

higher education & training

Department: Higher Education and Training REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE INCOME TAX N6

31 May 2021

This marking guideline consists of 5 pages.

-2-INCOME TAX N6

QUESTION 1

- 1.2 Non-taxable
- 1.3 Non-taxable
- 1.4 Non-taxable
- 1.5 Taxable
- 1.6 Taxable
- 1.7 Taxable
- 1.8 Non-taxable
- 1.9 Non-taxable
- 1.10 Taxable

 (10×2) [20]

QUESTION 2

2.1

	Rand
Salary (25 000 × 12)✓	300 000√
Alimony from ex-spouse	36 000√
Less: exemption	(36 000)√
Interest on tax-free investment (1 050 – 1 050)	R Nil✓
Interest on other investment	30 000√
Less : exemption	(23 800)√
Relocation allowances	Nil✓
Accommodation fringe benefit: (A-B) X C/100 XD/12√ A=R25 000 × 100/110 × 12= R272 727√√ Therefore:(R272 727 − R79 000) × 19/100 × 9/12√ =R194 577 × 19/100 × 9/12√ =R27 606√	27 606✓
Income	333 806
Less: Pension fund + RAF contribution (R1 600 + R2 050) = R3 650 Limited to the lessor of: 1,27,5% × R 333 806 = R 91 797 ✓ OR 2,350 000 ✓	(3 650)✓✓
Taxable income	330 156√

(20)

(15)

2.2

	RAND
Annual rental (R55 000 × 8/12)√	(36 667)✓✓
Lease premium [(R20 000/10) × 8/12]√	(1333)√√
Lease improvements	(2 412)√√
[R70 000/(120-4)=116 months) × 4√	
Building allowances: R90 000 – R70 000=R20 000✓	
R20 000 × 5% =R 1 000√	(1 000)✓✓
Total deductions allowed	(41 412)√√

-3-INCOME TAX N6

2.3

	Rand
Gross income	50 500
South African dividends	5 600✓
Less: exemption	(5 600)√
Foreign dividends	4 800✓
Less: exemption (4 800 × 25/45)	(2 667)√
Interest from SA bank	35 000
Less: exemption	(34 500)√
	53 133

(5) **[40]**

QUESTION 3

	Rand
Salary	380 000√
Bonus	18 000√
Dividends from S.A. company	4 000√
Less: exemption	(4 000)√
Foreign dividends (R42 300 ✓ + R4 200 ✓) = R46 500	46 500√√
Less: exemption (R46 500 × 25/45)√	(25 833)√√
Interest received	5 000√
Less: exemption	(5 000)√
Foreign interest	8 000 ✓ ✓
Medical fringe benefit	12 000√
	438 667✓
Less: Pension fund + REF (R8 000 ✓ + R1 500 ✓) =R 9 500	(9 500)√
Limited to the lessor of:	
• 27,5% × R438 667 = R120 633√	
• R350 000√	100 100
	429 167
Less: Donations	(8 500)✓✓
University of Venda 6 000√	
Public benefit organisation 2 500√ Non-public organisation R Nil√	
8 500	
Limited to 10% × R429 167 = R42 917✓	
Taxable income	420 667
Tax per table	99 446
Less: Rebate: Primary	(14 220)√√
Less: Medical aid	
Medical tax credit (310 × 12)✓	(3 720)✓✓
Medical contribution:	
Self R12 000√	
Employer <u>R12 000</u> √	
R24 000√	

-4-INCOME TAX N6

Medical scheme R24 000 – (3 720 × 3) = R12 840√	
Qualifying medical expenses = R20 000	
R32 840	(10 947)√
R32 840 × 33,33%=R10 936✓	
Tax liability	70 559√

[40]

QUESTION 4

Income Income Sale of vegetables			005	0.11
Sale of vegetables 4 950 000√ Sale of sand 289 000√ Sale to the abattoir 3 980 000√ New barn erected (400 000)√ New dipping tanks (300 000)√ Tractors and plough purchased (500 000 × 50%) (250 000)√ Wages for farm labour (45 000)√ Wages for construction of a dam (60 000)√ Construction of adam (95 000)√ Interest paid on loan for construction of dam (250 000)√ Running of electricity to new barn (200 000)√ General farming expenses (100 000)√ Opening stock – standard value (710 000)√ Closing stock – standard value 820 000√ Donation to local school (R6 000 × 12 000√√ 12 000√√ 2) Closing stock of harvested produce at cost Rations – slaughtered Opening stock of harvested produce at cost R Nii√ Ra49 300 (12 000)√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R84 9300 (10 000 000 √ Private consumption – Slaughtered for domestic use (R3 000 × 2) 8 481 000 √ (1 080 000)√ <tr< td=""><td></td><td>Farming</td><td>CDE</td><td>Other</td></tr<>		Farming	CDE	Other
Sale of sand 289 000√ Sale to the abattoir 3 980 000√ Seed and fertiliser purchased (250 000)√ New barn erected (400 000)√ New dipping tanks (300 000)√ Tractors and plough purchased (500 000 × 50%) (250 000)√ Wages for farm labour (45 000)√ Wages for construction of a dam (60 000)√ Construction of adm (25 000)√ Interest paid on loan for construction of dam (25 000)√ Running of electricity to new barn (200 000)√ General farming expenses (100 000)√ Opening stock – standard value (710 000)√ Closing stock – standard value 820 000√ Donation to local school (R6 000 × 12 000√√ 12 000√√ 2) Closing stock of harvested produce at cost Opening stock of harvested produce at cost R Nil√√ Rations – slaughtered R Nil√√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R849 300 R849 300 Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000√ TOTALS 8 481 000√				income
Sale to the abattoir 3 980 000√ Seed and fertiliser purchased (250 000)√ New barn erected (400 000)√ New dipping tanks (300 000)√ Tractors and plough purchased (500 000 × 50%) (250 000)√ Wages for farm labour (45 000)√ Wages for construction of a dam (60 000)√ Construction of adam (95 000)√ Interest paid on loan for construction of dam (25 000)√ Running of electricity to new barn (200 000)√ General farming expenses (100 000)√ Opening stock – standard value 820 000√ Donation to local school (R6 000 × 12 000√√ 12 000√√ 2) Closing stock of harvested produce at cost Opening stock of harvested produce at cost 180 000√√ Opening stock of harvested produce at cost R Nil√√ Less: Donation R12 000 Limited to 10% × R8 493 000 = R849 300 R849 300 Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS 8 481 000√ (1 080 000)√ CDE utilised (7 401 000√ Nil√ Farming income R Nil <td></td> <td>4 950 000√</td> <td></td> <td></td>		4 950 000√		
Seed and fertiliser purchased (250 000)√ New barn erected (400 000)√ New dipping tanks (300 000)√ Tractors and plough purchased (500 000 × 50%) Wages for farm labour (45 000)√ Wages for construction of a dam (60 000)√ Construction of a dam (95 000)√ Interest paid on loan for construction of dam (200 000)√ Running of electricity to new barn (200 000)√ General farming expenses (100 000)√ Closing stock – standard value (710 000)√ Closing stock – standard value 820 000√ Donation to local school (R6 000 × 12 000√ √ 2) Closing stock of harvested produce at cost (100 000)√ Rations – slaughtered R Nil √ √ Less: Donation R12 000 (12 000)√ Less: Donation R12 000 (12 000)√ Less: Donation R12 000 (12 000)√ ToTALS 8 481 000√ (1 080 000)√ √ Farming income R Nil √ Farming income R Nil √ Farming income R Nil √ Totals R Nil √ Farming income R Nil √ Totals				289 000√
New barn erected (400 000)√ New dipping tanks (300 000)√ Tractors and plough purchased (500 000 × 50%) (250 000)√√ Wages for farm labour (45 000)√ Wages for construction of a dam (60 000)√ Construction of a dam (95 000)√ Interest paid on loan for construction of dam (250 000)√ Running of electricity to new barn (200 000)√ General farming expenses (100 000)√ Opening stock – standard value 820 000√ Closing stock – standard value 820 000√ Donation to local school (R6 000 × 12 000√√ 12 000√√ 2) Closing stock of harvested produce at cost Rations – slaughtered R Nil √√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R849 300 (12 000)√ Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS 8 481 000√ CDE utilised (1 080 000)√ Farming income farmer (7 401 000√ Farming income R Nil		3 980 000√		
New dipping tanks	Seed and fertiliser purchased	(250 000)√		
Tractors and plough purchased (500 000 × 50%) (250 000) ✓ (45 000) ✓ Wages for farm labour (45 000) ✓ (60 000) ✓ Construction of a dam (95 000) ✓ Interest paid on loan for construction of dam (25 000) ✓ Running of electricity to new barn (200 000) ✓ General farming expenses (100 000) ✓ Opening stock – standard value (710 000) ✓ Closing stock – standard value 820 000 ✓ Donation to local school (R6 000 × 2) 12 000 ✓ ✓ Closing stock of harvested produce at cost (100 000) ✓ ✓ Opening stock of harvested produce at cost R Nil ✓ Rations – slaughtered R Nil ✓ Less: Donation R12 000 (12 000) ✓ Limited to 10% × R8 493 000 = R849 300 (12 000) ✓ Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000 ✓ TOTALS 8 481 000 ✓ CDE utilised (1 080 000) ✓ Totals (1 080 000) ✓ Roman for the consumption – Slaughtered for domestic use (R3 000 × 2) (1 080 000) ✓ Totals (1 080 000) ✓ Raming income farmer R Ni	New barn erected		(400 000)√	
(500 000 × 50%) Wages for farm labour (45 000)√	New dipping tanks		(300 000)√	
Wages for construction of a dam (60 000)√ Construction of a dam (95 000)√ Interest paid on loan for construction of dam (25 000)√ Running of electricity to new barn (200 000)√ General farming expenses (100 000)√ Opening stock – standard value (710 000)√ Closing stock – standard value 820 000√ Donation to local school (R6 000 × 2) 12 000√√ Closing stock of harvested produce at cost (100 000)√√ Opening stock of harvested produce at cost (100 000)√√ Rations – slaughtered R Nil√√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R849 300 (12 000)√ Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS 8 481 000√ (1 080 000)√ CDE utilised (1 080 000)√ Nil√ Farming income farmer R Nil		(250 000)✓✓		
Construction of a dam	Wages for farm labour	(45 000)√		
Interest paid on loan for construction of dam Running of electricity to new barn (200 000)√	Wages for construction of a dam		(60 000)√	
Interest paid on loan for construction of dam Running of electricity to new barn General farming expenses Opening stock – standard value Closing stock – standard value Donation to local school (R6 000 × 2) Closing stock of harvested produce at cost Opening stock of harvested produce at cost Rations – slaughtered R Nil ✓ Less: Donation R12 000 Limited to 10% × R8 493 000 = R849 300 Private consumption – Slaughtered for domestic use (R3 000 × 2) TOTALS CDE utilised Farming income farmer Farming income R Nil ✓ (200 000) ✓ (200 000) ✓ (100 000) ✓ (7 401 000) ✓ (100				
General farming expenses (100 000)√ Opening stock – standard value (710 000)√ Closing stock – standard value 820 000√ Donation to local school (R6 000 × 2) 12 000√√ Closing stock of harvested produce at cost 180 000√√ Opening stock of harvested produce at cost (100 000)√√ Rations – slaughtered R Nil√√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R849 300 (12 000)√ Rations – slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS 8 481 000√ (1 080 000)√ 289 000√√ Totals (1 080 000)√ Nil√ 7 401 000√ Farming income farmer R Nil 7 401 000√ 7 401 000√				
General farming expenses (100 000)√ Opening stock – standard value (710 000)√ Closing stock – standard value 820 000√ Donation to local school (R6 000 × 2) 12 000√√ Closing stock of harvested produce at cost 180 000√√ Opening stock of harvested produce at cost (100 000)√√ Rations – slaughtered R Nil√√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R849 300 (12 000)√ Rations – slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS 8 481 000√ (1 080 000)√ 289 000√√ Totals (1 080 000)√ Nil√ 7 401 000√ Farming income farmer R Nil 7 401 000√ 7 401 000√	Running of electricity to new barn		(200 000)√	
Opening stock − standard value (710 000)√ Closing stock − standard value 820 000√ Donation to local school (R6 000 × 2) 12 000√√ Closing stock of harvested produce at cost 180 000√√ Opening stock of harvested produce at cost (100 000)√√ Rations − slaughtered R Nil√√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R849 300 (12 000)√ Rations − Slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS 8 481 000√ (1 080 000)√√ 289 000√√ CDE utilised (1 080 000)√ Nil√ 7 401 000√ Farming income farmer R Nil 7 401 000√ 7 401 000√		(100 000)√	,	
Closing stock – standard value 820 000√ Donation to local school (R6 000 × 2) 12 000√√ Closing stock of harvested produce at cost 180 000√√ Opening stock of harvested produce at cost (100 000)√√ Rations – slaughtered R Nil√√ Less: Donation R12 000 (12 000)√ Limited to 10% × R8 493 000 = R849 300 (12 000)√ Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS 8 481 000√ (1 080 000)√√ 289 000√√ CDE utilised (1 080 000)√ Nil√ 7 401 000√ Farming income farmer R Nil R Nil 7 401 000√				
Donation to local school (R6 000 × 2)				
Closing stock of produce at cost 180 000√√ Opening stock of harvested produce at cost (100 000)√√ Rations – slaughtered R Nil√√ Less: Donation R12 000 Limited to 10% × R8 493 000 = R849 300 (12 000)√ Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000√√ TOTALS CDE utilised 8 481 000√ (1 080 000)√ (1 080 000)√ Farming income farmer 7 401 000√ (7 401 000)√ Farming income R Nil	Donation to local school (R6 000 ×			
Opening stock of produce at cost (100 000) \checkmark Rations – slaughtered R Nil \checkmark Less: Donation R12 000 (12 000) \checkmark Limited to 10% × R8 493 000 = R849 300 (12 000) \checkmark Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000 \checkmark TOTALS 8 481 000 \checkmark (1 080 000) \checkmark CDE utilised (1 080 000) \checkmark Nil \checkmark Farming income farmer R Nil	Closing stock of harvested	180 000√√		
Less: Donation R12 000	Opening stock of harvested	(100 000)✓✓		
Less: Donation R12 000 (12 000)✓ Limited to 10% × R8 493 000 = R849 300 (12 000)✓ Private consumption – Slaughtered for domestic use (R3 000 × 2) 6 000✓✓ TOTALS 8 481 000✓ (1 080 000)✓ 289 000✓✓ CDE utilised (1 080 000)✓ Nil✓ Farming income farmer (7 401 000)✓ Nil✓ Farming income R Nil	Rations – slaughtered	R Nil√√		
Limited to 10% × R8 493 000 = R849 300 Private consumption − Slaughtered for domestic use (R3 000 × 2) $6\ 000\checkmark\checkmark$ TOTALS CDE utilised $8\ 481\ 000\checkmark$ (1 080 000) \checkmark 1 080 000 \checkmark Farming income farmer $7\ 401\ 000\checkmark$ (7 401 000) \checkmark R Nil Farming income R Nil	_	8 493 000√		
Limited to 10% × R8 493 000 = R849 300 Private consumption − Slaughtered for domestic use (R3 000 × 2) $6\ 000\checkmark\checkmark$ TOTALS CDE utilised $8\ 481\ 000\checkmark$ (1 080 000) \checkmark 1 080 000 \checkmark Farming income farmer $7\ 401\ 000\checkmark$ (7 401 000) \checkmark R Nil Farming income R Nil	Less: Donation R12 000	(12 000)√		
for domestic use (R3 000 × 2) 6 000 ✓ ✓ 289 000 ✓ ✓ TOTALS 8 481 000 ✓ (1 080 000) ✓ ✓ 289 000 ✓ ✓ CDE utilised $(1 080 000)$ ✓ 1 080 000 ✓ Nil ✓ Farming income farmer $(7 401 000)$ ✓ $(7 401 000)$ ✓ $(7 401 000)$ ✓ Farming income R Nil $(7 401 000)$ ✓ $(7 401 000)$ ✓		,		
TOTALS 8 481 000 \checkmark (1 080 000) \checkmark 289 000 \checkmark CDE utilised (1 080 000) \checkmark 1 080 000 \checkmark Farming income farmer 7 401 000 \checkmark Nil \checkmark Farming income R Nil				
CDE utilised (1 080 000)√ 1 080 000√ 7 401 000√ Nil√ Farming income (7 401 000)√ 7 401 000√ Farming income R Nil	for domestic use (R3 000 × 2)	6 000√√		
7 401 000 ✓ Nil ✓ (7 401 000) ✓ Rarming income R Nil ✓ R Nil ✓				289 000√√
Farming income farmer $(7 \ 401 \ 000)\checkmark$ $7 \ 401 \ 000$ \checkmark Farming income R Nil	CDE utilised	(1 080 000)✓	1 080 000✓	
Farming income R Nil	Farming income farmer		Nil✓	7 401 000√
	Farming income	, ,		
	Taxable income			7 690 000√√

[42]

-5-INCOME TAX N6

QUESTION 5

	Rand
Taxable income given	3 500 000√
Raw material: Opening stock	(430 575)√√
Closing stock	887 260√√
Patent (18 000 × 5%)✓	(900)✓✓
Machine (R159 600 × 100/115 × 100%)√	(138 783)✓✓
Computer (R33 200 × 30%)	(9 960)✓✓
Motorcycle: Cost 60 000√	
Less: Section 12E allowance –2019	(30 000)✓✓
(R60 000 × 50%)= (30 000) Tax value 30 000✓	(50 000)* *
Proceeds –scrapped 0 Scrapping allowance (30 000)	(30 000)√√
Factory building (200 000 × 5%)√	(10 000)√√
Salaries	(150 000)√
Bad debts written off	(15 000)√
Advertising costs	(4 500)√
List of doubtful debts: 2019: R8 000 × 25%✓	2 000√√
2020:R8 600 × 25%√	(2 150)✓✓
Insurance premium paid	(2 000)√
Taxable income before donations	3 565 392
Less : Section 18A donation to TVET college 10% × R3 565	(9 000)√√
392=R356 539,✓	, ,
but limited to actual donation.	
Taxable income	3 556 392
Tax liability (3 556 392 – 550 000) × 28% + 20 020	900 660√√√

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QUESTION 6

	Date	Form	Rand
First provisional payment	31/08/2019✓✓	IRP 6✓✓	
Basic amount			510 000√√
Taxable income			510 000
Tax per table			50 470✓✓
Divide by 2			25 235✓✓
First provisional payment			25 235✓
Second provisional payment	29/02/2020✓		
Basic amount			500 000√√
Tax per table			48 370✓✓
Less: First provisional payment			(25 235)✓✓
Second provisional payment			23 135✓✓

[20]

TOTAL: 200