



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

JUNE EXAMINATION

INCOME TAX N6

6 JUNE 2016

This marking guideline consists of 8 pages.

QUESTION 1

DETAILS	RAND	
SALARY	65 000	(1)
RENTAL INCOME (18 000 ÷ 2)	9 000	(2)
INTEREST RECEIVED (60 000 ÷ 2)	30 000	(2)
EXEMPT	(23 800)	(2)
BONUS	15 000	(1)
MEDICAL BENEFIT	10 000	(2)
INCOME	105 200	
LESS: DEDUCTIONS:		
1. PENSION: 1) 1 750 2) 7,5% x 65 000 = 4 875	(4 875)	(2)
	100 325	
2. RAF: 1) 1 750 2) 3 500 - 4 875 = NIL 3) 15% x (105 200 - 65 000) = 6 030	6 030	(3)
		[15]

QUESTION 2

		DETAILS	RAND	
2.1	2.1.1	ED (66 YEARS)		
		SALARY	65 000	(1)
		BONUS	5 000	(1)
		INT. RECEIVED (31 500 + 4 500 + 5 500) ÷ 2	20 750	(4)
		EXEMPT	(20 750)	(1)
		DIVIDENDS REC (2 000 ÷ 2)	1 000	(1)
		EXEMPT	(1 000)	(1)
			70 000	
		LESS: PENSION: 1) 1 750 2) 7,5% x 65 000	(4 875)	(1)
		TAXABLE INCOME	65 125	
		TAX PER TABLES	11 723	
		LESS: REBATES	(19 836)	(2)
		PRIMARY 12 726		
		AGE 7 110		
		LESS: MED CREDITS (2 x 257) + (1 x 179) x 12	(8 316)	(1)
		EXCESS MED SCHEME FEES CREDIT: 0 - (3 x 8 316) x 33.3% = 0		
		ADDITIONAL MED TAX CREDITS: 12 000 x 33,3%	(3 996)	(1)
		TAX PAYABLE	NIL	(1)
				(15)

	2.1.2	EDIE (63 YEARS)		
		SALARY	8 000	(1)
		LOCAL DIVIDENDS (2 000 ÷ 2)	1 000	(2)
		EXEMPT	(1 000)	(2)
		PENSION	NIL	(2)
		INT. RECEIVED (31 500 + 4 500 + 5 500) ÷ 2	20 750	(5)
		EXEMPT	(20 750)	(1)
		TAXABLE INCOME	8 000	
		TAX PER TABLES	1 440	(1)
		LESS: REBATES	(12 726)	(1)
			NIL	(1)
				(16)

	2.1.3	EDDIE		
		INT. ON INVESTMENT: FATHER	NIL	(1)
		INT. ON INVESTMENT: G/FATHER	3 200	(1)
		EXEMPT	(3 200)	(1)
		TAXABLE INCOME	NIL	(1)
				(4)

2.2	2.2.1	JO		
		BUSINESS INCOME	165 000	(1)
		DEDUCTIBLE EXPENSES	(72 000)	(1)
		INTEREST RECEIVED (5 000 ÷ 2)	2 500	(2)
		EXEMPT	(2 500)	(1)
		TAXABLE INCOME	93 000	(1)
		TAX PER TABLES	16 740	
		LESS: REBATES	(12 726)	(1)
		TAX LIABILITY	4 014	(1)
				(8)

	2.2.2	BO (30 YEARS)		
		SALARY	72 000	(1)
		INTEREST RECEIVED (5 000÷2)	2 500	(2)
		EXEMPT	(2 500)	(1)
		INCOME	72 000	
		LESS: PENSION 1) 1 750 2) 7,5% x 72 000	(5 400)	(2)
		TAXABLE INCOME	66 600	
		TAX PER TABLE	11 988	
		LESS: REBATES	(12 726)	(1)
		TAX LIABILITY	NIL	(1)
				(8)
	2.2.3	MO (17 YEARS)		
		WAGES	10 000	(1)
		TAX PER TABLES	1 800	(1)
		LESS REBATES	(12 726)	(1)
		TAX LIABILITY	NIL	(1)
				(4)
				(8)
				[55]

QUESTION 3

3.1	3.1.1	GEORGE	RAND	
		500 x 12 = 6 000	NIL	(2)
	3.1.2	SMART SUZIE		
		750 x 12 = 9 000	9 000	(2)
	3.1.3	TRACEY		
		8 400 x 15% x (10 ÷ 12)	1 050	(3)
	3.1.4	TRUDY		
		FULL AMOUNT TAXABLE	5 500	(2)

	3.1.5	KAREL KABOUTER		
		BONUS	15 000	(2)
		FRINGE BENEFIT: $12\ 000 \times (9,5\% - \text{NIL}) \times (4 \div 12)$	380	(3)
			15 380	(1)
				(6)
3.2		KOOS SPAARWATER	RAND	
		INCOME BEFORE DEDUCTION	165 000	
		MEDICAL AID:		
		MEDICAL CREDITS: $(2 \times 257) + (4 \times 172) \times 12 =$	14 424	(2)
		ADDITIONAL MEDICAL TAX CREDITS		
		$25\% \times (\text{NIL} + 3\ 225)$	806	(2)
		(a) EXCESS CONTRIBUTION		
		EMPLOYEE + EMPLOYER LESS (4 x MED CREDITS)		(2)
		$(30\ 000 + 15\ 000) - 57\ 696 = \text{NIL}$		(1)
		(b) QUALIFYING EXP: $15\ 600 - (7,5\% \times 165\ 000) = 3\ 225$		(2)
		TAX PER TABLES: ON 165 000	29 700	(1)
		LESS: REBATES	(12 726)	(1)
		MEDICAL CREDITS (14 424 + 806)	(15 230)	(2)
		TAX WITHHELD	(13 700)	(1)
		TAX REFUND	(11 956)	(1)
				(15)
				[30]

QUESTION 4: RANGERS SBC

DETAILS		SBC INC/(EXP)	LONE RANGER	
	SALES: CASH	600 000		(1)
	CREDIT	250 000		(1)
	VAT	NIL		(1)
	DISCOUNT RECEIVED	11 000		(1)
	BAD DEBTS RECOVERED: TRADE	10 000		(1)
	: LOAN TO EMPLOYEE	NIL		(1)
	INCOME	871 000		
	ASSESSED LOSS 2014	(10 000)		(2)
	UIF PAYMENT	NIL		(2)
	PROVISION BONUS	NIL		(2)
1	LESSER OF COST/SELLING PRICE 39 500 ITV @ 21/12/2014 55 000 SCRAPPING ALLOWANCE 15 500	(15 500)		(2)
2	PURCHASES			
	LOCAL	(25 000)		(1)
	CHINA (15 000 + 235 000)	(250 000)		(2)
3	RENTAL PAID	(21 000)		(2)
4	ELECTRICITY & WATER: (5 600 – 600)	(5 000)		(2)
5	WAGES	(48 000)		(1)
	SALARIES: ADMIN	(90 000)		(1)
	LONE RANGER	(180 000)	180 000	(2)
	TEL: (12 000 x 60%)	(7 200)		(2)
	REPAIRS:			
	PAINTING	(1 500)		(1)
	IMPROVEMENT	NIL		(2)
	BAKKIE			
	FUEL & OIL	(7 200)		(1)
	FINANCE CHARGES (10 800 ÷ 24) x 12	(5 400)		(2)
	W & T: 25% x 85 000	(21 250)		(2)
	PARKING FINE	NIL		(1)
	MED. EXP:			
	WORKERS: LIMITED TO: 10% x (90 000 + 48 000)	(10 000)		(2)
	MEMBER	(5 000)	5 000	(2)
	BAD DEBTS:			
	TRADE	(5 400)		(1)
	STOCK STOLEN	(1 000)		(1)
	INT. ON O/DRAFT			
	STOCK: 15 000 x (45 000 ÷ 60 000)	(11 066)		(3)
	COMPUTER: 15 000 x (15 000 ÷ 60 000)	NIL	3 750	(3)

	PRINTING & STATIONERY	(1 200)		(1)
	COMPUTER SOFTWARE	(1 000)		(1)
	REFRESHMENTS			(1)
	ADVERTISING			(1)
6	PROVISION BAD DEBTS			
	2014: 25% x 36 000	9 000		(2)
	2015: 25% x 15 000	(3 750)		(2)
	STOCK			
	OPENING	(45 000)		(1)
	CLOSING	25 000		(1)
	TOTAL INCOME	78 734	188 750	
	TAX LIABILITY	1 832		(1)
	TAXABLE INCOME		188 750	
	TAX PER TABLES		34 969	
	LESS: REBATES		(12 726)	(1)
	MEDICAL CREDITS: $(2 \times 257) + (1 \times 172) \times 12 = 8\,232$		(8 232)	(2)
	ADDITIONAL MEDICAL TAX CREDITS			
	25% x (NIL + 5 843)		(1 461)	(2)
	(a) EXCESS CONTRIBUTION			
	NIL - (4 x MED CREDIT) = NIL			
	(b) QUALIFYING EXP:			
	20 000 - (7,5% x 188 750) = 5 843			
	TAX LIABILITY		12 550	(1)
				[65]

QUESTION 5: JADD CC PROVISIONAL TAX

5.1	FIRST PAYMENT	31/8/2014	IRP 6	(3)
	BASIC AMOUNT (465 000 - 25 000)	440 000		(3)
	TAX @ 28%	123 200		(2)
	HALF YEAR: FIRST PAYMENT	61 600		(2)
	SECOND PAYMENT	28/2/2015	IRP 6	(3)
5.2	BASIC AMOUNT	435 000		(2)
	TAX @ 28%	121 800		(2)
	LESS: FIRST PAYMENT	(61 600)		(1)
	SECOND PAYMENT	60 200		(2)
				[20]

QUESTION 6

- 6.1 False
- 6.2 False
- 6.3 False
- 6.4 True
- 6.5 False

(5 x 1) **[5]**

QUESTION 7

- 7.1 Taxable
- 7.2 Taxable
- 7.3 Taxable
- 7.4 Non-taxable
- 7.5 Non-taxable
- 7.6 Non-taxable
- 7.7 Non-taxable
- 7.8 Non-taxable
- 7.9 Taxable
- 7.10 Taxable

(10 x 1) **[10]**

TOTAL: 200