



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N660(E)(N19)H

NATIONAL CERTIFICATE

INCOME TAX N6

(4010206)

19 November 2018 (X-Paper)
09:00–12:00

This question paper consists of 8 pages and 1 addendum.

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. Write neatly and legibly.
-

SECTION A**QUESTION 1**

1.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.1.1–1.1.6) in the ANSWER BOOK.

- 1.1.1 'Accrued to' means a taxpayer is entitled to an amount.
- 1.1.2 Direct tax is paid on the income a person received.
- 1.1.3 A proportional tax rate is imposed so that the tax rate is fixed.
- 1.1.4 SA dividends received by a nonresident will be excluded from gross income.
- 1.1.5 SA dividends received by a South African resident will be exempted from the taxpayer's gross income.
- 1.1.6 The tax year for individuals runs from 1 January to 31 December every year.

(6 × 2) (12)

1.2 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.2.1–1.2.4.) in the ANSWER BOOK.

- 1.2.1 The budget speech is made ...
 - A by the SARS commissioner.
 - B to parliament.
 - C by the minister of finance.
 - D Both B and C
- 1.2.2 To avoid any penalties or interest for late payments, the first provisional tax payment should be made on or before ...
 - A 31 August 2017
 - B 30 September 2016
 - C 31 August 2016
 - D 28 February 2017
- 1.2.3 Direct taxes include ...
 - A VAT.
 - B duties on tobacco and alcohol.
 - C estate duty.
 - D None of the abovementioned

1.2.4 The budget speech is delivered in ...

- A July.
- B April.
- C February.
- D March.

(4 × 2) (8)
[20]

TOTAL SECTION A: 20

SECTION B

QUESTION 2

Mr Jabu (66) is married in community of property. He is a provisional taxpayer who wishes to postpone payment of his provisional income taxes for as long as possible without the risk of incurring any penalties.

He provided the following information during the year:

2016 assessed taxable income/basic amount	R245 000
Estimated annual income by Mr Jabu on 31 July for 2017	R280 000
Estimated annual income at year end by the tax practitioner	R270 000
PAYE paid for the first six months	R14 000
PAYE paid for the entire year	R28 000

Use the given information to calculate the 2016/2017 provisional tax payments due by Mr Jabu. Indicate the due dates and forms to be used with each payment.

[20]

QUESTION 3

- 3.1 Francis is 42 years old and married in community of property. He has three children and belongs to a medical aid.

Salary for a year (16 000 per month)	
Contribution to pension fund (R2 500 per month)	
Bonus	R18 000
Rental income	R45 000
Sale of old laptop	R1 500
Interest on tax-free investment	R30 000
Birthday gift from sister	R2 000
Bonus	R18 000
Contribution to medical aid (full year)	R60 000
Qualifying medical expenses	R15 000

Use the given information to calculate Francis' taxable income for the year ended 28/02/2017. Clearly show the calculation of medical tax credits.

(25)

- 3.2 Tom earns a salary of R280 000 per annum which is a 10% increase from last year. His company provides him with a fully furnished six-room house.

Determine Tom's taxable fringe benefits for the year ended 28/02/2017 on the housing allowance received from his employer.

(5)
[30]

QUESTION 4

Josephina is 50 years old and not married. She has one son who is in grade 8.

Use the following information to determine her tax liability for the year of assessment ending 28/02/2017.

	RAND
Salary	800 000
Commission	20 000
Interest on investment	15 000
Interest on tax-free investment	3 500
Housing subsidy	10 000
Birthday gift from coworker	2 100
Uniform allowance – clearly distinguishable (R1 200 per month)	
Rental income	3 200
Rates on taxes on rental property	800
UIF benefits for three months	12 000
Lotto-winning ticket	35 000
Foreign dividends	2 000
Foreign interest	1 500
Bursary for her child – received from employer	2 000
Donation to NGO – a receipt was obtained	10 000
Contribution to pension fund	28 000
Contribution to medical aid (R2 400 per month)	
Qualifying medical expenses	15 000
PAYE withheld by the employer during the year	125 686

[50]

QUESTION 5

Jabu and Lisa have a small business cooperation (Jabulisa CC) for tax purposes.

They provided the following information to calculate the tax payable by the CC for the year ended 28 February 2017.

BUSINESS INCOME	RAND
Sales: Cash (VAT included)	1 083 000
Credit (VAT included)	855 000
Interest received	60 000
VAT collected	100 000
Discount received	15 000
Bad debts recovered: Trade and other receivables	10 000
Loan to former worker	5 000
Profit on sale of an asset	55 000
BUSINESS EXPENSES	
Salaries: Jabu	140 000
Lisa	160 000
Purchases	80 000
Rent paid	15 000
Bad debts: Trade and other receivables	4 500
Loan to Jabu's friend	2 500
Advertisement in local newspapers	1 500
Advertisement on radio station	3 000
Telephone: 60% business and 40% private	1 200
Legal expenses: Cost of drawing up a new lease contract	8 000
Cost to recover loan from former employee	2 000
Donation – a section 18A certificate was received	10 000
Contribution to UIF	9 000
Medical expenses: Workers	3 000

[40]

QUESTION 6

The following information was obtained from Farmer Brown (65). He is married in community of property and retired on 27 February 2017.

He provided the following information for the 2017 tax year:

FARMING INCOME	RAND
Sale of produce	900 000
Interest on investment	8 000
Rental from part of the farmhouse	5 000
Drawings from saving account	2 000
Salary as lecturer at an agricultural college	960 000
PAYE withheld on salary by agricultural college	184 000
FARMING EXPENSES	
Fruit trees purchased	800 000
Wages paid	20 000
New tractor purchased (1 June 2016)	500 000
Cost of building a new dam	60 000
Repairs to farmhouse	5 000
Prevention of soil erosion	20 000
New fence erected	50 000
Sheep purchased	14 000
Electricity connection	1 400
Eradication of noxious plants	15 000
Fruit taken for own consumption	500
Wages for workers to build a new dam	15 000
Other information	
Inventory on hand: 28/02/2017	
Fruit in the orchards	20 000
Fruit in the packaging warehouse	35 000
Assessed loss from farming: 2016	50 000
Farmer Brown received the following on retirement:	
Lump sum from provident fund	930 000
Accumulated leave pay	15 000
Gratuity from the agricultural college	75 000

Determine which of these expenses/income constitute farming income/expenses or CDE by indicating the appropriate amounts for each item for the year of assessment ending 28/02/2017.

[40]

TOTAL SECTION B: 180
GRAND TOTAL: 200

ADDENDUM

**RATES OF TAX PAYABLE FOR THE YEAR OF ASSESSMENT ENDING
28 FEBRUARY 2017**

TAXABLE INCOME	RATES OF TAX	RAND
0–188 000	18% of taxable income	
188 001–293 600	33 840 + 26% of taxable income above	188 000
293 601–406 400	61 296 + 31% of taxable income above	293 600
406 401–550 100	96 264 + 36% of taxable income above	406 400
550 101–701 300	147 996 + 39% of taxable income above	550 100
701 301 and above	206 964 + 41% of taxable income above	701 300

REBATES

Primary	R13 500
Secondary (persons 65 and older)	R7 407
Tertiary (persons 75 and older)	R2 466

INCOME TAX: SMALL BUSINESS COOPERATION

TAXABLE INCOME	RATE OF TAX	RAND
0–75 000	0% of taxable income	
75 001–365 000	7% of taxable income above	75 000
365 001–550 000	20 300 + 21% of taxable income above	365 000
550 001 and above	59 150 + 28% of taxable income above	550 000

RETIREMENT LUMP SUM BENEFITS

TAXABLE INCOME (R)	RATE OF TAX (R)	RAND
0–25 000	0% of taxable income	
25 001–660 000	18% of taxable income above	25 000
660 001–990 00	114 300 + 27% of taxable income above	660 000
990 001 and above	203 400 + 36% of taxable income above	990 000