

# **OCCUPATIONAL CERTIFICATE: TAX TECHNICIAN**

SAQA ID: 94098

**Initial Test of Competency**

**RPL Assessment**

**NOVEMBER 2017**

**Paper 1**

**SUGGESTED SOLUTIONS FOR  
QUESTIONS 1 TO 4**

**QUESTION 1: GENERAL AWARENESS**

**MULTIPLE CHOICE QUESTIONS**

**30 Marks**

**QUESTION 1.1** [3 marks]

**CORRECT ANSWER: D**

**QUESTION 1.2** [3 marks]

**CORRECT ANSWER: A**

*Supporting calculation:*

$R2\ 500\ 000 - R1\ 200\ 000 = R1\ 300\ 000$  capital gain

*Portion qualifying as primary residence capital gain:  $R1\ 300\ 000 \times 60\% = R780\ 000$  (this capital gain ranks for the primary residence exclusion of R2 million ltd to R780 000).*

*Portion not qualifying as primary residence:  $R1\ 300\ 000 \times 40\% = R520\ 000$*

*Taxable capital gain:  $R520\ 000 - R40\ 000$  (annual exclusion) =  $R480\ 000 \times 40\%$   
=  $R192\ 000$*

**QUESTION 1.3** [3 marks]

**CORRECT ANSWER: D**

*Supporting calculation:*

*R6 000 limited to R5 500 (i.e.  $R55\ 000 \times 10\%$ ), thus only R5 500.*

**QUESTION 1.4** [3 marks]

**CORRECT ANSWER: B**

No input tax may be claimed – input denied on the acquisition of a “motor car” as defined.

Output tax of  $((R228\ 000 \times 100/114 \times 0.3\%) - R85) \times 14/114 \times 2 = R126.49$  must be paid.

**QUESTION 1.5** [3 marks]

**CORRECT ANSWER: D**

Purchase Price R60 000 Plus: Handling Fees R1 500 Plus Transport R5 000

Cost price: R66 500

**QUESTION 1.6** [3 marks]

**CORRECT ANSWER: A**

*Supporting calculation:*

*Salaries and wages (section 11(a))* (R500 000)

*Medical scheme fee contributions (section 11(a))* (R 65 000)

*Total deduction allowed:* (R565 000)

Please note that medical scheme fee contributions are no longer allowed to be deducted in terms of s 11(l), but are now deducted in terms of s 11(a). Also, s 11(l) no longer limits its contributions in to 10% (legislation) or 20% (SARS practice) of approved remuneration.

**QUESTION 1.7**

**[3 marks]**

**CORRECT ANSWER: B**

Supporting calculation:

$R200\ 000 \times 41\% = R82\ 000.$

The basic interest exemption of section 10(1)(i) is not available to a trust as it is not a natural person.

**QUESTION 1.8**

**[3 marks]**

**CORRECT ANSWER: B**

Supporting calculation:

$[(R9\ 600 + R2\ 000) \times 86.25/300] + R1\ 000 + Rnil$  (the garage is 100% for private purposes)  
 $= R4\ 335$ ; **OR**

Expenses	Rand	Expenses apportioned to the area rented (70 + 16.25)/300 = 28.75%
Rates and taxes	R 9 600	R 2 760
Security	R 2 000	R 575
Advertisements (Note1)	R 1 000	R 1 000
Improvements to garage (Note2)	R 10 000	R -
<b>Total expenses</b>	<b>R 22 600</b>	<b>R 4 335</b>

**QUESTION 1.9**

**[3 marks]**

**CORRECT ANSWER: E**

Supporting calculation:

Section 6A credit	R572 (i.e. R286 + R286) x 12	= R6 864
Section 6B credit	Monthly fees (R3 000 pm x 12)	R36 000
	Less: 3 x R6 864 (s 6A)	<u>(R20 592)</u>
		R15 408
Plus: Qualifying medical expenses		<u>R13 000</u>
		R28 408
		<u>x 33.3%</u>
		<u>R9 460</u>

Thus:  $R6\ 864 + R9\ 460 = R16\ 324$

**QUESTION 1.10**

**[3 marks]**

**CORRECT ANSWER: A**

**TOTAL: 30**

**QUESTION 2: INDIVIDUALS (PERSONAL TAX)**

**30 Marks**

**QUESTION 2 SUGGESTED SOLUTION:**

*Please note: No section numbers were required and no marks are to be awarded for it. It is only indicated for completeness and ease of reference to relevant legislation.*

	<b>Supporting calculation</b>	<b>Amount (R)</b>	<b>Marks</b>
<b>Gross income</b>		<b>824 635</b>	
Accumulated leave pay	Note: Not a severance benefit, but a normal par (c) inclusion in gross income ("column 3")	150 000	<b>[1]</b>
Salary		430 000	<b>[1]</b>
Right of use of motor vehicle	Value of private use: $R520\,000 \times 3.25\% \text{ [1]} \times 10 \text{ months [1]}$ $= R169\,000$ <u>Par 7(7) reduction for business use:</u> $R169\,000 \text{ [1P]} \times 12\,000/25\,000 \text{ km [1]} =$ $R81\,120$ <u>Par 7(8) reduction for fuel (private use):</u> $R1.365 \text{ p/km [1]} \times (25\,000 - 12\,000 = 13\,000$ $\text{km}) \text{ [1]} = R17\,745$  $R169\,000 - R81\,120 - R17\,745$ $= R70\,135$	70 135	<b>[1P]</b>
RSA source interest		40 000	<b>[1]</b>
Local dividends	$R50\,000 \times 100/80$ (earlier of received/accrued) (Note: DWT rate increased from 15% to 20% for any dividend paid on or after 22 February 2017, irrespective of the declaration date).	62 500	<b>[1]</b>

Employer contributions to pension fund	R6 000 x 12 months [Fringe benefit, par 12D, 7 <sup>th</sup> Schedule]	72 000	[1]
<b>Less: Exempt income</b>		<b>(86 300)</b>	
RSA source interest	[exempt in terms of s 10(1)(l) below the age of 65 years]	(23 800)	[1]
Local dividends	[exempt in terms of s 10(1)(k)]	(62 500)	[1P]
<b>Subtotal</b>		<b>738 335</b>	
Section 11(k) pension fund contributions	Total contributions: Employer: R6 000 x 12 = R72 000 [1] Employee: R6 000 x 12 = R72 000 [1] Total: R144 000  Total contributions limited to <u>the lesser of</u> : <ul style="list-style-type: none"> <li>• R350 000 [1] or; the higher of 27.5% x</li> <li>• R708 108 (given) = R194 730 [1]; or</li> <li>• R738 335 = R203 042 [1P]</li> </ul> Therefore limited to actual of R144 000 [1].	(144 000)	
<b>Total taxable income</b>		<b>594 335</b>	
Normal tax payable per progressive tax tables	R147 996 + [39% x (R594 335 – R550 100)]	165 248	[1P]
Less: s6(2) rebate	Primary rebate (below the age of 65 years)	(13 500)	[1]

Less: s6A credit	(R572 x 12 months) Alternative: (R286 + R286) x 12	(6 864)	[1]
Less: s6B credit	R36 000 [1] – [4 x (R6 864) [1P]= R8 544 (R8 544 + R10 000 [1]) – [7.5%x (R594 335)] [1P] = (R26 031)	Rnil	[1]
Normal tax payable by individual		144 884	

**Communication skills:**

**Presentation and layout [+1] – award if candidate has included all amounts in the correct order in terms of the prescribed framework for individuals.**

**Total: 30**

**QUESTION 3: COMPANIES (CORPORATE TAX)**

**30 Marks**

**QUESTION 3 SUGGESTED SOLUTION**

	<b>R</b>	<b>Marks</b>
Profit before tax (given)	439 625	
<u>Income – Service income</u>	-	½
<u>Income – Services rendered outside the RSA (R120 000)</u> <i>Resident taxed on worldwide income therefore should be included and not adjusted.</i>	-	1
<u>Purchases on credit during the current year (R1 120 000)</u> <i>Despite not paid yet amount incurred and therefore deductible.</i>	-	1
<u>Creditors paid during the current year (R536 000)</u> <i>Would already have been deducted during the previous year, therefore deducted when actually incurred and not when creditor is paid.</i>	-	1
<u>Opening stock and closing stock</u> <i>Opening stock correctly deducted and closing stock added back correctly</i>	-	1
<u>Net salaries - No adjustment necessary already correctly deducted</u>	-	½
<u>Employees' tax - No adjustment necessary. Already correctly deducted.</u> <i>The employees' tax is paid over to the SARS on behalf of the employees but remains an expenditure incurred by Bent Bottling and thus deductible.</i>	-	1
<u>Contributions to provident fund - No adjustment necessary</u> <i>Deduction allowed in terms of s 11(ℓ).</i>	-	½
<u>Gym membership paid</u> <i>Not incurred in carrying on the trade of taxpayer, prohibited in terms of s 23(g). The amount is also voluntarily paid and not in terms of contract of employment therefore not a kin to a salary in respect of which s 11(a) can be claimed</i> <u>Alternative:</u> <i>If taxed as a fringe benefit in hands of director, deductible by the company as salary/staff cost expense in terms of s 11(a) – no adjustment</i>	10 500	1R

<u>Lease payments</u> - No adjustment necessary.	-	½
<u>Depreciation</u> – Added back as capital allowances for tax considered	697 000	½
<u>Bottling Plant</u> <i>The process of bottling can be regarded as a process of manufacture thus s 12C to be claimed from the 2015 year with an initial 40% in 2015 as the plant acquired new. The installation of R175 000 will also be capital in nature and included as part of cost to acquire for s 12C.</i> <i>Allowance in current year: [R2 250 000 [½] + R175 000 [½]] x 20% [1]</i>	(485 000)	2
<u>New machinery</u> <i>New and unused thus accelerated allowance in current year (s 12C(1) proviso (c))</i> <i>Allowance in current year: R37 000 x 40% [1]</i>	(14 800)	1
<u>Office furniture</u> <i>Allowance afforded in terms of s 11(e). Write-off period of 6 years IN 47.</i> <i>Allowance in current year: R234 000 x (1/6) year [1] x (12/12)</i>	(39 000)	1
<u>Delivery van</u> <i>Allowance afforded in terms of s 11(e). Write-off period of 4 years IN 47.</i> <i>Allowance in current year: R375 000 x (1/4) years [1] x (12/12)</i>	(93 750)	1
<u>Advertisement board</u> <i>Capital allowances in terms of s 11(e): R49 000 x (1/10) years [1] x (3/12) [1]</i> <u>Alternative:</u> <i>R49 000/10 [1] x 90/365 days [1] = (R1 208); OR</i> <i>R49 000 x 3/120 months = (R1 225) [2]</i>	(1 225)	2
<u>Office building</u> <i>Not acquired new and unused therefore no s 13quin allowances</i>	-	1R



<p><u>Lift installed in office building (R345 000)</u></p> <p><i>Movable assets in respect of which a wear-and-tear allowance over 12 years may be claimed in respect of the lift during the 2017 year of assessment (s 11(e)).</i></p> <p><i>Allowance: R345 000 x (1/12) years [1] x (3/12) [1]</i></p> <p><u>Alternative:</u></p> <p><i>R345 000/12 [1] x 90/365 days [1] = (R7 089); OR</i></p> <p><i>R345 000 x 3/144 months = (R7 188) [2]</i></p>	(7 188)	2
<p><u>Supporting pillars for lifts installed in office building (R85 000)</u></p> <p><i>Pillars do not have the same useful life as the lifts (the underlying movable assets). (s 11(e) proviso (iiA)(bb)). Expenditure thus not be added to the cost of the lift and not qualify for wear-and-tear allowance in terms of s 11(e). The pillars can be seen as an improvement to the office building / permanent structure in terms of s 13quin.</i></p> <p><i>Allowance: R85 000 x 5% [1]</i></p>	(4 250)	1
<p><u>Legal expenditure</u></p> <p><i>Allowed as deduction in terms of s 11(c) as incurred with the intention to prevent further losses due to employees striking. No adjustment.</i></p>	-	1
<p><u>Production losses due to strike</u></p> <p><i>As the loss was actually incurred (suffered and not a conditional loss) and also reliably estimated a deduction in terms of s 11(a) would be possible – deductions of losses also possible and not limited to expenditure actually paid.</i></p>	(92 000)	2
<p><u>Water and electricity – Deductible in terms of s 11(a) no adjustment</u></p>	-	½
<p><u>Cleaning services – Deductible in terms of s 11(a) no adjustment</u></p>	-	½
<p><u>Stationary – Deductible in terms of s 11(a) no adjustment</u></p>	-	½
<p><u>Penalty</u></p> <p><i>Prohibited in terms of s 23(o) as deduction</i></p>	4 000	1R
<p><u>Water system installed (R6 800)</u></p> <p><i>Capital in nature and as value less than R7 000 a ‘small item’ contemplated in IN47 therefore a full deduction would be afforded for tax purposes</i></p> <p><i>Accounting depreciation already added back in calculation.</i></p>	(6 800)	2

<u>Lift repairs</u> <i>Due to damage therefore deductible in terms of s 11(d)</i>	-	1
<u>Interest paid in terms of 89quat</u> <i>Prohibited as deduction in terms of s 23(d)</i>	525	1R
Assessed loss carried forward from previous year (2016)	(39 800)	1
<b>Taxable income</b>	<b>367 837</b>	
Normal tax at <b>28%</b>	102 994	1
<u>Less:</u> Provisional tax payments [R50 736 + R55 000]	(105 736)	1
Normal tax <b>refundable to the taxpayer</b>	<b>(2 742)</b>	1P
	<b>Available:</b>	<b>33</b>
	<b>Maximum:</b>	<b>30</b>

**QUESTION 4: VALUE-ADDED TAX (VAT)**

**10 Marks**

**QUESTION 4 SUGGESTED SOLUTION**

*Marker's comment - deduct 1 mark for showing item under incorrect heading (output/input)*  
*Marker's comment - where the transaction has a R0 effect the mark is only given if the no effect and the correct reason are both clearly indicated.*

		<b>R</b>	<b>Marks</b>
<b>Output tax</b>			
Local sales	Standard rated supply, time of supply is the earlier of receipt of payment or the date the invoice was issued: (R1 568 000 - R200 000) x 14/114	<b>168 000</b>	<b>1</b>
Export sales	Direct export of goods is a <b>zero rated supply</b>	-	<b>1</b>
Rental received	The supply of residential accommodation is an <b>exempt supply</b>	-	<b>1</b>
Indemnity payment	Receipt of an indemnity payment is a deemed supply (R11 400 x 14/114 x 100% taxable supplies**)  <i>**Note: As the de minimis rule applies deeming the 97% taxable supplies to be 100%, the output is also charged at 100% and not at the actual percentage of 97%</i>	1 400	<b>1</b>
<b>Less: Input tax</b>			
Purchase of trading stock	Purchased in the making of taxable supplies (R684 000 x 14/114 x 100% TS**)	(84 000)	<b>1</b>
Purchase of a vehicle	"Motor car" as defined - input tax is denied	-	<b>1</b>
Salaries	Salaries are excluded from the definition of an "enterprise"	-	<b>1</b>
Bank charges	Fee based financial service - in making taxable supplies (R912 x 14/114 x 100% TS**)	(112)	<b>1</b>
Interest paid	<b>Financial service - exempt supply</b>	-	<b>1</b>
Coffee purchased	<b>Entertainment - input tax is denied</b>	-	<b>1</b>
<b>VAT payable to the SARS</b>		<b>85 288</b>	<b>1P</b>

**Available:**

**11**

**Maximum:**

**10**

