



NOVEMBER 2013 EXAMINATION

DATE: 14 NOVEMBER 2013

TIME: 14H00 – 16H30

TOTAL: 100 MARKS

DURATION: 2½ HOURS

PASS MARK: 40%

(PO-04)

A LOGICAL APPROACH TO SOUTH AFRICAN TAX

THIS EXAMINATION PAPER CONSISTS OF 2 SECTIONS:

SECTION A: CONSISTS OF 10 MULTIPLE-CHOICE QUESTIONS
ANSWER ALL THE QUESTIONS (10 MARKS)

SECTION B: CONSISTS OF 4 QUESTIONS
ANSWER ALL THE QUESTIONS (90 MARKS)

INSTRUCTIONS:

1. Read the following instructions *carefully* before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers *exactly* as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall *after* the examination has taken place.

NOTE: YOU MAY USE A NON-PROGRAMMABLE CALCULATOR. A 2010 TAX TABLE IS ATTACHED AT THE END OF THIS PAPER.

SECTION A

(10 MARKS)

ANSWER ALL THE QUESTIONS

MULTIPLE-CHOICE QUESTIONS

Choose the correct option for each of the following. Write only the question number and your chosen answer. For instance, if you think that the correct answer for number 1 is (a), then write it as 1. (a).

1. An individual tax payer aged over 65 years:
 - (a) receives an additional rebate over and above a normal rebate.
 - (b) does not have to pay tax.
 - (c) pays tax at the rate a company is taxed.
 - (d) None of the above.

2. A private company is taxed:
 - (a) at a rate of 50% flat.
 - (b) at a rate which is no different to that of an individual tax payer.
 - (c) like a trust.
 - (d) None of the above.

3. Aspects such as the use of a company car, low interest or interest-free loans, medical aid contributions over and above the normal rates granted to the employee etc, are referred to as:
 - (a) allowances.
 - (b) fringe benefits.
 - (c) perks.
 - (d) All of the above.

4. A South African citizen who is under 65 years of age is only entitled to a _____ rebate:
 - (a) second
 - (b) first
 - (c) substantial
 - (d) minimal

5. When a business wishes to qualify for a deduction in expenses in terms of S11(a), the key phrase to determine whether the expense is deductible is:
 - (a) whether it's in the production of income.
 - (b) whether it's related to the income capacity of the business.
 - (c) whether income and expenses can be matched.
 - (d) None of the above.

6. Mr A Spender owns shares which he purchased in 2011. When he sells some of his shares, these shares will be subjected to:
- (a) share tax.
 - (b) STC.
 - (c) capital gains tax.
 - (d) All of the above.
7. D Dee and G Gee are partners in a partnership who share in profits and losses in the ratio of 2:3, respectively. They will be taxed in the following way:
- (a) equally.
 - (b) according to their share of the partnership income.
 - (c) the partnership itself as a business will be taxed at a rate of 28%.
 - (d) None of the above.
8. Section 12 of the Income Tax Act deals with:
- (a) capital allowances.
 - (b) VAT.
 - (c) fringe benefits.
 - (d) PAYE.
9. A man receives a property valued at 200 000 which was given to him by his father. This transaction will be subjected to:
- (a) donations tax.
 - (b) property tax.
 - (c) estate duty.
 - (d) VAT.
10. A business purchases a water dispensing machine for its business. This purchase cannot be claimed for tax deduction purposes.
- (a) True.
 - (b) False.
 - (c) These type of machines are deemed to be 'refreshments', so input VAT cannot be claimed.
 - (d) None of the above.
- [10]

[10]

SECTION B

(90 MARKS)

ANSWER ALL THE QUESTIONS

Note: The following questions are based on the income tax rates as at the end of February 2010. A copy is attached at the end of this question paper.

QUESTION 1

Study the information below for each separate case and calculate the net normal tax payable / (refundable) for each situation for the year ended 28 February 2010.

- (a) Koos is a 68 year old tax payer.

Gross income (including winnings from lotto prize draw)	R3 200 000	
Exempt income (winnings from lotto draw and tax free portion of interest received)	3 075 000	
Allowable deductions (medical expenses)	15 000	
Taxable portion of capital gain	5 000	
Income tax paid during the year (provisional tax)	20 000	(11)

- (b) Sizwe is 20 years old and was unemployed for the period 1 August 2009 to 1 January 2010.

Gross income	R49 000	
Exempt income	nil	
Allowable deductions	12 000	
Taxable portion of capital gain	1 000	
Employees tax paid to SARS during the year	5 300	(11)

- (c) The following is the income statement of Rex CC for the financial year ended 28 February 2010:

Turnover	800 000	
Cost of sales	250 000	
Other operating income	65 000	
Exempt income	20 000	
Total operating expenses	280 000	
Non-deductible expenses (included n operating expenses)	80 000	
Income tax paid during the year (provisional tax)	40 000	

Other information: There was a taxable capital gain of R50 000 during the year. (13) [35]

QUESTION 2

Hamiltons (Pty) Ltd registered as a VAT vendor on 1 March 2009. The company had a two-month VAT period and the following information (inclusive of VAT) is relevant for the period March / April 2009:

Sales	R228 000
Debtors	57 000
Expenses	114 000
Trade creditors	28 500

You are required to:

Calculate VAT payable by Hamiltons (Pty) Ltd on the:

- (a) invoice basis (6)
- (b) payments basis (8) [14]

QUESTION 3

(a) Regarding employees tax, explain the following terminology:

- i. Standard Income Tax on Employees (SITE) (2)
- ii. Pay-as-you-earn (PAYE) (2)
- iii. Gross earnings (2)
- iv. Taxable earnings (2)

(b) Refer to the table below for XYZ Traders.

Employee	Age	Monthly basic salary
U Know	22	R2 800
I See	34	R12 000
Y Worry	27	R18 000
E Net	67	R28 000
O Know	52	R48 400

You are required to:

Calculate the monthly tax payable by each of the employees by applying the 2010 tax-rate sliding scale.

(19) [27]

QUESTION 4

- (a) What is the online SARS web page called where one can submit returns online? Mention two other services offered on this site. (3)
- (b) Which form is used to complete returns for the business's salaries and wages tax requirements? Mention the three taxes covered on this form. (4)
- (c) Which form is submitted to complete the 'inputs' and 'outputs' of the business? What is the net result when the form is completed? (2)
- (d) What document does the employer issue to the employee to aid them to complete their tax returns? Mention any two other documents / information that SARS may require when submitting a return for an individual taxpayer. (3)
- (e) What is the name of the tax return that has to be completed for a company? (1)
- (f) Once SARS has calculated what tax is due / refundable an IT34 is done. This is referred to as an _____. (1) [14]

[90]

Section A: 10 marks

Section B: 90 marks

TOTAL: 100 MARKS

2010 TAX TABLES

Income Tax Tables

1 March 2009 – 28 February 2010

Taxable Income	Tax Rate
R0 – R132 000	18%
R132 001 – R210 000	R23 760 + (25% of amount above R132 000)
R210 001 – R290 000	R43 260 + (30% of amount above R210 000)
R290 001 – R410 000	R67 260 + (35% of amount above R290 000)
R410 001 – R525 000	R109 260 + (38% of amount above R410 000)
R525 001 and above	R152 960 + (40% of amount above R525 000)

Primary Rebate	R9 756
Additional Rebate (Persons 65 and older)	R5 400

Company Tax rate: 28%