higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

INCOME TAX N6

19 NOVEMBER 2018

This marking guideline consists of 6 pages.

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SECTION A

QUESTION 1

1.1
1.1.1 True
1.1.2 True
1.1.3 True
1.1.4 True
1.1.5 True
1.1.6 False

(6 × 2) (12)

1.2
1.2.1 B
1.2.2 D
1.2.3 C
1.2.4 C

(4 × 2) (8)
[20]

TOTAL SECTION A: 20

SECTION B

QUESTION 2

DETAILS	DATE	FORM	RAND
First payment	✓✓31/08/2016	✓IRP6	
Basic amount (245 000 – 188 000) × 26% + 33 840			✓245 000
Tax per table			✓48 660
Less: Rebate Primary Secondary			✓(13 500) ✓(7 407) ✓27 753
Half year			✓13 877
Less: PAYE			✓(4 000)
First payment			✓**9 877**
Second payment	✓✓28/02/2017		
Basic amount			✓270 000
Tax per table			✓55 160
Less rebates: Primary Secondary			✓(13 500) ✓(7 407)
Less: PAYE			✓(8 000)
Less: first payments			✓(9 877)
Second payments			✓16 376

[20]

QUESTION 3

3.1

DETAILS		RAND
Salary (16 000 × 12)		✓✓192 000
Rent income (45 000/2)		✓✓22 500
Local dividends		✓6 000
Less: Exemption		✓(6 000)
Bonus		✓18 000
Sale of old laptop		✓✓Nil
Other local interest		✓3 000
Less: Exemption		✓ (3 000)
Birthday gift from sister		✓Nil
Income		✓✓232 500
Less: pension fund contribution R2 500 limited to the lower of: 1. 27,5% × 192 000 = 52 800 or 2. R350 000		✓✓(2 500)
Less: Medical aid Medical credits (2 × 286) + (3 × 192) × 12 = 13 776✓ **Formula:** Medical contribution Plus qualifying medical expenses Minus tax credits × 4 (13 776 × 4) Minus 7,5% × 230 000 Multiply by 25% × 2 646	 60 000✓ 15 000✓ (55 104)✓ (17 250)✓ **2 646** **662**	 ✓✓**662**
Taxable income		✓✓**229 338**

(25)

3.2 **Formula:**

(A – B) × C/100 × D/12✓
= 200 000 – 75 000 × 19/100 × 12/12✓
= 125 000 × 19/100 × 12/12✓
= 23 750✓✓ (5)

[30]

QUESTION 4

Details		**Rand**
Salary		✓800 000
Commission		✓20 000
Interest on investment		✓15 000
Less: Exemption		✓(15 000)
Interest on tax-free investment		✓3 500
Less: Exemption		✓(3 500)
Housing subsidy		✓✓10 000
Birthday gift from coworker		Nil✓✓
Rental income		✓3 200
Less: Rate and taxes on rental property		✓✓(800)
UIF benefits		✓10 000
Less: Exemption		✓(10 000)
Lotto-winning ticket		Nil✓✓
Foreign dividends		✓2 000
Less: Exemption (2 000 × 25/40) = 1 250✓		✓✓✓(1 250)
Foreign interest		✓1 500
Bursary for child		✓2 000
Less: Exemption		✓(2 000)
		✓✓**834 650**
Less: Pension fund Limited to the lower of: 1. 27,5% × 800 000 = 220 000 or 2. 350 000	28 000	✓✓(28 000)
		✓✓**806 650**
Less: Medical aid Medical tax credits (2 × 286) × 12 = 6 864 **Formula:** Medical contribution (24 000 × 12) Plus qualifying medical expenses Minus medical tax credit (6 864 × 4) Minus 7,5% × 806 650 Multiply by 25% × 215 045	 288 000✓ 15 000✓ (27 456)✓ (60 499)✓ 215 045✓ 53 761✓	 ✓✓(53 761)
		✓✓**752 889**
Less: Donation limited to 10% × 752 889 = 75 289✓ but limited actual contributed		✓ (10 000)
Taxable income		✓✓742 889
Tax per table		✓✓224 015
Less rebate: Primary		✓ (13 500)
Tax liability		✓✓210 515

[50]

QUESTION 5

DETAILS	RAND
Cash sales	✓✓950 000
Credit sales	✓✓750 000
Finance charges	✓60 000
VAT collected	Nil✓✓
Discount received	✓✓15 000
Bad debts recovered: Trade debtors Loan to former worker	✓10 000 Nil✓✓
Interest received	✓✓2 700
Profit on sale of assets	✓✓55 000
Salaries: Jabu Lisa	✓(150 000) ✓(150 000)
Purchases	✓(80 000)
Tax paid	✓(15 000)
Bad debts: Trade debtors Loan to Jabu's friend	✓✓ (4 5000) Nil✓✓
Advertisement in local newspapers	✓✓ (1 500)
Advertisement on radio station	✓✓ (3 000)
Telephone: (60% × 1 200)✓	✓(720)
Legal expenses: Cost of drawing up a new lease contract Cost to recover loan from former employee	Nil✓✓ Nil✓✓
Less: Medical expenses: Workers no limit	✓(30 000)
	✓1 407 980
Less: Donation (10% × 1 407 980) = 140 798✓	✓(10 000)
Taxable income	✓✓**1 397 980**

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QUESTION 6

DETAILS	FARMING INCOME/EXPENSES	CDE	OTHER INCOME
Assessed loss	✓✓(50 000)		
Sale of produce	✓✓900 000		
Interest on investment (8 000/2)✓✓			✓✓4 000
Rental from part of farmhouse			✓✓5 000
Drawings	Nil ✓✓		
Fruit trees purchased		✓✓(60 000)	
Wages paid	✓✓(20 000)		
New tractor purchased (500 000 × 50%)✓✓	✓✓(250 000)		
Cost of building a new dam		✓✓(60 000)	
Repairs to farmhouse		Nil✓✓	
Prevention of soil erosion		✓✓(20 000)	
New fence erected		✓✓(50 000)	
Sheep purchased		✓✓(140 000)	
Electricity connection		Nil✓✓	
Eradication of noxious plants	✓ ✓ (1 500)		
Fruits taken for own consumption	✓✓500		
Wages for workers to build a new dam		✓✓(15 000)	
Closing stock fruits on the barn	✓✓35 000		

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TOTAL SECTION B: 180
GRAND TOTAL: 200

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