



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N660(E)(M31)H

NATIONAL CERTIFICATE

INCOME TAX N6

(4010206)

31 May 2019 (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

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 question on a NEW page.
 5. Show ALL workings/calculations.
 6. Write neatly and legibly.
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SECTION A**QUESTION 1**

1.1 Write down the correct answer to the following questions next to the question number (1.1.1–1.1.5) in your ANSWER BOOK. 

1.1.1 Who is the current Minister of Finance in South Africa?

1.1.2 At what rate is VAT levied/calculated?


1.1.3 What is the last day of a company's year of assessment?

1.1.4 What does the term *accrued* mean?

1.1.5 Who needs to register for income tax?

(5 × 1) (5)


1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

 1.2.1 Tax years for individuals run from 1 July to 30 June the following year.

1.2.2 A capital loss arises when the base cost of an asset exceeds the proceeds from its sales

1.2.3 South African residents must pay tax on their foreign income.

1.2.4 The Income Tax Act is amended every five years.


1.2.5 Indirect taxes are levied on business transactions made by people and companies. 

(5 × 1) (5)

[10]



TOTAL SECTION A: 10

SECTION B**QUESTION 2**


Mrs Petunia, aged 37, is a provisional taxpayer, married out of community of property, with no dependants. She submitted the following information: 

	Rand
Monthly salary	20 000
PAYE per month	4 500
Rental income	70 000
Rental expenses	20 000
Contribution to retirement annuity fund (RAF)	5 000
Contribution to medical aid	3 months
No contribution to qualifying medical expenses	

Required:


- 2.1 Calculate the first provisional tax payment (indicate the date and the form used).  (20)
- 2.2 Calculate the second provisional tax payment (indicate the date and the form used). Mrs Petunia selected to pay the full second provisional tax payment as she did not want to run the risk of incurring any penalties or interest for under provisioning of provisional tax.  (10)
- [30]**

QUESTION 3

Mr James Polo, aged 68, retired from his job on 28 February 2018. He also stopped contributing to his RAF. He is married in community of property with 2 children. 


	Rand
Salary for a year: R18 000 per month	
Annuity: R4 000 for 2 months	
Long-service award	6 000
Use of an employer-owned cellular phone	26 000
Use of an employer-owned holiday house. He used the house for 23 days during the current year of assessment. The company owns the house (the value of the house is R2 million and a market-related rental rate is estimated at R2 000 per day).	
Contribution to pension fund	3 500
Rental income	200 000
Rental expenses	60 000
Leave gratuity from employer	15 000
Accumulated leave pay	17 000
Lump sum payout	600 000
Farewell gift from fellow workers	2 000
Subsistence allowance (5 nights of which there were no records)	10 000
Local interest (ALL non-tax free investments)	25 000
Contribution to RAF	8 000
Scholarship for James' grandchild in secondary school	25 000
Donation to PDSA, section 18A certificate received	1 000
Contribution to medical aid	60 000
Qualifying out-of-pocket medical expenses	18 000

Required: 

Calculate Mr James Polo's tax liability for the year ending 28 February 2018. 

[45]

QUESTION 4

- 4.1 Mrs Madeline was granted the use of a five-bedroom house. The house is fully furnished with the electricity being paid by the employer. Mrs Madeline's remuneration is R220 000 after an increase of 7,5% from her previous year's salary. 

Required:

Determine the taxable fringe benefit to be included in Mrs Madeline's taxable income. (5)

- 4.2 Mr Tom was granted the use of a company car for 9 months during the current tax year. The value of the car was R480 000 (including VAT). The employer pays for maintenance on the car.

 Required:

Determine the tax benefit to be included in Mr Tom's taxable income. (3)

- 4.3 Mr Siphso, aged 67, married in community of property, submitted the following income for the year ending 28 February 2018:


	Rand
Salary	105 000
Bonus	15 000
Commission	5 000
Rental income	13 000
Interest received (ALL non-tax free investments)	5 000
Provident fund	3 100
Contribution to RAF	3 850
Contribution to pension fund	6 000


Required: 

Calculate the tax liability for Mr Siphso for the year ending 28 February 2018. (17)


[25]

QUESTION 5

Ms Florah is the owner of the Florence Boutique Design (Pty) Ltd. They are an exclusive fashion design shop. She creates unique dresses and handbags for ladies for different occasions. She submitted the following information: 

	Rand
Profit on sales	1 000 000
Purchase of patent	500 000
Purchase of non-manufacturing equipment (purchased on 1 August 2017, including VAT. SARS allows 25% wear and tear)	100 000
Wages	90 000
Wages for Florah's domestic worker	85 000
Life insurance for Ms Florah	1 600
Import duty on materials	3 000
Bad debts	1 000
Collected VAT	1 200 000
VAT paid to SARS	650 000
Fuel for delivery vehicles	6 000
Drawings	2 400
Advertisement	3 000
Transfer to general reserve	18 000
Improvements to the new premises (1 September 2017)	60 000
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	2 500
New delivery van bought on 1 September 2017 (excluding VAT). SARS allows 25% wear and tear.	250 000
Fuel for Ms Florah's car	4 500
Insurance paid for the manufacturing machinery purchased for R400 000 (destroyed by a power surge on 1 August 2015)	18 500
Restraint of trade payment made to the previous owner of the business, effective for 2 years	300 000
	

Required:

 Calculate the taxable income for Florah's shop for the year ending 28 February 2018. **[50]**

QUESTION 6

Farmer Precious owns a 45% share in a farm that produces oranges in the Limpopo Valley. She is 77 years old and unmarried with no dependants. She contributes to a medical aid, but did not incur any other medical expenses. She submitted the following information for the tax year ending 28 February 2018:

	Rand
Sales from oranges (including VAT)	1 539 000
Income from rental property	25 000
Rental expenses	5 000
Provisional tax payments	3 500
Development subsidy received	150 000
Fruit trees purchased	60 000
Repairs to farm fence	70 000
Workers' wages	80 000
New truck bought to transport oranges from the farm to the barn house on 1 March 2017.	185 000
Electricity lines to the factory on the farm	12 000
Electricity lines to workers' cottages	3 500
Balance of capital development cost balance brought forward	50 000
Opening stock of oranges – cost price	520 000
Opening stock of oranges – selling price	1 250 000
Closing stock of oranges – cost price	250 000
Closing stock of oranges – selling price	1 200 000
(SARS allows 25% wear and tear in accordance with Interpretation Note 47)	

Required:

Calculate the tax payable for the year ending 28 February 2018.

[40]**TOTAL SECTION B:****190****GRAND TOTAL:****200**

ADDENDUM

RATES OF TAX PAYABLE FOR THE YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2018		
TAXABLE INCOME	RATES OF TAX	RAND
0–189 880	18% for each R1	
189 881–296 540	34 178 + 26% of taxable above	189 880
296 541–410 460	61 910 + 31% of taxable above	296 540
410 461–555 600	97 225 + 36% of taxable above	410 460
555 601–708 310	149 475 + 39% of taxable above	555 600
708 311–1 500 000	209 032 + 41% of taxable above	708 310
1 500 001 and above	533 625 + 45% of taxable above	1 500 000

REBATES	RAND
Primary	13 635
Secondary rebate (persons aged 65 and older)	7 479
Tertiary rebate (persons aged 75 and older)	2 493

TAX THRESHOLDS	
Below 65	R75 750
Age 65 to 75	R117 300
Age 75 and over	R131 150

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