



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II SECOND SEMESTER EXAMINATION

INTRODUCTION TO TAXATION [BAC2204]

SEPTEMBER 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** QUESTIONS
2. Begin each question on a new page.
3. Please indicate the study format (Conventional/Block) on the cover of your answer script.

INFORMATION FOR CANDIDATES

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

This paper consists of seven printed pages including the cover page

QUESTION 1 [25 MARKS]

- a) Describe the main purpose of taxation in a modern economy. **[2 Marks]**
- b) Explain three basic principles that a good tax system should be guided by. **[6 Marks]**
- c) Explain the difference between direct and indirect taxation, giving one example of each **[4 Marks]**
- d) Using case law, where possible, explain the meaning of the following:

i. Source

ii. Accrued to

iii. Total amount

iv. Received by

v. Person

[13 Marks]

QUESTION 2 [25 MARKS]

- a) Mpho Ndlovu turned 55 years old on 4 April 2023 and in full-time employment. During the year ended 31 December 2023, she contributed a total of US\$3 500 to the Real Life Medical Aid Scheme administered by her employer. The employer contributed the same amount to the scheme for Fanyana's benefit. In addition to her medical aid contributions, Fanyana paid a further US\$1 500 in acquiring medication for her daughter and the costs could not be recovered from her medical aid scheme. Fanyana's medical aid scheme covers her, her spouse and her blind daughter.

What is the amount of tax credits which Fanyana can claim against her normal tax for the year ended 31 December 2023? **[6 Marks]**

- b) Mr Sihlobo, who works for Alisto Engineering as a production manager, went on a business trip to Brazil in May 2023. He was accompanied by his wife and son. He incurred the following expenses

	\$
Hotel bookings and meals	2 500
Wife's touring	500

Paid for jumping castles for his son 120

Mr Sihlobo spent 3/5 of his time in Brazil doing the business of his employer.

Calculate Mr Sihlobo's passage benefit. [6 Marks]

- c) Mr Mabaleka is a marketing officer with a local company. During the year ended 31 December 2023 he earned the following amounts:

	\$
Dividends from South Africa	2 000
Salary (earned during his Botswana posting for 4 months)	3 000
Zimbabwe salary	4 000
Bonus (not received by year end)	1 200

What is his total taxable income for the year ended 31 December 2023? [6 Marks]

- d) Mrs Lunga was given a company house in Mahatshula in the beginning of the year by her employer; she paid monthly rentals of \$133. The market rentals for the similar houses are \$400 per month. The cost to the employer of maintaining the house is \$166 per month.

What is the taxable housing benefit to Mrs Lunga? [7 Marks]

QUESTION 3 [25 MARKS]

- a) Complete the table below [4 Marks]

Accountant	Taxman
Depreciation e.g. Straight line or Reducing Balance.	
Net Book Value (NBV)	
Loss on disposal	
Profit on disposal	

- b) Nhlalo (Pvt) Ltd acquired a Mazda Familiar for its Accountant for \$ 18 000 two years ago. The car was sold during the current year for \$2000. The company had elected for SIA in the year of acquisition. The Accountant, however, used the car 80% for the business of the employer.

Calculate scrapping allowance on disposal of the car.

[5 Marks]

- c) Mongi has worked for 20 years as an IT programmer for a number of companies. At the beginning of the year 2023, he left his employment to set-up his IT Consultancy firm The costs incurred in connection with the business set-up are detailed below

	Date	US\$
Market research costs	31 March 2023	3 500
Business consultancy costs	5 April 2023	5 800
Stock procurement	25 July 2023	60 000
Office furniture and equipment	25 July 2023	30 000
Wages	31 July 2023	2 300
Shop rent	1 July 2023	3 000
		104 600

Mongi started business in October the same year.

Required:

Show the treatment of the above cost on commencement of his business. **[16 Marks]**

QUESTION 4 [25 MARKS]

Mbambo Properties (Pvt) Ltd is a company that specialises in providing residential and commercial letting. It was registered for VAT with effect from 01 January 2022 and was placed in Category C (submitting monthly returns) after it had purchased a 2 storey building in Bulawayo. The company's financial accountant left for greener pastures on a short notice before filing the September 2022 VAT return. You have been approached, in your capacity as a tax agent, to prepare and file the outstanding VAT return given the following information:

All amounts exclude VAT

	USD
Rental Income-Residential letting (Exempt)	20,000
Rental Income-Commercial letting (Standard Rated)	75,000
CCTV system-whole building	5,000
Ceiling repairs-whole building (Note 1)	8,000

Plumbing services –whole building	3,000
Cleaning services –whole building (Note 2)	3,500
Estate agent commission	1,200
Electrical repairs (residential floor)	2,000
Water charges and rates	8,500
Electricity bills	4,500
Accounting services	2,000
Window panes replacement (residential floor)	1,500
Shutter door (commercial floor)	4,500

Additional information

- 1.The supplier of ceiling repairs services is not a VAT registered operator.
- 2.The cleaning services company could not provide a proper fiscalised tax invoice at the time of preparing the return

Required:

Compute the amount of VAT payable and refundable month of September 2023. **[25 Marks]**

END OF EXAMINATION PAPER

TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used when answering the questions.

Tax rates – Individuals employment income

Year ended 31 December 2023

Taxable income band	Rate of tax	Amount within	Cumulative income band tax liability
US\$ %	%	US\$	
Up to 1,200	0	1,200	0
1,201 to 3,600	20	2,400	480
3,601 to 12,000	25	8,400	2,580
12,001 to 24,000	30	12,000	6,180
24,001 to 36,000	35	12,000	10,380
36,001 and over	40		

NB. The AIDS levy of 3% is chargeable on income tax payable, after deducting credits.

Allowable deductions year ended 31 December 2023

Pension fund contribution ceilings

	US\$
(a) In relation to employers: in respect of each member	3,000
(b) In relation to employees: by each member of a pension fund	3,000
(c) In relation to each contributor to a retirement annuity fund or funds	3,000
(d) National Social Security contributions (on a maximum monthly gross salary of US\$700) 3.5% of gross salary	
Aggregate maximum deductible contributions to all the above per employee/contributor per year	US\$3,000

Credits year ended 31 December 2023

	US\$
Disabled/blind person	900*
Elderly person (55 years and over)	900*
Medical aid society contributions	50%
Medical expenses	50%

*The amount is reduced proportionately if the period of assessment is less than a full tax year.

Deemed benefits year ended 31 December 2023

Motor vehicles

Engine capacity:	US\$
Up to 1500cc	625
1501 to 2000cc	830
2001 to 3000cc	1,250
3001cc and above	1,660

Loans

The deemed benefit per annum is calculated at a rate of LIBOR + 5% of the loan amount advanced.

Value added tax (VAT)

Standard rate 15%

Capital allowances	%
Special initial allowance (SIA)	25
Accelerated wear and tear	25
Wear and tear:	
Industrial buildings	5
Farm buildings	5
Commercial buildings	2,5
Motor vehicles	20
Movable assets in general	10

Tax rates – Other than employment income

Year ended 31 December 2023

Companies

Income tax: Basic rate	24%
AIDS levy	3%

Individuals

Income tax: Income from trade or investment	24%
AIDS levy	3%

Elderly taxpayers (55 years and over)

Exemptions from income tax/capital gains tax year ended 31 December 2023

	US\$
Rental income	3,000
Interest on deposits with a financial institution	3,000
Interest on discounted instruments	3,000
Pension	No limit

Benefit derived from the acquisition of a passenger motor vehicle from an employer is EXEMPT