proportional tax
- (2) regressive tax
- (3) indirect tax
- (4) progressive tax

QUESTION 5

A natural person is taxed according to the ... method.

- (1) regressive tax
- (2) proportional tax
- (3) progressive tax
- (4) indirect tax

QUESTION 6

With regard to interpretation notes, which one of the following statements is correct?

- (1) They are not merely the opinion of SARS, but considered law.
- (2) They set out how SARS will interpret or apply provisions.
- (3) They are generally binding on SARS and on taxpayers.
- (4) They form part of the Income Tax Act.

QUESTION 7

The *contra fiscum* rule will be applied where a provision of the Income Tax Act ...

- (1) is unclear.
- (2) has no interpretations.
- (3) has two interpretations.
- (4) is unfair.

QUESTION 8

If a taxpayer would like to appeal SARS on a particular tax matter, after an unsuccessful ADR process and the amount in question is more than R500 000, the case can then be taken to the...

- (1) tax board.
- (2) tax court.
- (3) Supreme Court of Appeal.
- (5) Constitutional Court.

ASSIGNMENT 1: 1ST SEMESTER (continued)

QUESTION 9

The highest court in South Africa that has the final ruling on all matters, except those that are constitutional issues, is the ...

- (1) Supreme Court of Appeal.
- (2) Highest Court.
- (3) Constitutional Court.
- (4) Supreme Court.

QUESTION 10

Based on how the court case is referred to, in which court was the case *New State Areas Ltd v Commissioner for Inland Revenue 1946 AD 610 at 627* ruled?

- (1) Supreme Court of Appeal
- (2) tax court
- (3) Constitutional Court
- (4) tax board

QUESTION 11

Taxable income is calculated for a year. For companies the tax year runs ...

- (1) from 1 January to 31 December.
- (2) from 1 March to 28/29 February.
- (3) for the same period as the financial year.
- (4) for the same period as the calendar year.

QUESTION 12

The basic framework for calculating taxable income is ...

- (1) income, minus allowances and deductions, minus taxable capital gain.
- (2) income, minus deductions and allowances.
- (3) income, plus deductions and allowances, plus taxable capital gain.
- (4) income, minus deductions and allowances, plus taxable capital gains.

QUESTION 13

Which one of the following statements is true?

- (1) SARS will refund a taxpayer, where prepaid taxes are in excess of the net normal tax calculated for a tax year.
- (2) SARS will refund a taxpayer, where the net normal tax calculated for a tax year is in excess of the prepaid taxes.
- (3) The taxpayer will owe SARS a tax amount, if the prepaid taxes were in excess of the net normal tax calculated for a tax year.
- (4) The taxpayer will owe SARS a tax amount, if the net normal tax calculated for a tax year is less than the prepaid taxes.

ASSIGNMENT 1: 1st SEMESTER (continued)**QUESTION 14**

Where a taxpayer disagrees with an assessment received from SARS, what is the first step the taxpayer must take?

- (1) Lodge an ADR form 2 with SARS.
- (2) Lodge an appeal with the tax board.
- (3) Lodge an objection on an ADR1 form with SARS.
- (4) Lodge an appeal with the tax court.

QUESTION 15

Which one of the following arrangements may constitute a reportable arrangement?

- (1) An arrangement where there is no 'tax benefit'.
- (2) An arrangement where the tax benefit exceeds R1 million.
- (3) An arrangement listed under section 36 of the Tax Administration Act.
- (4) Options (1) and (3)

QUESTION 16

When a taxpayer bears the burden of proof, it means...

- (1) SARS has to show that an assessment is incorrect.
- (2) the taxpayer has to show the assessment is correct.
- (3) SARS has to show an assessment is correct.
- (4) the taxpayer has to show the assessment is incorrect.

QUESTION 17

For how long must a taxpayer keep records with regard to tax returns?

- (1) Three years
- (2) Five years
- (3) One year
- (4) No records need to be kept after filing a return

QUESTION 18

Which one of the following statements is correct with respect to refunds due to taxpayers?

- (1) SARS may only make a refund to a taxpayer after such a refund has been audited.
- (2) The refund has to be claimed within three years of a self- assessment.
- (3) The refund has to be claimed within five years of a SARS assessment.
- (4) SARS may set-off refunds on a taxpayer's income tax against other outstanding taxes owing.

ASSIGNMENT 1: 1st SEMESTER (continued)

QUESTION 19

If a taxpayer has objected following the prescribed manner, how many days does the Commissioner have in which to reply to the taxpayer regarding the objection, assuming it is a simple matter in dispute and no further information was requested?

- (1) 60 days
- (2) 45 days
- (3) 30 days
- (4) 90 days

QUESTION 20

With regard to the objection procedure a taxpayer must follow, when can a notice of appeal be made by a taxpayer?

- (1) after reasons of a particular assessment have been provided by SARS to the taxpayer
- (2) after the due date per the assessment
- (3) after the matter has gone to the Tax Court
- (4) after an objection has been disallowed by SARS

QUESTION 21

A close corporation is taxed at what tax rate?

- (1) 28%
- (2) 40%
- (3) using a sliding scale
- (4) using a tax table

QUESTION 22

RentaToy Close Corporation ("CC") would like to know if they qualify as a small business corporation. You are provided with the following information:

- The gross income for the 2013 (their first year of trade) was R1,7 million.
- Sophia and Zara (two sisters) and Toyland (Pty) Ltd are the only shareholders of the CC.
- Zara owns 5 000 shares in a company listed on the Johannesburg Stock Exchange.
- The CC has no investment income.

On what grounds doesn't RentaToy CC qualify as a small business corporation?

- (1) It has no investment income
- (2) Zara owns shares in a listed company
- (3) RentaToy is a CC
- (4) Toyland (Pty) Ltd is a shareholder

ASSIGNMENT 1: 1st SEMESTER (continued)**QUESTION 23**

Litchi Café (Pty) Ltd qualifies as a small business corporation. For the 2014 year of assessment ending 28 February, it had turnover of R1 925 000 and taxable income of R525 000. How much tax will it have to pay?

- (1) R20 852
- (2) R147 000
- (3) R110 250
- (4) R54 452

QUESTION 24

PoohBear Creche (Pty) Ltd calculated its taxable income for the 31 March 2014 tax year to be R1 400 000. The basic amount (last assessed for 2013) is R1 700 000. It has made a first provisional tax payment of R238 000. What will the second provisional tax payment be in respect of the 2014 year and by when must it be paid? (Assume the company is not a small business corporation or a micro business.)

- (1) R154 000, payable by 31 March 2014
- (2) R392 000, payable by 31 March 2014
- (3) R476 000, payable by 28 February 2014
- (4) R154 000, payable by 28 February 2014

QUESTION 25

Funky Nails (Pty) Ltd was last assessed in 2011 with a taxable income of R691 000. The taxable income for 2012 and 2013 was R790 000 and R920 000 respectively. The company has a 31 December year-end. Their first provisional tax payment for the 2014 tax year is due on 30 June 2014.

What amount must they use to base their first provisional tax payment on?

- (1) R691 000
- (2) R920 000
- (3) R746 280
- (4) R856 840

QUESTION 26

A close corporation has taxable income for the 2014 tax year of R375 000.

It has made first and second provisional tax payments of R53 000 and R10 000 respectively for the 2014 tax year. Assume the company is not a small business corporation or a micro business.

What is the company's final tax liability for the 2014 tax year?

- (1) R105 000
- (2) R42 000
- (3) R63 000
- (4) Rnil

ASSIGNMENT 1: 1st SEMESTER (continued)

QUESTION 27

Mrs Fitness Freak has recently started a small business that sells only organic vitamins and supplements. She received only cash amounts of R632 000 for the period 1 September 2013 to 28 February 2014. This is the first year of trade. Mrs Fitness Freak would like to know if she would qualify as a micro business.

Which one of the following statements is correct regarding Mrs Fitness Freak's status with regards to qualifying as a micro business?

- (1) She qualifies as a micro business as the receipts of R632 000 are less than the R1 million turnover limit.
- (2) She does not qualify as a micro business, as the receipts of R632 000 are not more than the R1 million turnover limit.
- (3) She qualifies as a micro business as the receipts of R632 000 are more than the R500 000 proportional turnover limit.
- (4) She does not qualify as a micro business as the receipts of R632 000 are more than the R500 000 proportional turnover limit.

QUESTION 28

Kids Party Co CC qualifies as a micro business. They received cash amounts of R650 000 relating to party services for the period 1 March 2013 to 28 February 2014. Excluded from this amount is R42 000 received in cash from the sale of a delivery vehicle as well as some rental income of R21 000 which the CC received from occasionally renting out the garden portion at the front of their business premises for private functions.

What is Kids Party Co CC's taxable turnover for the year ended 28 February 2014?

- (1) R650 000
- (2) R713 000
- (3) R692 000
- (4) R671 000

QUESTION 29

A company that is registered as a micro business for taxation purposes must pay tax for the February 2014 year of assessment. The company's accountant provides you with the following figures:

Qualifying turnover limit:	R1 million
Qualifying turnover:	R589 000
Taxable income:	R261 000
Taxable turnover:	R633 000

What is the tax liability of the company for the 2014 year of assessment?

- (1) R73 080
- (2) R9 060
- (3) R10 820
- (4) R5 500

ASSIGNMENT 1: 1st SEMESTER (continued)**QUESTION 30**

A company (not a small business corporation as defined) must make its first provisional tax payment on 31 March 2014 for the year of assessment ending 30 September 2014. The latest assessment received was in respect of the 2013 year of assessment (received on 26 February 2014) and reflected a taxable income of R1.4 million. The 2012 tax assessment reflected taxable income of R967 000.

What is the first provisional tax amount that must be paid by the company on 31 March 2014?

- (1) R135 380
- (2) R157 041
- (3) R392 000
- (4) R270 760

END OF ASSIGNMENT 1



FIRST SEMESTER

ASSIGNMENT 2 (50 marks, 60 minutes)

MODULE	DUE DATE	UNIQUE NUMBER
TAX2601	28 March 2014	759148

NOTE:



NOTE THAT THE MARK OBTAINED FOR THIS ASSIGNMENT WILL FORM **70%** OF YOUR YEAR MARK FOR THIS MODULE. YOUR YEAR MARK WILL CONTRIBUTE 10% TOWARDS YOUR FINAL MARK.

PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE BECAUSE LATE SUBMISSION WILL RESULT IN **THE MARK OBTAINED FOR THIS ASSIGNMENT NOT FORMING PART OF YOUR YEAR MARK!** NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

YOU MAY SUBMIT THIS ASSIGNMENT ELECTRONICALLY, BUT IT MUST BE IN A PDF-FORMAT.

ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment you will need to have achieved the learning objectives set out in **study units 1 to 5** as contained in Tutorial Letters 102/3/2014 and 103/3/2014.

ASSIGNMENT 2: 1st SEMESTER STUDENTS

QUESTION 1 (20 marks, 24 minutes)

You are a trainee accountant and a member of the audit team currently performing the audit of Betty Blue (Pty) Ltd ("Betty Blue"). Betty Blue manufactures lipsticks at its factory in the south of Johannesburg and distributes them locally. Betty Blue is a registered VAT vendor.

The financial accountant at Betty Blue has almost completed the calculation of the taxable income for the year of assessment ending 31 December 2013. She is unsure how to handle some of the transactions that occurred during the year for taxation purposes and has asked that you complete the taxable income calculation taking these transactions into account.

The taxable income she arrived at was **R2 356 000**. Assume the calculation of this figure is correct (in terms of the provisions of the Income Tax Act).

The following are the transactions she is unsure of: (All amounts exclude VAT unless stated otherwise.)

1. Insurance premiums

Insurance premiums of R245 000 were paid in full for the 12-month period from 1 August 2013 to 31 July 2014.

2. Trademark

On 30 June 2013 one of the lipstick trademarks Betty Blue had registered in 2011 was renewed for a further three years at a cost of R75 000.

3. Research and development

A dedicated team employed by Betty Blue was used in a highly scientific research and development project. The aim of the project was to develop a lipstick range that would colour lips for up to 16 hours without reapplying. The necessary approval from the Science and Technology Department was received on 30 September 2013. Salaries amounting to R640 440 in total were paid (R451 440 was paid on 30 July 2013 and R189 000 was paid on 28 November 2013) for the year of assessment.

4. Design

On 31 May 2013 Betty Blue purchased a specific design to be used for their lipstick winter range from Levron Cosmetics for R120 000.

5. Bad debts and doubtful debts allowance

R60 000 relates to only one bad debtor. Betty Blue has tried to collect the outstanding R60 000 since 2011 but finally decided to write off the amount in the 2013 year of assessment.

A provision for doubtful debts of R123 000 in respect of doubtful debtors had been raised for the 2013 year of assessment. A doubtful debt allowance of R22 500 was allowed by SARS in 2012.

6. Penalties and interest

There is a penalty of R250 from submitting a VAT return one month late and some interest of R1 789 for outstanding skills development levies.

7. Salaries and wages

Salaries and wages amounting to R1 200 000 were not taken into account. Contributions to a pension fund of R110 000 made during the 2013 year have also not been dealt with by the accountant.

ASSIGNMENT 2: 1st SEMESTER (continued)

8. Sale of end range lipsticks

Forty lipsticks that were end of range were sold to staff for less than the market value during the stock take that took place on 30 December 2013. The lipsticks had a market value of R65 each and the staff members purchased them for R30 each.

9. Donation

Betty Blue made a R50 000 donation to the Makeup Institute of South Africa, a registered public benefit organisation. Betty Blue did receive the necessary section 18A income tax certificate for the donation made from the institute.

REQUIRED:	MARKS
Calculate the tax liability of Betty Blue (Pty) Ltd for the 31 December 2013 year of assessment. You must start your calculation with the taxable income of R2 356 000 , taking into account the above-mentioned transactions for taxation purposes only.	20

QUESTION 2 (30 marks, 36 minutes)

Question 2.1 (17 marks, 20 minutes)

During the 2012 year of assessment, Betty Blue acquired a 70% shareholding in a South African company called Natural Lashes (Pty) Ltd that manufactures mascara using only organic ingredients. Betty Blue and the only director of Natural Lashes are the shareholders of the company. Betty Blue and the director do not hold any other shareholding in other companies. Natural Lashes had a turnover of R1,5 million for the December 2013 year-end from the sale of mascaras alone. It also received income from consulting fees of R220 000. These consulting fees relate to fees earned by the director, as he is known to be a research expert in the field of organic ingredients. Natural Lashes also had a capital gain of R87 000 that resulted from the sale of one of their mixing machines. The company does not earn any investment income.

The financial accountant at Betty Blue has asked you to advise them on whether or not Natural Lashes can qualify as a small business corporation and be taxed accordingly.

REQUIRED:	MARKS
Determine whether Natural Lashes (Pty) Ltd would qualify as a small business corporation. You must address each requirement and apply it to the facts you are given above and reach a conclusion.	17

ASSIGNMENT 2: 1st SEMESTER (continued)

Question 2.2 (13 marks, 16 minutes)

Natural Lashes has provided for bonuses for all its employees in the 31 December 2013 financial year. The director would like to know if the expense is deductible for tax purposes in the 2013 year of assessment. He tells you that the bonuses will only be paid out to the employees if the turnover of the company reaches R5 million by 30 June 2014.

The journal entry relating to the provision for bonuses is:

Dr Bonuses (Expense)	R450 000	
Cr Provision for bonuses (Liability)		R450 000

REQUIRED:	MARKS
<p>Discuss whether or not the R450 000 is deductible in terms of the general deduction formula of the Income Tax Act for the 2013 year of assessment.</p> <p>You must refer to a relevant court case.</p>	13

12 ASSIGNMENTS FOR SECOND SEMESTER STUDENTS

NOTE:



SUBMISSION OF ASSIGNMENT 01 IS COMPULSORY IN ORDER TO OBTAIN ADMISSION TO THE EXAMINATION. ADMISSION WILL BE OBTAINED BY SUBMITTING THE ASSIGNMENT AND **NOT** BY THE MARKS YOU OBTAIN FOR IT. THIS ASSIGNMENT WILL COUNT A MAXIMUM OF **3%** OF YOUR FINAL MARK. PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE SINCE LATE SUBMISSION WILL RESULT IN YOUR **NOT BEING ADMITTED TO THE EXAMINATION.** NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

IF YOU INTEND POSTING YOUR ASSIGNMENT, MAKE A COPY OF IT BEFORE YOU POST IT TO UNISA, IN CASE YOUR ASSIGNMENT IS LOST IN THE POST.

WE ADVISE YOU, IF AT ALL POSSIBLE, TO **SUBMIT YOUR ASSIGNMENT ELECTRONICALLY.**

IMPORTANT INFORMATION ON MULTIPLE-CHOICE ASSIGNMENTS:

- (1) Questions can be answered on a **mark-reading sheet** or submitted **electronically** via the *myUnisa* online system.
- (2) Before completing the mark-reading sheet, study the instructions in ***My studies @ Unisa.*** Read these instructions carefully and follow them exactly to avoid mistakes.
- (3) Do your calculations on a separate piece of paper before you complete the mark-reading sheet.
- (4) There is only one correct answer to each question.
- (5) All questions are equal in value.



SECOND SEMESTER

ASSIGNMENT 1 (30 marks, 36 minutes)

MODULE	DUE DATE	UNIQUE NUMBER
TAX2601	12 August 2014	835478

ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment, you will need to have achieved the learning objectives set out in **study units 1 to 3** as contained in Tutorial Letter 102/3/2014. This assignment will assess you on being able to select the appropriate alternative that best reflects the quantitative/qualitative answer to a problem. This assignment will count a maximum of **3%** towards your final mark.

REQUIRED:	MARKS
Select the number ((1) – (4)) that represents the correct answer to the question. (The mark reading sheet has 5 options, please ignore option 5 for each question in this assignment)	30

ASSIGNMENT 1: 2nd SEMESTER STUDENTS

QUESTION 1

Value-Added Tax is an example of ...

- (1) a progressive tax.
- (2) an indirect tax.
- (3) a direct tax.
- (4) a proportional tax.

QUESTION 2

Taxation rules contained in the Income Tax Act are not always clear and SARS, as the administrator of the Income Tax Act, issues _____ on certain of these taxation rules in order to provide taxpayers with clarity and guidance. Which option is **incorrect**?

- (1) binding general rulings
- (2) interpretation notes
- (3) practice notes
- (4) binding notes

ASSIGNMENT 1: 2nd SEMESTER (continued)

QUESTION 3

Which one of the following South African taxes falls under income tax and is not a tax on its own?

- (1) dividends tax
- (2) skills development levy (SDL)
- (3) estate duty
- (4) unemployment insurance fund (UIF)

QUESTION 4

Source based taxation means those persons who are ...

- (1) residents, are subject to tax on their worldwide income.
- (2) non-residents, are subject to tax on their South African sourced income only.
- (3) residents, are subject to tax on their South African income only.
- (4) non-residents, are subject to tax on their worldwide income.

QUESTION 5

In the tax board and tax court, the onus of proof is always on the ...

- (1) commissioner.
- (2) advocate.
- (3) taxpayer.
- (4) accountant.

QUESTION 6

Which one of the following statements is incorrect with regard to the tax court?

- (1) Where the tax board has referred an appeal, the Tax Court is next in line to try and solve the disagreement.
- (2) The Tax Court is a creature of statute, meaning it has no inherent powers such as the High Court.
- (3) The taxpayer may represent himself/herself in the Tax Court.
- (4) Three to five judges listen and decide on all cases in this court.

QUESTION 7

Which one of the following is not a procedure for settlement in terms of alternative dispute resolution (ADR)?

- (1) All details should be made known by the taxpayer.
- (2) The secrecy provisions must be adhered to.
- (3) The settlement agreement must be in writing.
- (4) The settlement agreement must be confirmed by the Tax Court.

ASSIGNMENT 1: 2nd SEMESTER (continued)**QUESTION 8**

If the president of the Tax Court grants permission, the taxpayer or the commissioner may appeal directly to which court, therefore overlooking the High Court?

- (1) Highest court
- (2) Supreme court of appeal
- (3) Constitutional court
- (4) Supreme court

QUESTION 9

Any aggrieved taxpayer can lodge a complaint against SARS at any of the following institutions. Which one is incorrect?

- (1) SARS Service Monitoring Office (SSMO)
- (2) Tax ombud
- (3) Public Protector
- (4) SARS Service Ombud (SSO)

QUESTION 10

An individual taxpayer's 2014 year of assessment runs from ...

- (1) 1 July 2013 – 30 June 2014.
- (2) 1 March 2013 – 28 February 2014.
- (3) 1 March 2014 – 28 February 2015.
- (4) 1 July 2014 – 30 June 2015.

QUESTION 11

Any change in registration particulars must be provided to SARS within _____ business days.

- (1) 65
- (2) 30
- (3) 21
- (4) 90

QUESTION 12

Moratuwa (Pty) Ltd incurred a non-compliance penalty for failure to keep proper records. The non-compliance was rectified 3 months following the penalty assessment. Moratuwa (Pty) Ltd's taxable income for the preceding year of assessment was R780 987. What is the penalty amount due to SARS assuming a percentage-based non-compliance penalty does not apply?

- (1) R3 000
- (2) R3 500
- (3) R4 000
- (4) R2 000

ASSIGNMENT 1: 2nd SEMESTER (continued)

QUESTION 13

Which one of the following statements is not correct regarding a notice of appeal?

- (1) It must be made within 60 days.
- (2) It must be on a form prescribed by the Commissioner (ADR2).
- (3) It must set out the grounds of appeal.
- (4) It must be signed by the taxpayer.

QUESTION 14

Chapter 12 of the Tax Administration Act deals with ...

- (1) disputes on overpayments and underpayments of provisional tax.
- (2) general interest rules.
- (3) late payments of employees' tax and provisional tax.
- (4) the submission of returns, and payment of tax, interest and penalties.

QUESTION 15

If there has been an overpayment of tax from the taxpayer, he/she may claim a refund within _____ years after the date of a SARS assessment.

- (1) one
- (2) two
- (3) three
- (4) four

QUESTION 16

Which of the following statements is correct with regards to penalties?

- (1) The understatement penalty is applied to the shortfall of the tax in accordance to the understatement penalty percentage table.
- (2) The percentage-based non-compliance penalty amount depends on the taxpayer's income for the preceding year of assessment.
- (3) The percentage-based non-compliance penalty can range from R250 to R16 000 a month for each month that the non-compliance continues.
- (4) The taxpayer may be subjected to a fixed amount and a percentage based non-compliance penalty.

QUESTION 17

A taxpayer makes an omission in his return, resulting in the tax assessed being R50 000 less than it should be. The discovery of the omission will result in tax of R50 000 plus additional tax of up to a maximum of R_____.

- (1) R50 000
- (2) R100 000
- (3) R150 000
- (4) R200 000

ASSIGNMENT 1: 2nd SEMESTER (continued)**QUESTION 18**

The shareholders, directors and members of a company or close corporation who were in control of or regularly involved in the management of the overall financial affairs of the business, will become personally liable for which two taxes if the business has failed to pay the tax over to SARS?

- (1) income tax and VAT
- (2) VAT and employees tax (PAYE)
- (3) employees tax (PAYE) and provisional tax
- (4) provisional tax and income tax

QUESTION 19

Any person (including an individual, company or a trust) who becomes liable for any normal tax at any time must apply to the Commissioner (SARS) to be registered as a taxpayer. Which form must be completed to register as a taxpayer?

- (1) IT34
- (2) IT12
- (3) IT77
- (4) IT14

QUESTION 20

For how long must a taxpayer keep records with regards to tax returns?

- (1) six years
- (2) five years
- (3) two years
- (4) one year

QUESTION 21

Which one of the following companies will not automatically be classified as a public company?

- (1) banks
- (2) public benefit organisations
- (2) insurance companies
- (3) gold and diamond mining companies

QUESTION 22

A company is taxed ...

- (1) at a rate of 28%.
- (2) at 40%.
- (2) using a sliding scale.
- (3) using a tax table.

ASSIGNMENT 1: 2nd SEMESTER (continued)

QUESTION 23

Which one of the following statements does not fit into the definition of a small business corporation?

- (1) The business is a close corporation, co-operative or private company.
- (2) The gross income does not exceed R7 million for the year of assessment.
- (3) The business is not a personal service provider.
- (4) Investment income and personal service income do not make up more than 20 % of revenue and capital gains.

QUESTION 24

Ann's Diner CC qualifies as a small business corporation. For the 2014 year of assessment ending 28 February, it had taxable income and taxable turnover of R275 000 and R955 000 respectively. How much tax will the CC have to pay?

- (1) R14 552
- (2) R77 000
- (3) R173 102
- (4) R267 400

QUESTION 25

A private company, registered for tax, has taxable income for the 2014 tax year of R250 000. It has made first and second provisional tax payments of R36 000 and R12 000 respectively for the 2014 tax year. Assume the company is not a small business corporation or a micro business.

What is the company's final tax liability for the 2014 tax year?

- (1) R70 000
- (2) R34 000
- (3) R22 000
- (4) Rnil

QUESTION 26

Yellow Stone (Pty) Ltd has an estimated income of R950 000 for the 2014 year of assessment, which ends on 30 June 2014. The company was last assessed in 2012 with a taxable income of R540 000.

What is the first provisional tax amount that must be paid by the company on 31 December 2013?

- (1) R252 000
- (2) R175 392
- (3) R126 000
- (4) R87 696

ASSIGNMENT 1: 2nd SEMESTER (continued)**QUESTION 27**

Lemon (Pty) Ltd would like to know if they would qualify as a micro business. They received cash amounts relating to catering services amounting to R445 000 for the period 1 March 2013 to 28 February 2014. Included in this amount is R37 000 received in cash from the sale of some catering equipment.

What is Lemon (Pty) Ltd's qualifying turnover for the year ended 28 February 2014?

- (1) R124 600
- (2) R408 000
- (3) R445 000
- (4) R482 000

QUESTION 28

Green Beans CC is a small business corporation that elected to be taxed on the turnover-based tax system. Green Beans CC estimates that its taxable turnover for the 2014 year of assessment will be R550 000.

What is the amount of the first interim payment that must be submitted to SARS in respect of the 2014 year of assessment?

- (1) R7 500
- (2) R5 500
- (3) R3 750
- (4) Rnil

QUESTION 29

Refer to the above scenario of Green Beans CC. When must the first interim payment be made?

- (1) 31 August 2014
- (2) 28 February 2013
- (3) 31 March 2013
- (4) 31 August 2013

QUESTION 30

If a company is registered on the Turnover Tax based system, which one of the following items will be used to determine the company's tax liability?

- (1) qualifying turnover
- (2) qualifying income
- (3) taxable income
- (4) taxable turnover

END OF ASSIGNMENT 1



SECOND SEMESTER

ASSIGNMENT 2 (50 marks, 60 minutes)

COURSE	DUE DATE	UNIQUE NUMBER
TAX2601	9 September 2014	856048

NOTE:



NOTE THAT THE MARK OBTAINED FOR THIS ASSIGNMENT WILL FORM **70% OF YOUR YEAR MARK** FOR THIS MODULE. YOUR YEAR MARK WILL CONTRIBUTE 10% TOWARDS YOUR FINAL MARK.

PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE BECAUSE LATE SUBMISSION WILL RESULT IN **THE MARK OBTAINED FOR THIS ASSIGNMENT NOT FORMING PART OF YOUR YEAR MARK!** NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

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ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment, you will need to have achieved the learning objectives set out in **study units 1 to 5** as contained in Tutorial Letters 102/3/2014 and 103/3/2014.

ASSIGNMENT 2: 2nd SEMESTER STUDENTS

QUESTION 1 (21 marks, 25 minutes)

Lillies4Africa CC is a flower shop that manufactures and supplies artificial flowers in South Africa. The corporation **is** a small business corporation as defined and the financial year ends on 28 February. The following information is available to calculate the 2014 taxable income (year ended 28 February 2014):

1. Sales (Turnover) amounted to R900 000.
2. Rental
On 1 July 2013 Lillies4Africa CC entered into a lease contract with Company X. From 1 July 2013 a monthly rental amount of R15 000 was payable to Lillies4Africa CC for the lease of space in an office park owned by Lillies4Africa CC.
3. Trading stock
Stock was purchased during the year for R85 000 and the stock was delivered at a cost of R7 600 by a transport company to the place of business where the flowers are manufactured.

ASSIGNMENT 2: 2nd SEMESTER (continued)

4. Restraint of trade
Lillies4Africa CC made a restraint of trade payment of R120 000 to Mr Ruan Palm. He was a director, restrained from competing with the company for five years from the date of payment. The agreement was effective from 1 January 2014 and the payment was made on 15 January 2014.
5. Annuities and leave pay
During the current year of assessment, an amount of R25 000 was paid to Mrs Iris, who retired due to ill health and R15 000 was paid to Mrs Orchid, who resigned. Leave pay of R50 000 was also paid to Mrs Iris on retirement.
6. Trademark
Lillies4Africa CC incurred costs of R95 000 to develop a trademark. These operating costs were incurred from April 2013 to December 2013, and the trademark was brought into use on 1 January 2014.
7. Bad debts and doubtful debt allowance
A provision for doubtful debts of R62 000 was raised for the 2014 year of assessment. The provision for doubtful debts for the previous year of assessment was R16 000.

The amount of bad debts during the year of assessment amounted to R16 400.
8. Dividends and salary
Lillies4Africa CC received an amount of R35 000 as dividends from an investment in a South African company.

Salaries and wages amounted to R180 000 for the year of assessment.
9. Legal fees
Legal expenses of R11 500 were incurred for the collection of outstanding debtors. Legal expenses of R2 500 were also paid on behalf of one of the company's directors, Mrs. Rose Thorn, regarding a private issue.
10. Donations
Lillies4Africa CC made a donation of R60 000 to a charity that helps special needs kids (a qualifying public benefit organisation). The relevant section18A certificate was obtained.

REQUIRED:	MARKS
Calculate the tax liability of Lillies4Africa CC for the year of assessment ended 28 February 2014.	21

ASSIGNMENT 2: 2nd SEMESTER (continued)

QUESTION 2 (29 marks, 35 minutes)

Question 2.1 (12 marks, 14 minutes)

Lillies4Africa CC has grown tremendously as a business over the last few years and they decided to start their own website. On 1 November 2013, they paid a web-designer R30 000 to design a website which would enable them to advertise their business and provide information to current and prospective clients. Lillies4Africa would like to know if this expense is deductible for income tax purposes?

REQUIRED:	MARKS
Discuss whether or not the R30 000 is deductible in terms of the general deduction formula of the Income Tax Act for the 2014 year of assessment. You do not need to refer to case law.	12

Question 2.2 (10 marks, 12 minutes)

On 1 February 2014, Mrs Pink ordered ten dozen Pink roses, ten dozen white roses and ten dozen white lilies from Lillies4Africa CC for her 50th birthday party. The flowers were delivered to Mrs Pink on the 23rd of February 2014 and the total amount due to Lillies4Africa CC was R7 200. On the date of delivery, Mrs Pink paid an amount of R5 000 and requested to pay the outstanding amount of R2 200 on 15 March 2014. Lillies4Africa CC accepted her request.

REQUIRED:	MARKS
Discuss whether or not the amount/s will be included in Lillies4Africa CC's gross income for the 2014 year of assessment ended 28 February 2014. You must refer to a relevant court case.	10

QUESTION 3 (7 marks, 9 minutes)

Yellow Cling Peaches (Pty) Ltd has an estimated taxable income of R500 000 for the 2014 year of assessment ended 30 June 2014. The company was last assessed on 30 June 2011 and showed a taxable income of R360 000. Assume the company is not a small business corporation or a micro business as defined.

REQUIRED:	MARKS
Determine the first and second provisional income tax payment that Yellow Cling Peaches (Pty) Ltd must pay over to SARS on the 31 December 2013 and 30 June 2014 respectively.	7

