FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT ACCOUNTING, ECONOMICS AND FINANCE

BACHELOR OF ACCOUNTING

TAXATION 310 (GTA711S)

DATE: 14TH March 2016
DURATION: 75 Minutes
MARKS: 40

TEST 1

INSTRUCTIONS
1. This test paper is made up of three (3) questions
2. Answer ALL the questions and in blue or black ink
3. Start each question on a new page in your answer booklet & show all your workings
4. Questions relating to this test may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities & any assumption made by the candidate should be clearly stated.

FIRST EXAMINER: Mrs. Z. Maritz
SECOND EXAMINER(S): Mr. W. Dreyer and Mr. G. Jansen
MODERATOR: Mr. A. Ketjinganda

This paper consists of 4 pages including this cover page
Question 1  

Chuck Norris is a professional investigator and was offered employment at Smit Investigations as from 1st April 2015. His cost to company package consists of the following:

- Salary and commission of N$240 000 per annum

- An annual bonus of N$20 000 payable in December. The bonus is calculated on part of the year if not employed for a full year.

- The private use of a 2013 Toyota Hilux. The employer paid all the costs, including fuel for business travel. The trade in value and the recommended retail price are N$90 000 and N$110 000 respectively. The cost price on date of acquisition amounted to N$110 000. His employer had the following expenses for the Toyota Hilux:
  - Fuel: N$21 000
  - Insurance: N$3 900
  - Repairs & maintenance: N$4 100
  - Licenses: N$900
  - Lease Costs: N$44 000

- The total contribution towards Chucks’ pension fund amounted to 8%, of which 5% is contributed by his employer. This contribution is based on the basic salary of N$14 000 per month.

- The right to stay in a house which is leased by the employer. The monthly rent amounts to N$6 000 and 10% of this amount is deducted from Chucks’ salary. The housing is in terms of an approved housing scheme.

- Chuck took his wife and 2 children on vacation and stayed in his employers’ holiday cottage for 14 days.

- On 1st June 2015, Smit Investigations granted a loan of N$50 000 at 5% interest per annum. No capital repayments were made during the year of assessment. Chuck paid interest at the end of each month.

- The employer sold two computers to Chuck at a price of N$2 500 each. The book value on this date was N$2 000 each, market value of N$3 000 each. The computers were older than 3 years and had no tax value.

In addition the following income was received:

- Net rental from a flat situated in Swakopmund: N$24 000
• Dividends from a SA Company N$10 000
• Interest from a friend N$10 000
• Lump sum from the pension fund of the previous employer N$150 000
  Chuck transferred N$100 000 to an approved annuity at Sanlam.
• Royalties were received from a book on employee fraud. This book was written in Windhoek and is sold only in Namibia. N$40 000
• Profit from a business venture in Angola N$100 000
• Inheritance from his late fathers’ estate N$200 000

Required:
1.1 Calculate Chucks’ taxable income for the 2016 year of assessment. You are required to show all the calculations. An explanation for the inclusion or exclusion of every amount is required to earn full marks. (25)

1.2 Assume a taxable income of N$360 000 before inclusion of the lump sum and royalties, calculate the tax payable for the 2016 year of assessment. (5)

Question 2 (6 Marks)

In each of questions 1 to 5, only choose the incorrect option:

1a All income of a capital nature is not included in gross income
1b Money stolen by a thief will form part of his gross income.
1c The onus of proof for capital nature receipts rest on the taxpayer
1d Option a & b

2a The CIR v People’s Stores (Pty) Ltd court case dealt with the meaning of accrued.
2b The Cot v G court case dealt with the “year of assessment” principle
2c The Visser court case dealt with the “capital vs revenue” principle.
2d The Lategan court case dealt with the meaning of “received by or accrued to.”

3a The Supreme Court of Appeal has confirmed that the term “accrued to” means those amounts that are “due and payable” to the taxpayer.
3b The term “capital nature” is not defined in the Income Tax Act.
3c The world-wide receipts and accruals of a taxpayer are taxable in Namibia.
3d None of the above
4a The salary a sole trader pays himself for running his sole-trader business forms part of his gross income.

4b The salary a company director and/or shareholder receives from “his” company for running it, forms part of his gross income.

4c Law books to a bookseller are his trading stock and when he sells them, the amount received or accrued is gross income.

4d None of the above

In questions 5 and 6, choose the most appropriate answer.

5. Which of the following will be included in gross income?
   a. Gift from your niece.
   b. Sweepstake wins.
   c. A prize from an employer for making the most sales.
   d. Option b and c
   e. None of the above.

6. Which of the following forms part of capital income?
   a. Compensation for damages to an office block owned by a property investor.
   b. Loss of profits insurance claim.
   c. From the sale of shares held as an investment.
   d. Option a and c
   e. None of the above

Question 3

List 4 elements of the gross income definition

**Taxation tables (amounts in N$1000’s) 2015/2016**

<table>
<thead>
<tr>
<th>Where the taxable amount does not exceed N$50</th>
<th>No tax payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceeds N$40 but does not exceed N$100</td>
<td>18% of the amount by which the taxable amount exceeds N$50</td>
</tr>
<tr>
<td>Exceeds N$300 but does not exceed N$500</td>
<td>N$59 200 plus 28% of the amount by which the taxable amount exceeds N$300</td>
</tr>
<tr>
<td>Exceeds N$500 but not N$800</td>
<td>N$115 000 plus 30% of the amount by which the taxable amount exceeds N$500</td>
</tr>
<tr>
<td>Exceeds N$800 but does not exceed N$1 500</td>
<td>N$205 000 plus 32% of the amount by which the taxable amount exceeds N$800</td>
</tr>
</tbody>
</table>