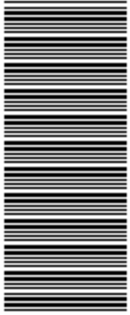


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# higher education & training

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

**N660(E)(J6)H  
JUNE EXAMINATION  
NATIONAL CERTIFICATE  
INCOME TAX N6**

(4010206)

**6 June 2016 (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

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**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.
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**QUESTION 1**

Nice Nicole, 42, is married in community of property with one child. The following information relates to her during the current year of assessment:

	RAND
Salary	65 000
Rental income	18 000
Interest received	60 000
Bonus	15 000

She also contributed R14 500 and her employer R10 000 to a medical aid scheme and paid R7 500 medical expenses out of her pocket. Her contribution to a pension fund was 8% of her salary and R10 000 to a retirement annuity fund. She also gave R2 000 as a donation to a public benefit organisation (a receipt was obtained).

Determine the maximum amount that Nice Nicole can claim for retirement annuity contributions for the tax year ended 28 February 2015.

**[15]****QUESTION 2**

2.1 Calculate the tax payable by the relevant taxpayer(s) in each of the following examples for the tax year ended 28 February 2015:

2.1.1	<b>Ed</b> , 66 years old, married in community of property to Edie	RAND	
	Salary	65 000	
	Bonus	5 000	
	Interest received	31 500	
	Medical expenses paid	12 000	
	Contributions paid to a pension fund	4 900	(15)
2.1.2	<b>Edie</b> , 63 years old – married to Ed		
	Salary	8 000	
	Local dividends received	2 000	
	Old-age pension received	8 750	
	Interest on investment	5 500	
	Contributions to a retirement annuity fund	2 500	(16)
2.1.3	<b>Eddie</b> (age 15) – son of Ed and Edie		
	Interest on investment (The capital was donated to him by his father on his tenth birthday.)	4 500	
	Interest on investment (The capital was donated to him by his grandfather.)	3 200	(4)

2.2	2.2.1	<b>Jo</b> (35 years old), married in community of property, has his own business		
		Business income	165 000	
		Deductible expenses	72 000	(8)
	2.2.2	<b>Bo</b> (30 years old), married to Jo		
		Salary	72 000	
		Interest received	5 000	
		Contributions to a pension fund	12 000	(8)
	2.2.3	<b>Mo</b> (age 17), daughter of Jo and Bo and still at school		
		Wages for working as a waitress	10 000	(4)
				<b>[55]</b>

### QUESTION 3

- 3.1 Determine, in each of the following examples, the taxable benefit(s) if any, which the relevant taxpayer(s), excluding the employer, enjoy(s) for the 2015 tax year.
- 3.1.1 George provides parking for his employees at a cost of R500 per month per parking bay at their workplace. (2)
- 3.1.2 Jealous Jenny decides to contribute R750 per month to Smart Suzie's clothing account, in lieu of a salary increase. (2)
- 3.1.3 Tracy uses the company's computer at home for her personal use since 1 May 2014. The cost of the computer is R12 500 while the market value is R8 400. (3)
- 3.1.4 Trudy received a bracelet from her employer as a long service award for the past 10 years of tireless service. The value of the award is R5 500. (2)
- 3.1.5 Karel Kabouter was granted an interest free loan of R12 000 on 1/9/2014 to enable him to buy a new wheelchair for his disabled son. The loan was repayable on 31/12/2014 out of his annual bonus of R15 000. The balance of R5 000 was paid to him on 31/12/2014. The prevailing interest rate is at 9,5% per annum. (6)

3.2 Koos Spaarwater supply you with the following information to determine his tax liability for the year ended 28/02/2015:

	<b>RAND</b>	
Income before the medical deduction	165 000	
Koos, 45 years old, married with 4 children	30 000	
Own contribution to his medical aid fund	15 000	
Employer's contribution amounts to	15 600	
He also paid medical bills out of his own pocket		
Tax deducted by his employer for the year	13 700	(15) <b>[30]</b>

#### QUESTION 4

Lone Ranger, age 55 and married out of community of property, is the only member of the Rangers Small Business Corporation. They manufacture sports clothing. He supplied you with the following information for the tax year ended 28 February 2015:

<b>BUSINESS INCOME</b>	<b>NOTES</b>	<b>RAND</b>
Sales: Cash		600 000
Credit		50 000
Vat collected		49 000
Discount received		11 000
Bad debts recovered: Trade		10 000
Loan made to a former employee		5 000
<b>BUSINESS EXPENSES</b>		
Loss on sale of an asset	NOTE 1	15 500
Purchases: Local		25 000
China	NOTE 2	235 000
Rental paid	NOTE 3	21 000
Electricity and water	NOTE 4	5 600
Wages		48 000
Salaries: Admin staff		90 000
Lone Ranger		180 000
Telephone: Business use 60%		12 000
Repairs: Painting of shop		1 500
Replacing all windows with tinted glass		5 500
Motor vehicles expenses	NOTE 5	18 000
Parking fines		750
Medical expenses paid: Workers		10 000
Lone Ranger		5 000
Bad debts written off: Trade		5 400
Stock stolen		1 000



You are required to determine the tax liability for the tax year ended 28 February 2015 for:

4.1 Rangers Small Business Corporation

4.2 Lone Ranger

[65]

### QUESTION 5

Jadd is a Close Corporation. It had an assessed loss for the 2014 tax year in the amount of R25 000. A taxable income for 2015 was estimated at R465 000. Unaudited figures showed a taxable income of R435 000 on 31/01/2015.

Determine:

5.1 The first provisional tax payment (Indicate date of payment and IRP form.)

5.2 The second provisional tax payment (Indicate date of payment and IRP form.)

[20]

### QUESTION 6

Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (6.1–6.10) in the ANSWER BOOK.

The following employees are regarded to be in standard employment:

6.1 Workers employed on a daily basis who are paid daily

6.2 Casual payments to casual workers for irregular services or occasional services rendered

6.3 Fees paid to part-time lecturers

6.4 If you render a service for a period of more than 22 hours per week

6.5 Office bearers of social clubs, sports clubs, etc.

(5 x 1)

[5]

**QUESTION 7**

Indicate whether each of the following receipts or accruals is taxable or non-taxable. Write only 'taxable' or 'non-taxable' next to the question number (7.1–7.10) in the ANSWER BOOK.

- 7.1 A prize from an employer for making the most sales
- 7.2 A tip from a customer while working as a waiter
- 7.3 A loss of profits insurance claim
- 7.4 A gift
- 7.5 A lump sum goodwill amount on the sale of a business
- 7.6 A legacy
- 7.7 Compensation received by the lessee when he/she was asked to vacate the premises before the expiry of the lease
- 7.8 Payment from the Unemployment Insurance Fund while being out of work for six months
- 7.9 Sale of shares held as trading stock
- 7.10 From the business as a bookmaker
- (10 x 1) [10]
- TOTAL: 200**



**ADDENDUM**

**RATES OF TAX PAYABLE FOR THE YEAR OF ASSESSMENT ENDING  
28 FEBRUARY 2015 AND 30 JUNE 2015**

TAXABLE INCOME	RATES OF TAX	RAND
0 - 174 550	18% FOR EACH R1	
174 551 – 272 700	31 419 + 25% OF THE AMOUNT OVER	174 550
272 701 – 377 450	55 957 + 30% OF THE AMOUNT OVER	272 700
377 451 – 528 000	87 382 + 35% OF THE AMOUNT OVER	377 450
528 001 – 673 100	140 074 + 38% OF THE AMOUNT OVER	528 000
673 101 AND OVER	195 212 + 40% OF THE AMOUNT OVER	673 100

## REBATES:

PRIMARY R12 726

SECONDARY (Persons 65 and 75) R7 110

TERTIARY (Persons 75 and older) R2 367

**RETIREMENT LUMP SUMS**

TAXABLE PORTION OF LUMP SUM	RATES OF TAXES	RAND
0 - 500 000	0%	
500 001 - 630 000	18% OF THE AMOUNT OVER	500 000
630 001 - 945 000	56 700 + 27% OF THE AMOUNT OVER	630 000
945 001 AND OVER	141 750 + 36% OF THE AMOUNT OVER	945 000

**SMALL BUSINESS CORPORATIONS**

TAXABLE INCOME	RATES OF TAX	RAND
0 - 63 556	0%	
63 557 - 350 000	7% OF THE AMOUNT OVER	63 556
350 001 AND OVER	20 051 + 28% OF THE AMOUNT OVER	350 000