higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

INCOME TAX N6

21 NOVEMBER 2016

This marking guideline consists of 7 pages.

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QUESTION 1

1.1 True
1.2 True
1.3 True
1.4 False
1.5 False
1.6 False
1.7 False
1.8 False
1.9 True
1.10 True

(10 × 1) **[10]**

QUESTION 2: WJD CONSTRUCTION SBC

2.1

First payment	RAND	
Basic amount	260 000	2
Tax per table	13 751	2
Six months:	6 876	2
31/8/2014		2
IRP 6		2

2.2

Second payment: 28/2/2015		2
Basic amount	280 000	2
Tax per table	15 151	2
Less: First payment	6 876	2
Second payment	8 275	2

[20]

QUESTION 3: MOLLYDOLLIES

Details:	PARTNERSHIP INC/(EXP)	DOLLY	MOLLY	
Cash sales	620 000			1
Credit sales	100 000			1
Deposits received	NIL			1
Interest received		7 500	15 000	2
Rent paid	(65 000)			1
Electricity (18 000 – 500)	(17 500)			2
BAD DEBTS:				
Customers	(12 500)			1
Staff	NIL			1
PROVISION FOR BAD DEBTS:				
2014: 20 000 × 25%	4 000			2
2015: 12 000 × 25%	(3 000)			2
Purchases: Opening stock	(50 000)			1
Closing stock	(5 000)			2
ADVERTISING:	20 000			2
Newspapers				
Radio	(16 000)			1
Business licence	(44 000)			1
INSURANCE PREMIUM:	NIL			1
Dolly				
Fire & theft	NIL	6 000		1
Emergency fund	(2 400)			1
SALARIES:	NIL			1
Admin staff				
Partners	(100 000)			1
INTEREST PAID:	(270 000)	150 000	120 000	4
Dolly				
Bank	(20 000)	20 000		2
Drawings	(25 000)			1
Traffic fines	NIL			1
Medical – workers (10% × 100 000)	NIL		5 000	1
Loan	(10 000)			2
INTEREST PAID:	NIL			1
Stock				
Holiday: Molly	(3 000)			1
Exempt interest			20 000	1
		(27 500)	(34 000)	4

DELIVERY VAN:					
NEW					
W & T: 150 000 × 25% × (7 ÷ 12)					
OLD					2
Cost: 1/3/2012	60 000	(21 875)			
W & T @ 25% on cost	(15 000)				
ITV @ 28/2/2013	45 000				
W & T @ 25%	(15 000)				
ITV @ 28/2/2014	30 000				
W & T: 25% × 60 000 × (6 ÷ 12)	(7 500)				
ITV @ 31/8/2014	22 500				2
		(7 500)			
Lesser of cost/Selling price:	35 000				
Less: ITV	(22 500)				
Recoupment					
					2
NEW MACHINE:		12 500			
Cost (171 000 × 100 ÷ 114)	150 000				
Finance charges	9 000				2
TOTAL (15 000 + (24 × 6 000)	159 000				1
Finance charges: (9 000 ÷ 24 × 3) =					2
W & T: 150 000 × 40%					2
Improvements		(1 125)			2
Repayment		(60 000)			1
Provisional tax paid		NIL			1
Donation		NIL	15 000		2
Total income		NIL	(2 500)		2
Transfer			168 500	12 000	
Taxable income		22 600	11 300	(2 500)	1
		(22 600)	179	135 000	
Tax per tables		NIL	800	11 300	
Less: Rebates:				146 300	
Primary			32 732		
Age				26 334	2
			(12 726)		2
Tax liability			(7 110)	(12 726)	
				(7 110)	
			12 896		
				6 498	

[70]

QUESTION 4: TIP TOE TODD LUMP SUM

DETAILS		RAND	
Salary (16 000 × 6)		96 000	2
Pension (4 000 × 2)		8 000	2
Bonus		16 000	1
Housing subsidy (1 300 × 6)		7 800	2
Interest (28 000÷2)		14 000	2
Exempt		(14 000)	2
Life policy		NIL	1
Rent income (2 500 × 8) ÷ 2		10 000	3
Dividends (5 000÷2)		2 500	2
Exempt		(2 500)	2
Premium – funeral policy		NIL	1
Fringe benefit medical aid		15 000	2
		152 800	
LESS DEDUCTIONS			
1. Pension	7 680		
1) 1 750 2) 7,5% × 96 000 =	7 200	(7 200)	3
Disallowed portion	480		
Taxable income		**145 600**	
Tax per tables		26 208	
Less rebates: 12 726 × (8 ÷12)		(8 484)	2
Medical			
Medical credits		(6 864)	3
(2 × 257) + (2 × 172) × 8			
Additional medical credits			
25% × (22 544 + NIL)		(5 636)	3
(employee + employer) – 4 × medical credits			
(35 000 + 15 000) – 27 456 = 22 544			2
Expenses: 4 800 – (7,5% × 145 000) = NIL			2
		5 224	
Plus tax on lump sums		70 205	2
Pension lump sum	580 000		2
Gratuity	110 000		2
Accumulated leave pay	8 000		2
Less: Current disallowed portion	(480)		2
Previous disallowed	(17 500)		2
	680 020		
Tax liability		75 429	1

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QUESTION 5: MEL FARMING

DETAILS:	**FARMING INC/(EXP)**	**CAP DEV EXPENSES**	**OTHER**	
Sales of vegetables	840 000			1
Sale of tractor	1 000			1
Loan	NIL			1
Rental income (40 000 ÷ 2)			20 000	2
Wages for building of dam		(19 000)		2
FARMHOUSE:				
Improvement	NIL	NIL	NIL	1
Repairs	NIL	NIL	NIL	1
HOUSES – WORKERS:				
(Limited to 60 000 × 10%)		(6 000)		2
Fence		(200 000)		1
Repairs to fence	(2 000)			1
Interest	(58 000)			1
Fertilisers	(8 000)			1
Seeds	(14 000)			1
Wages	(95 000)			1
Medical – workers (10% × 95 000)	(9 500)			2
Eradication of noxious plants	(35 500)			1
Prevention of soil erosion	(180 000)			1
W & T: tractor: (275 000 × 20%)	(55 000)			3
Dam		(125 000)		1
Fuel	(85 000)			1
Cash drawings	NIL			1
W & T: plough (50 000 × 30%)	(15 000)			3
Opening stock	(15 000)			2
Income	239 000	(350 000)	20 000	
Transfer	(350 000)	350 000		
Loss brought forward to 2016	(111 000)			2
Income: Farming	NIL	NIL		1
Other income	20 000			1
Taxable income	20 000			1
Tax per tables	3 600			1
Less rebates	(12 726)			1
Tax liability	NIL			1

[40]

QUESTION 6

6.1

LEASE PREMIUM	**RAND**	
(120 000 ÷ 25) × (6 ÷12)	(3 000)	2
Rent		
(6 × 8 000)	(48 000)	2
	(51 000)	1

6.2

LEASE IMPROVEMENT		
35 years limited to 25 years: (12 × 25)	300 MTHS	
Before occupation and months into lease (1/9/2013 - 31/1/2015)	17 MTHS	
Months left of lease	283 MTHS	
2 500 000 ÷ 283 months × 1 month (1/2/2015 – 28/2/2015	(8 834)	3
BUILDING ALLOWANCE (FACTORY) 55 × (3 000 000 – 2 500 000)	(25 000)	2

(5 × 2) **[10]**

TOTAL: 200

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