



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N660(E)(J8)H

NATIONAL CERTIFICATE

INCOME TAX N6

(4010206)

8 June 2018 (X-Paper)

09:00–12:00

This question paper consists of 7 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.
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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 (1.1.1–1.1.5) in the ANSWER BOOK.
- 1.1.1 The year of assessment for all taxpayers will be 12 months.
- 1.1.2 A period of assessment refers to where an individual's year of assessment is less than 12 months.
- 1.1.3 Tax rates applicable to individuals depend on the taxable income; the higher the taxable income, the higher the marginal tax rate.
- 1.1.4 The source document to determine a business entity's tax liability is the IRP6.
- 1.1.5 Skills development levies (SDL) are deductible at a rate of 1% from certain individual's remunerations. (5 × 2) (10)
- 1.2 Calculate the tax payable by the relevant taxpayer(s) in each of the following activities.
- 1.2.1 During the 2016 year of assessment, Victoria Cheap Ltd received a dividend of R30 000 and paid a dividend of R45 000 on 31 January 2017.

Required:
Calculate standard tax on companies (STC) payable by Victoria Cheap Ltd. (3)
- 1.2.2 Precious is 46 years old and married in community of property. She received a salary of R8 600, a bonus of R55 000 and contributed R4 500 to a pension fund as well as R3 500 to a provident fund. Her only daughter, age 15, received R40 000 interest on an investment made from capital given to her by her father. Precious's medical aid contribution amounted to R30 000 for the year.

Required:
Calculate the maximum deductible contribution to a RAF (Retirement Annuity Fund). (13)
- 1.2.3 Miss Pretty gets a salary of R84 000 and use of a company car, cost price R181 000 (VAT included) for 9 months.

Required:
Calculate Miss Pretty's taxable income. (5)

- 1.2.4 Farmer Alone had an assessed loss of R30 000 from the previous year. His income from farming for the current year is R48 000 before capital development expenditure of R38 000 and other income of R25 000.

Required: (5)
Calculate Farmer Alone's taxable income.

- 1.2.5 David's salary increased by 8% to R180 000 per annum in 2016 tax year. Her employer provided her with a free furnished four room flat at rental of R300-00 per month for the full year. The employer also pays her water and electricity.

Required: (9)
Calculate David's taxable income.

[45]

TOTAL SECTION A: 45

SECTION B

QUESTION 2

Mr Joe is married and has two unmarried children under the age of 18. They both are members of his Medical fund. He furnished the following information for the current tax year:

Income	Rand
His salary for the year amounted to	280 000
Expenses	
Provident fund contribution (7,5% of salary)	
Medical fund contributions	480 000
Employee's contribution	12 000
Employer's contribution	36 000
Other qualifying medical expenses not paid by the fund	32 000

Required: Calculate Mr Joe's taxable income if he is over the age of 65.

[15]

QUESTION 3

Vanessa Louis retired after 20 years of loyal service on 31 November 2016 when she turned 65. She died suddenly on 1 February 2017. She was married in community of property of the date of her death. Her husband, Paul Louis, 64 years old, requested you to determine their taxes to be paid for the year ended 28 February 2017 from the following information supplied:

Income	Rand	
	Vanessa	Paul
Salary	15 000 per month	60 000
Pension	3 000 per month	
Pension lump sum	860 000	
Accumulated leave paid	5 000	
Gratuity from firm for her loyal service	30 000	
Donation from fellow workers	1 500	
Dividends from SA	8 000	
Insurance policy	500 000	
Interest from investment up to date of death	30 000	5 000
Interest received after death		2 500
Bonus	18 000	
Housing subsidy	10 000	
Expenses		
Contribution to pension fund	12 800	
Contribution to medical aid fund	12 000	
Medical expenses not paid by medical aid	3 000	
Funeral expenses	15 000	
Assurance premiums paid on life policy	5 000	

[45]**QUESTION 4**

Misi Traders is a small business corporation for tax purposes. After receiving their 2015/2016 tax assessment, reflecting a taxable income of R340 000, on 30 April 2016, the taxable income for 2017 is estimated at R300 000. A provisional tax calculation by the accountant in February 2017 reflected a taxable income of R380 000.

Misi traders wants to minimise tax without the risk of incurring penalties or interest.

Determine the following for the 2017 tax year:

- 4.1. Misi Traders' first provisional tax payment (indicate the date & form to be used) (12)
- 4.2 Misi Traders' second provisional tax payment (indicate the date) (8)
- [20]**

QUESTION 5

Florence, 48 years old and married in community of property, submitted the following income and expense records for her shop for the tax year ended 28 February 2017.

	Rand
Sales: Credit	140 000
Cash	610 000
VAT	20 000
Trading stock: 01/03/2016	30 000
28/02/2017	20 000
Purchases	200 000
Interest received	10 000
Income from other activities	6 000
Bad debts recovered: Trade	2 000
: Loan to wife for groceries	2 500
Import duties	50 000
Provision of doubtful debts: 2016	20 000
: 2017	18 000
Profit on sale of assets: Note 1	2 700
Rent paid: Note 2	5 000
Salaries and wages	120 000
Provision for bonuses	15 000
Telephone	500
Cash stolen by staff – insured	1 000
Repairs: Note 3	25 000
Motor vehicle expenses/fuel and oil: Note 4	10 500
Refreshments	1 000
Advertising	2 000
Medical contribution: staff	10 000
Donation to a registered PBO; the necessary receipt was obtained	15 000

NOTES:

- On 31 January 2017, Florence sold an old printing/photocopying machine (original cost R5 000) for R2 000. On that date the machine had an income tax value of R4 000.
- The rental of the business premises includes payment up to March 2017.
- Florence had to affect the following expenses on repairs because of a pipe that has burst; there were some damages to the reception area.

She replaced the wooden floor with carpets at a cost of	R20 000
She replaced a broken window	R 1 200
- A Hilux bakkie was bought per hire purchase agreement at a cost of R85 500 (VAT included) on 30 April 2016 exclusively for the use of the shop. The period of agreement was 24 months and finance charges for the period of agreement amounted to R54 000. SARS allows wear and tear at 25% per annum on the reducing balance method. The first instalment was due on 31 May 2016.

Required:

Determine Florence's tax liability for the 2017 year of assessment.

[45]

QUESTION 6

Peter, age 32, and Joyce are married in community of property. They had been farming for the past 15 years. He submitted the following information:

Receipts	Rand
Sales of fresh farming produce	750 000
Sale of old tractor	10 000
Loan from bank	630 000
Rental income – flat owned by Joyce	3 000
Payments	
Improvements on their farmhouse	30 000
Repairs to farmhouse	15 000
Houses built for four workers	70 000
New fence erected	350 000
Repairs to existing fences	2 000
Interest on bond to purchase farm	60 000
Fertilisers purchased	7 000
Seed purchased	9 000
Wages	100 000
Medical expenses: farm workers	10 500
Prevention of soil erosion	170 000
Purchase of a new tractor on 31/12/2017	280 000
Building of a dam	500 000
Wages for building of the dam	20 000
Fuel	3 000

Required:

Determine Peter's taxable income for the tax year ended 28/02/2017

[30]

TOTAL SECTION B: 155
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	R 13 500
Secondary (persons 65 and older)	R 7 407
Tertiary (persons 75 and older)	R 2 466

INCOME TAX: SMALL BUSINESS CORPORATION

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