FEEDBACK TUTORIAL LETTER

2ND SEMESTER 2019

ASSIGNMENT 1

Taxation 202 (TAX621S)
Dear students,

A warm welcome to Taxation 202, I trust you enjoy the course and see how the subject can be applied in everyday life, and not only in accounting studies. Taxpayers have very little knowledge about Income Tax.

You received your test mark by now, the purpose of this letter is therefore to explain the answers. I will discuss the most common mistakes made in the test.

**Question 1**

Although the question stated the use of the IACA approach, some students still answered the question rather unstructured. Firstly, identify the issue. Which part of the definition are we referring to? In this scenario it was capital/revenue nature

Thereafter, state the provisions of the Income Tax Act, in this scenario the definition of gross income.

The 3rd step is to see if there is any case law on similar matters.

Lastly, the application of the case law and Act, and conclusion.

**Question 2**

Foreign Dividends:

The foreign dividends received were net of withholding tax of 10%. This implies that R10 000 was the amount after a withholding tax of 10% was deducted. The actual declared dividend was therefore more.

\[
\text{R10000/90 x 100 = 11 111}
\]

The partial exemption is based on the actual declared dividend (13/28)

Rebate:

A rebate is deducted from the tax per tables. Some students treated the rebate as a deduction.

**Question 3**

you were required to discuss the source of the income. To merely argue “SA source” is insufficient. You have to explain what factors will be taken into account to determine the source. Please see the memorandum for a detailed discussion on source.

**Question 4:**

The second part assumed Amy is a resident. You will remember that persons absent from RSA for more than 183 days, of which 60 days are consecutive, will not be taxed on the foreign income received during this absence from RSA. Amy’s income was therefore exempted in full.

I trust this explanation will assist you when studying for the 2nd test. Good luck for the rest of the year.

Regards

Z. Maritz (Marker tutor for Tax 202)