



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

INCOME TAX N6

(4010206)

20 November 2019 (X-Paper)
09:00–12:00

This question paper consists of 7 pages and 1 information sheet.





DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA
NATIONAL CERTIFICATE
INCOME TAX N6
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
 2. Read ALL the questions carefully.
 3. Number the answers according to the numbering system used in this question paper.
 4. Start each question on a NEW page.
 5. Show ALL workings/calculations.
 6. Write neatly and legibly.
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SECTION A**QUESTION 1**



Indicate whether the following statements are TAXABLE or NON-TAXABLE. Write only 'Taxable' or 'Non-taxable' next to the question number (1.1–1.10) in the ANSWER BOOK.

- | | | | |
|-------------------------|---|---|---------------|
| 1.1 | Rental income received by a South African citizen living outside the country | | |
| 1.2 | Temporary accommodation given by the employer to an employee who has been transferred to a new province for business purposes |  | |
| 1.3 | A lump sum benefit of R150 000 received on retirement from a retirement policy |  | |
| 1.4 | Meal voucher given to employees for lunch in the firm's cafeteria | | |
| 1.5 | Bravery award given to an employee of R4 580 by the employer | | |
| 1.6 | Subsistence allowance of R395 per day received by an employee spending two days away from home on a business trip | | |
| 1.7 | Surplus fruit produce sold to colleagues at work | | |
| 1.8 | Uniform allowances received by a nurse |  | |
| 1.9 | Portion of travelling allowance proven in a logbook that was spent on business travel | | |
| 1.10 | Interest on loan given to an employee to buy a car |  | (10 × 1) [10] |
| TOTAL SECTION A: | | | 10 |

SECTION B**QUESTION 2**

Mrs Hellen, aged 52, started a farm two years ago. In the first year, she suffered a farming loss of R205 000 and last year, she made a profit of R20 000. She provided you, as her tax practitioner, with the following information for the 2018 tax year:



MOVEMENT OF LIVESTOCK	RAND
Opening stock – 16 cows at a standard value of R40	
Purchased 3 cows for R1 500	
Slaughtered 2 cows for employees	
Sales of milk	40 000
INCOME RECEIVED	
Fruits sold 	2 000 000
Interest received	40 000
Loan from bank for improvements on farm	300 000
Water rights sold	5 100 000
Dividend received from England	8 000
Tractor sold for R45 000 (was bought in the first year for R50 000)	
PAYMENTS	
Prevention of soil erosion	30 000
Tractor bought on 1 August 2017	600 000
Irrigation system paid	180 000
Repairs to farmhouse	10 000
Repairs to fences 	60 000
Fruit stall erected	190 000
Seeds purchased	15 000
Fertiliser	40 000
Fruit trees planted	180 000
Wages	40 000
Interest on loan for improvements to farmhouse	5 000
Private consumption by the farmer	600
Rations to employees	1 000
Fruit on hand: 28 February 2017	12 000
Fruit on the land: 28 February 2018	20 000

Required: Determine Hellen's tax liability for the year ended 28 February 2018.





[45]

QUESTION 3

Mr Thomas and Mrs Jones are partners in a manufacturing business. Mrs Jones is married in community of property and Mr Thomas is not married. They share the partnership profit in a 4 : 2 ratio. They provided you with the following income and expense records for the year ended 28/02/2018:



	RAND
Sales for the year	900 000
VAT claimed	20 000
Inventory not sold at the end of February 2018	20 000
Wages for manufacturing employees	105 000
Salary: Mr Thomas	160 000
Salary: Mrs Jones	180 000
Water	500
Electricity	1 500
Legal fees for preparing a contract	7 000
VAT paid to SARS	22 000
Rent paid 	80 000
Rates and taxes	14 000
Provision for bad debts	3 000
Advertisement	5 000
Provision for bonus for workers	10 000
Office building bought	500 000
Interest on loan to pay: running cost	2 000
Interest on loan to pay: financing of the office buildings	16 000
Interest received on tax-free investment	24 500
Replacement of manufacturing machine on 1 August 2017 (old machine was completely depreciated and sold for scrap, R1 200)	60 000
Drawings: Mr Thomas	5 000
Drawings: Mrs Jones	2 000
The following was purchased:	
3 machines on 1 May 2017	80 000
1 second-hand machine on 1 April 2017 	20 000
1 machine was imported	20 000
(When paid the account was paid on 1 March 2017, only R10 000 and import duty of R500 had to be paid.)	
Sales commission	50 000
Donation to church	2 000
On 1 April 2017, they gave a loan of R5 000 to an employee who disappeared. They paid R2 000 for legal cost to recover the loan. The attorney recovered R3 000 of the loan.	



Required: Calculate the partners' tax liability for the year ended 28 February 2018.



[50]


QUESTION 4

Richard Olifant retired at the end of October when he turned 63. He is married in community of property, with two children who are under the age of 21 years and are full-time, registered students. He provides you with the following information:


	RAND
Salary per month R22 000	
Pension annuity R8 000 per month	
Lump sum from pension fund	900 000
Gratuity from his employer	16 000
Accumulated leave pay 	10 000
Pension fund contribution: 8% of salary	
Life policy pay-out	500 000
Rental income	40 000
Rental expenses	10 000
Bonus	19 000
Lotto winning ticket	2 000
Gift from fellow workers	1 500
Prize for best employee of the month 	1 000
Tax withheld during the year (PAYE)	3 500
Contribution to medical aid: self	30 000
Contribution to medical aid: employer (He did not retire from his medical aid during the period of retirement.)	45 000

Required: Calculate Richard Olifant's tax liability for the year ended 28 February 2018.

[40]**QUESTION 5**

Elephant Construction is a small business corporation for tax purposes. On its 2016/2017 tax assessment on 31 May 2017, it reflects a taxable income of R500 000. The taxable income for 2018 is estimated at R450 000. Unaudited figures on 20 February 2018 revealed a taxable income of R550 000. Elephant Construction wants to pay the minimum tax without the risk of paying penalties. 

Required:

- 5.1 Calculate the first provisional tax payment. (Indicate the date and the form to be used.)  (10)
 - 5.2 Calculate the second provisional tax payment. (Indicate the date and the form to be used.) (10)
- [20]**

QUESTION 6

Calculate the taxable fringe benefit, if any, for the different scenarios during the tax year ended 28 February 2018.



- 6.1 Mr Musa's employer granted him the right to use a cellphone for private purposes for two months while he was away on holiday. The market value of the cellphone was R6 000, but his employer purchased it a year ago for R7 000. (6)
- 6.2 Mr Musa attended a five-day business seminar in another province. Musa received allowances of R5 800 for accommodation, R1 500 for meals, and R800 for incidental costs. Musa did not keep any records showing his expenditure. (9)
- 6.3 Mr David Tshabalala is 46 years old and he earns a salary of R380 000 per annum which represents an increase of 9% from the previous year. His employer provided him with a fully furnished three-room house. He pays R1 400 per month for rent. The employer provided the house without electricity. (15)
- 6.4 Precious, aged 32, is given full use of a company car at a cost of R280 000 (VAT included). She used the car as from 1 August 2017. The car comes with a maintenance plan. (5)

**[35]**

TOTAL SECTION B: 190
GRAND TOTAL: 200

INFORMATION SHEET

RATES OF TAX PAYABLE FOR THE YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2018		
TAXABLE INCOME	RATES OF TAX	RAND
0–189 880	18% for each R1	
189 881–296 540	34 178 + 26% of taxable above	189 880
296 541–410 460	61 910 + 31% of taxable above	296 540
410 461–555 600	97 225 + 36% of taxable above	410 460
555 601–708 310	149 475 + 39% of taxable above	555 600
708 311–1 500 000	209 032 + 41% of taxable above	708 310
1 500 001 and above	533 625 + 45% of taxable above	1 500 000

REBATES	RAND
Primary	13 635
Secondary rebate (persons 65 and older)	7 479
Tertiary rebate(person 75 and older)	2 493

TAX THRESHOLDS	
Below 65	R75 750
Age 65 to 75	R117 300
Age 75 and over	R131 150

RETIREMENT FUND LUMP-SUM BENEFIT OR SEVERANCE BENEFIT		
TAXABLE INCOME	RATE OF TAX	RAND
0–500 000	0% of taxable income	
500 001–700 000	18% of taxable income above	500 000
700 001–1 050 000	36 000 + 27% of taxable income above	700 000
1 050 001 and above	130 500 + 36% of taxable income above	1 050 000

SMALL BUSINESS CORPORATIONS		
TAXABLE INCOME	RATE OF TAX	RAND
0–75 750	0%	
75 751–365 000	7% of taxable income above	75 750
365 001–550 000	20 248 + 21% of taxable income above	365 000
500 001 and above	59 098 + 28% of taxable income above	550 000