



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

INCOME TAX N6

(4010206)

31 May 2021 (X-paper)
09:00–12:00

This question paper consists of 6 pages and 1 addendum.

136Q1J2131



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 section on a new page.
 5. Use only a black or blue pen.
 6. Write neatly and legibly.
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QUESTION 1

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


- 1.1 A lump sum paid from an insurance policy.
- 1.2 Bravery award of R4 500 awarded to an employee by the employer.
- 1.3 Unemployment insurance fund received by an employee while he/she is not working. 
- 1.4 Interest-free loans to employees to further their studies for which the employees signed an agreement to repay the loan if they fail.
- 1.5 The rations taken/given to employees by the employer on a farm.
- 1.6 Lump sum received by the employee of R60 000 on withdrawal from retirement policy.
- 1.7 Commission received for being the best employee of the year.
- 1.8 Lotto winnings.
- 1.9 Winnings from a jackpot at the Durban July horse race.
- 1.10 Severance pay from an employer. 

(10 × 2) [20]

QUESTION 2

- 2.1 Blessing, aged 38 and divorced with no children, provided you with the following information:

DETAILS	RAND
Monthly salary	25 000
Alimony from ex-spouse	36 000
Interest on tax-free investment	1 050
Interest on other investment	30 000
Contribution to pension fund	1 600
RAF contribution	2 050
Relocation allowance from employer	50 000
The employer provided the accommodation (Blessing is given 9 months accommodation in a furnished four-roomed house with power supplied by the employer. Her monthly salary of R25 000 included a 10% increase from the previous year.	

Use the information given to calculate taxable income for the year ended 29 February 2020 

(20)

- 2.2 Bafana Furniture CC entered into a 10 years lease agreement for extra factory premises on 1/7/2019 to lease a factory building, and Bafana Furniture CC agrees to pay the following: annual rental of R55 000, Lease premium of R20 000 and improvements and extension made to the existing building at a cost of R 70 000. The improvements cost R90 000, and were completed on 1/11/2019.

Determine the tax implications for Bafana furniture CC arising from the transactions for tax year ended 29 February 2020.

(15)

- 2.3 Mark, a South African resident age 67 years old received the following investment income during the current year of assessment:

Gross income	50 500
South African dividends	5 600
Foreign dividends from a unlisted company	4 800
Interest on a South African bank account	35 000

Required:

Calculate Mark's taxable income for the tax year ended 29/02/2020.

(5)
[40]

QUESTION 3

Petunia Ndou is 35 years old and unmarried. She provides you with the following information for the current year of assessment. She received the income and had deductions as indicated:

	RAND
Salary	380 000
Bonus	18 000
Pension contributions	8 000
Retirement annuity fund contributions	1 500
Dividends received from a S.A. company	4 000
Dividends received from a British company. She had 8% of the shares. She received R42 300 dividends after a deduction of R4 200 withholding tax.	
Interest received in S.A. (tax-free investment)	5 000
Foreign interest received	8 000
Donations made during the year:	
University of Venda (receipts were obtained)	6 000
Public benefit organisation (receipts were obtained)	2 500
Non-public organisations	400
Medical aid fund contribution: Petunia	12 000
: Employer	12 000
Petunia had additional out-of-pocket qualifying medical expenses of R20 000 as she is disabled.	

Required:

Calculate Petunia Ndou's tax liability for the year ended 29/02/2020.

[40]

QUESTION 4

Olivia Green owns a farm near Groblersdal where she grows cabbages which she supplies to the local fresh market. She also keeps cattle which she sells to the abattoir. She provided you with the following extract:



Income	Rand
Sales of vegetables	4 950 000
Sales of sand from the farm	289 000
Sales to the abattoir	3 980 000
Expenses	
Seed and fertiliser purchased	250 000
New barn erected	400 000
New dipping tanks	300 000
2 tractors and plough purchased (on 1 October 2019)	500 000
Wages for farm labourer	45 000
Wages for construction of a dam	60 000
Construction of a dam	95 000
Interest paid on loan to finance the dam construction	25 000
Running of electricity to new barn	200 000
General farming expenses (deductible for farming purposes)	100 000

Additional information:

1. Cattle on hand during the current year of assessment.



	1 March	29 February
Market value	1 220 000	105 000
Standard value	710 000	820 000

Two cows with a market value of R6 000 each (standard value of R40 each and cost price of R3 000 each) were donated to the local primary school for their annual farewell function. Olivia received a Section 18A certificate for the donation to the primary school. Three cows were slaughtered for rations for the employees on the farm and two cows were slaughtered for Olivia Green and her family.

2. Produce on hand during the year of assessment




Harvested and ready for market	1 March	29 February
Cost price	100 000	180 000
Market value	155 000	182 000

Required:

Calculate Olivia Green's taxable income for the year ended 29/02/2020.

[42]

QUESTION 5

Bricks (Pty) Ltd. is a small business corporation as defined and a manufacturing company. The company's taxable income for the year of assessment ended 31 March 2020 amounted to R3 500 000 before taking into account the following information. All amounts exclude VAT unless stated otherwise. 

	Rand
Raw material: opening stock : 1/04/2019	430 575
: closing stock : 31/03/2020	887 260
Patent	18 000
A machine used directly in the manufacturing process was purchased second hand for R159 600 (including VAT) on 1 February 2020 and taken into use on the same day.	
A new computer purchased on 1 June 2018.	33 200
A second-hand motorcycle was purchased on 1 November 2019 for R60 000, for making deliveries. On 31 January 2020, the motorcycle was scrapped after having been damaged in an accident.	
Factory erected	200 000
Salaries	150 000
Bad-debt written off at 31 March 2020	15 000
Advertising costs	4 500
List of doubtful debts 31 March 2019	8 000
List of doubtful debts 31 March 2020	8 600
Insurance premium paid	2 000
Donation to TVET college (a receipt was obtained)	9 000

Required:

Determine the tax liability of Bricks (Pty) Ltd for the year ended 31 March 2020.

[38]

QUESTION 6

Tom (Pty) Ltd is a small business corporation for tax purposes. They estimated their taxable income for 2019/2020 at R650 000, after they received their 2018/2019 tax assessment based on their taxable income of R510 000 in June 2019. An unaudited figure in February indicated a taxable income of R500 000.

Required:

1. Calculate first provisional payment (indicate the date and the form to be used).
2. Calculate second provisional payments (indicate the date).

(12)

(8)

[20]

TOTAL: 200

ADDENDUM

RATES OF TAX PAYABLE FOR THE YEAR OF ASSESMENT ENDING 29 FEBRUARY 2020		
TAXABLE INCOME	RATES OF TAX	RAND
0 – 195 850	18% for each R1	
195 851 – 305 850	35 253 + 26% of taxable above	195 850
305 851 – 423 300	63 853 + 31% of taxable above	305 850
423 301 – 555 600	100 263 + 36% of taxable above	423 300
555 601 – 708 310	147 891 + 39% of taxable above	555 600
708 311 – 1 500 000	207 448 + 41% of taxable above	708 310
1 500 001 and above	532 041 + 45% of taxable above	1 500 000

REBATES:	RAND
Primary	14 220
Secondary rebate (persons 65 and older)	7 794
Tertiary rebate (persons 75 and older)	2 601

TAX THRESHOLDS	RAND
Below 65	79 000
Age 65 to 75	122 300
Age 75 and over	136 750

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

RATES PAYABLE FOR SMALL BUSINESS CORPORATION FOR THE YEAR ENDED 1 APRIL AND 31 MARCH 2020		
TAXABLE INCOME	RATES OF TAXES	RAND
0 – 79 000	0% of taxable income	
79 000 – 365 000	7% of taxable income above	79 000
365 001 – 550 000	20 020 + 21% of taxable income above	365 000
550 001 and above	58 870 + 28% of taxable income above	550 000