

Occupational Certificate Tax Professional

SAQA ID: 93624

External Integrated Summative Assessment (EISA)

November 2016

Paper 1: Personal Taxation Question

CASE STUDY

Instructions to Candidates

1. This external integrated summative assessment paper consists of a case study and a required.

Time: 8 hours

2. Enter your examination number on each document and save all documents with your examination number.
3. Your name must not appear anywhere in the answer books or saved documents.
4. Answer the questions using effective presentation skills and pay particular attention to the use of concise language, clarity of explanation and logical argument. Marks will be awarded for these aspects of your response.
5. It is your responsibility to ensure that all assessment stationary is handed in to the invigilator before leaving the examination room and saved documents are forwarded as per assessment requirements.
6. Total marks for Paper 1: 100
7. Pass mark: 50 % pass is required for each paper and competence should be demonstrated for all exit level outcomes.
8. Open book policy applies. All published bounded books are allowed.
9. Candidates have full access to the internet.
10. The assessment is only available in English and is typed.

CASE STUDY

PLEASE NOTE: Assume today is 10 April 2017. Where relevant, amounts exclude VAT.

Your aunt Barbie recently contacted you. Aunt Barbie is a South African tax resident, 48 years of age and married out of community of property (with the accrual system) to Uncle Bernard. She is a brand manager at iSmart (Pty) Ltd ('iSmart'). iSmart is a registered VAT vendor and has a financial year-end of 31 December. iSmart is also a registered employer for PAYE, UIF and SDL purposes. iSmart sells and rents tuxedos by using an online platform. Customers book a fitting by using the online platform. On the date of the fitting, customers are assisted with choosing the best fit and style. Aunt Barbie is responsible for ensuring that the shop and website design remains current and reflects the target market's preferences. She is also responsible for designing and implementing suitable marketing campaigns.

ITR12 REVIEW

41 MARKS

Aunt Barbie has a money market investment at Investa Bank. This investment generated local interest income of R40 000 for the 2017 year of assessment. Her financial advisor recommended that she include other income streams in her investment portfolio to better manage her risk exposure to interest rate fluctuations. As a result, Aunt Barbie recently invested in fixed property. She kept an informal record of related cash flows in an Excel sheet. She is currently busy completing her ITR12 for the 2017 year of assessment. She has already completed the Local Rental Income from the Letting of Fixed Property portion of her ITR12, but she is not sure whether she did everything correctly. She asked you to review this portion of her ITR12 in order to identify any errors as well as any opportunities to manage her tax liability. However, she would like to learn to do it herself in subsequent years of assessment. Therefore, she gave you an Excel template in which you should document any amendments to the ITR12.

She provided you with the following documents to facilitate the review of her ITR12:

1. The *ITR12 Excel Template* that you should use to document your review (*Attachment A <soft copy>*);
2. The completed Local Rental Income from the Letting of Fixed Property portion of her ITR12 (*Attachment B <hard copy>*);
3. The offer to purchase (*Attachment C <hard copy>*);
4. The lease agreement (*Attachment D <hard copy>*);
5. A print-out of the Excel sheet in which she documented cash flows relating to the fixed property investment (*Attachment E <hard copy>*).

DRAFT IRP5

40 MARKS

Aunt Barbie has not received her IRP5 from iSmart yet. The Payroll Manager indicated that the IRP5s will only be distributed by the end of July 2017. Aunt Barbie asked if you would mind doing her IRP5, as she does not want to wait until July 2017. Aunt Barbie said you need not bother to include information such as her contact details, postal address, tax reference numbers, and banking details. She is more interested in the monetary portion of the IRP5. She provided you with the following documents to prepare her IRP5 for the 2017 year of assessment:

1. The *IRP5 Excel Template* that you should use to document her IRP5 (*Attachment F <soft copy>*);
2. An analysis report of the costs incurred by the company in relation to services rendered by Aunt Barbie (*Attachment G – hard copy*);
3. Her employment contract (*Attachment H – soft copy*). Aunt Barbie included comments in her employment contract where necessary;
4. Expense and travel claims submitted to the Human Resources Department and her SARS travel logbook (*Attachment I – soft copy*)

PENALTIES

19 MARKS

Aunt Barbie was also concerned about the remark you made yesterday. You said something about the likelihood of SARS imposing penalties for a default in rendering a return. She is very confused as she has always submitted her ITR12s timeously and also intends to do so for the 2017 year of assessment. She asked if you would please draft an e-mail to explain your remark and also explain to her what actions she should take to remedy the matter.

REQUIRED

Assist Aunt Barbie with her requests.