



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

INCOME TAX N6

31 MAY 2019

This marking guideline consists of 7 pages.

SECTION A**QUESTION 1**

1.1	1.1.1	Tito Mboweni		
	1.1.2	14% OR 0% (standard rate or zero rate)		
	1.1.3	28/29 February		
	1.1.4	Owed to		
	1.1.5	All new employees who receive income, irrespective of their salaries.	(5 × 1)	(5)
1.2	1.2.1	False		
	1.2.2	True		
	1.2.3	True		
	1.2.4	False		
	1.2.5	True	(5 × 1)	(5)
				[10]
			TOTAL SECTION A:	10

SECTION B

QUESTION 2

First provisional payment:	Date	Form	Rand
	31/08/2017✓✓	IRP6/01✓	
Basic amount: Salary (20 000 × 12) = 240 000✓ Rental income (70 000 – 20 000) = <u>50 000</u> ✓ = 290 000✓			290 000
Less: RAF 5 000 Limited to the lessor: 1. 27,5% × 290 000 = 79 750✓ 2. 350 000✓			(5 000)✓
Taxable income			285 000✓
Tax per table [285 000 – 189 880 × 26% + 34 178]			58 909✓✓
Less: Rebate Primary 13 635			(13 635)✓
Less: Medical tax credit (303 × 3)			(909)✓✓
Divide by 2			44 365 22 183✓
Less: PAYE (4 500 × 6)			(27 000)✓✓
First provisional tax payment			R Nil✓
Second provisional payment:			
	28/02/2018✓✓	IRP6/02✓	
Basic amount/taxable income			285 000✓
Tax per table			58 909✓
Less: Rebate Primary 13 635			(13 635)✓
Less: Medical tax credit			(909)✓
Less: PAYE (4 500 × 12)			(54 000)✓
Less: First provisional tax payment			R Nil✓
Second provisional tax payment			R Nil✓

[30]

QUESTION 3

Mr James Polo	Rand
Salary (R18 000 × 12)✓	216 000✓
Annuity (R4 000 × 2)✓	8 000✓
Long-service award [6 000 – 5 000]✓	1 000✓
Use of employer-owned cell phone	26 000✓
Use of holiday house: 23 days × R2 000✓	46 000✓
Rental income (200 000 – 60 000) = 140 000 ÷ 2✓	70 000✓
Farewell gift from fellow workers	R Nil✓
Subsistence allowance [10 000 – (372 × 5)]✓✓	8 140✓
Local interest (25 000 ÷ 2)✓	12 500✓
Less: Exemption	(12 500) ✓
Scholarship for grandchild (25 000 – 20 000)✓	5 000✓
Taxable income before deductions:	380 140
Less: Contributions towards retirement Pension + RAF (actual contribution) R3 500 + R8 000 = R11 500✓ Limited to the lessor of: 1. 27,5% × R380 140 = R104 539✓ OR 2. R350 000✓	(11 500)✓
Taxable income before donations	368 640
Less donation (actual contribution) R1 000 Limited to 10% × R368 640 = R36 864✓	(1 000)✓
Taxable income	367 640✓
Tax per tables (367 640 – 296 540) × 31% + 61 910	83 951✓
Less: Rebates Primary Secondary	(13 635)✓ (7 479)✓
Less: Medical tax credits	
Medical tax credit (303 × 2)(204 × 2) × 12✓	(12 168)✓
Medical contribution 60 000✓ Minus tax credit (12 168 × 3)✓ 23 496	
Plus: Qualifying medical expenses 18 000✓ Total qualifying medical expenses 41 496 Multiply by 33,33% 13 832✓	(13 832) ✓
Normal income tax liability	36 837✓
Plus: Tax on lump sum received	23 760✓
Accumulated leave 17 000✓ Lump sum payout 600 000✓ Leave gratuity 15 000✓ 632 000✓	
Total tax liability	59 997✓

[45]

QUESTION 4

4.1 Accommodation formula:

$$(A - B) \times \frac{C}{100} \times \frac{D}{12}$$

Remuneration:

$$A = 220\,000 \times \frac{100}{107,5} = 204\,651$$

$$= (R204\,651 \checkmark - R75\,750 \checkmark) \times \frac{19}{100} \checkmark \times \frac{12}{12}$$

$$= R128\,901 \times \frac{19}{100} \times \frac{12}{12}$$

$$= R24\,491 \checkmark$$

(5)

4.2

$$R480\,000 \times 3,25\% \times 9 = R140\,400$$

(3)

4.3

Details	Rand
Salary	105 000✓
Bonus	15 000✓
Commission	5 000✓
Rental income (13 000 ÷ 2)	6 500✓
Interest received (5 000 ÷ 2)	2 500✓
Less: Exemption	(2 500)✓
Taxable income before retirement deductions	131 500
Less: Contributions towards retirement Actual: (R3 100✓ + R3 850✓ + R6 000✓) = R12 950	(12 950)✓
Limited to the lessor of: 1. Higher of 27,5% multiplied with: 1.1) Remuneration (R105 000 + R15 000 + R5 000) = R34 375✓ OR 1.2) Taxable income (excluding severance benefits and retirement fund lump sums) (R131 500) = R36 163✓ OR 2. 350 000✓	
Taxable income	118 550
Tax per table (118 550 × 18%)	21 339✓
Less: Rebate Primary 13 635✓ Secondary 7 479✓	(21 114)
Tax liability	225✓

(17)
[25]

QUESTION 5

Florence Boutique Design (Pty) Ltd	Rand
Profit on sale	1 000 000✓
Purchase of patent (500 000 × 5%)	(25 000)✓
Purchase of non-manufacturing equipment (100 000 × 100/114) × 7/12	(51 170)✓✓✓
Wages	(90 000)✓
Wages for Florah's domestic worker	R Nil✓
Ms Florah's life insurance	R Nil✓
Import duty on materials	(3 000)
Bad debts	(1 000)✓
Collected VAT	R Nil✓
VAT paid to SARS	R Nil✓
Fuel for delivery vehicles	(6 000) ✓
Drawings	R Nil✓
Advertisement	(3 000)✓
Transfer to general reserve	R Nil✓
Improvement to the new premises	R Nil✓
Annuity to retired employees	(5 000)✓
Painting of the new building	(12 500)✓
Entertainment for prospective customers	(1 000)✓
Year-end party for staff	(1 600)✓
Contribution to pension fund (Less than the maximum of 20% of employee remuneration)	(2 500)✓
New delivery van	
Wear and tear $[250\ 000 \times 25\% \times \frac{6}{12}]$ ✓	(31 250)✓
Fuel for Ms Florah's car	R Nil✓
Insurance paid for the manufacturing machinery	R Nil✓
Wear-and-tear allowance: 2018 = 400 000 × 20%✓	(80 000)✓
Scrap allowances: 1/08/2015✓: Cost price	400 000✓
Less: W and T: 400 000 × 40%✓ =	(160 000)✓
ITV at 28/02/2016✓	240 000✓
Less: W and T: 400 000 × 20%✓ =	(80 000)✓
ITV at 28/02/2017✓	160 000✓
Less: W and T: 400 000 × 20%✓ =	(80 000)✓
ITV at 28/02/2018✓ Income tax value worth	80 000✓
Less: Insurance payout	(18 500)✓
Therefore, Section 11(o) scrapping loss (61 500)	(61 500)✓
Restraint of trade payment Limited to the lessor of: 1) R300 000 ÷ 2 years = R150 000 ✓ OR 2) R300 000 × 1/3 = R100 000 ✓	(100 000)✓
Taxable income	525 480✓

[50]

QUESTION 6

	Farming income and expenses	Capital development expenses	Farmer Precious
Sales from oranges (R1 539 000 × 100/114)	1 350 000✓✓		
Rental income			25 000✓✓
Less: Rental expenses			(5 000)✓
Development subsidy received	R Nil✓		
Fruit trees purchased		(60 000)	
Repairs to farm fence	(70 000)✓		
Workers' wages	(80 000)✓		
New truck bought (R185 000 × 25%)✓	(46 250)✓		
Electricity lines to the factory on the farm		(12 000)	
Electricity lines to workers' cottages		R Nil	
Balance of capital development brought forward		(50 000)✓	
Opening stock of oranges	(520 000)✓✓		
Closing stock of oranges	250 000✓✓		
TOTALS	883 750	(122 000)	20 000✓
Use CDE against farming income	(122 000)	122 000	
	761 750	R Nil	
Taxable farming income Farmer Precious	(761 750)		761 750✓
Taxable income	R Nil✓		781 750✓
Tax per tables [(781 750 – 708 310) × 41% + 209 032]✓			239 142✓
Less: Rebates			
Primary			(13 635)✓
Secondary			(7 479)✓
Tertiary			(2 493)✓
Less: Medical tax credit (303 × 12)✓			(3 636)
Less provisional tax payments			(3 500)✓
Tax payable/liability			208 399

[40]

TOTAL SECTION B: 190
GRAND TOTAL: 200