

**SAIT**  
**Tax Professional**  
**Knowledge Competency Assessment**  
**Jun-15**

**Question 3 Part 2**

Calculate and discuss, with reference to relevant legislation whether (or not):

i) Teshiba should purchase the **office unit** now or wait three months until Johnsons is a registered VAT vendor

Assume that date of question is in June 2015

	<b>Purchase Now</b>	<b>Comment</b>	<b>Wait 3 months</b>	<b>Comment</b>
Johnsons VAT registered	No		Yes	

Cash flow implication for Teshiba:

Purchase price	-4 000 000.00		-4 050 000.00	
VAT payable	-	Not registered for VAT	-	Taxable supply, however if all the requirements are met of s11(1)(e) then can zero rate the sale of a going concern
Transfer Duty	-277 500.00	per Transfer duty table	-	No transfer duty as VAT levied at 0%
Input VAT claimed	491 228.07	Notional Input tax on second hand goods, not limited to Transfer duty since 10 Jan 2012	-	Cannot claim notional input tax as the supply was a taxable supply. No input tax as VAT was levied at 0%
Rental income	75 000.00		75 000.00	
Income tax paid	-25 500.00		-25 500.00	

Net cash flow	<u>-3 736 771.93</u>	<u>-4 000 500.00</u>
Difference	263 728.07	

From a cash flow perspective, it is better for Teshiba to buy the office unit now.

ii) Teshiba should purchase the flat now or wait three months until Johnsons is a registered VAT vendor

Cash flow implication for Teshiba:

	<b>Purchase Now</b>	<b>Comment</b>	<b>Wait 3 months</b>	<b>Comment</b>
Purchase price	-1 000 000.00		-1 020 000.00	
VAT payable	-	Not registered for VAT	-	Residential accommodation, therefore exempt. No VAT was levied.
Transfer Duty	-7 500.00	per Transfer duty table	-8 100.00	Per Transfer duty table
Input VAT claimed	-	No VAT	-	Not second hand goods. No input VAT claim as exempt supply
Rental income	75 000.00		75 000.00	
Income tax paid	-25 500.00		-25 500.00	

Net cash flow	<u>-958 000.00</u>	<u>-978 600.00</u>
Difference	20 600.00	

From a cashflow perspective, it is better to buy the flat now.