higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

INCOME TAX N6

20 NOVEMBER 2019

This marking guideline consists of 7 pages.

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SECTION A

QUESTION 1

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

(10 × 1) **[10]**

TOTAL SECTION A: 10

SECTION B

QUESTION 2

Details	Farming income/ expenses	Capital develop-ment expenses	Farmer Hellen
Opening inventory 16 cows	✓✓(640)		
Cows purchased +3 cows	✓(1 500)		
Sale of cows –2 cows	✓(1 000)		
Rations –2 cows	Nil✓✓		
Closing stock (16 + 3 – 2 – 2) × R40 = R600)	✓✓600		
Sales of milk	✓40 000		
Fruits sold	✓2 000 000		
Interest received			✓40 000
Less: Interest exemption <65			✓✓(23 800)
Loan for improvements	Nil✓		
Water rights sold	Nil✓		
Foreign dividends received			✓8 000
Less: Sec 10B(3) exemption (R8 000 x 25/45)			✓✓(4 444)
Tractor sold: W&T (R50 000 × 20%) 2016: R50 000 × 50% = R25 000 2017: R50 000 × 30% = R15 000 2018: R50 000 × 20% = R10 000 NIL Tractor sold: recoupment	✓✓(10 000) ✓45 000		
Prevention of soil erosion	✓✓(30 000)		
Tractor purchased (50% × 600 000)	✓✓(300 000)		
Irrigation system		✓(180 000)	
Repairs to farmhouse			Nil✓
Repairs to fences	✓(60 000)		
Fruit stall erected		✓(190 000)	
Seeds purchased	✓(15 000)		
Fertiliser	✓(40 000)		
Fruit trees planted		✓(180 000)	
Wages	✓(40 000)		
Interest on loan for improvements to farmhouse			Nil✓
Private consumption by the owner Rations to employees	✓✓600 Nil✓✓		
Fruit on hand/opening stock	✓(12 000)		
Fruit on the land/closing stock	Nil✓		
	2 234 860	**(550 000)**	**19 756**
Utilise CDE against farming income	(550 000)✓	550 000	
Farming profit	**1 684 860**	**R Nil✓**	**19 756**
Transfer of farming profit to farmer	**(1 684 860)**		**1 684 860✓**
Taxable income	Nil		**1 704 616**
Tax per table [533 625 + (1 704 616 – 1 500 000)45%]			625 702
Less: Primary rebate			✓(13 635)
Tax payable			612 067

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QUESTION 3

Details	Partnership	Thomas: 4	Jones: 2
Sales	✓900 000		
VAT claimed	Nil✓		
Closing inventory	✓20 000		
Wages	✓(105 000)		
Salaries: Mr Thomas Mrs Jones	✓(340 000)	✓160 000	✓180 000
Water	✓(500)		
Electricity	✓(1 500)		
Legal fees for preparing a contract	✓(7 000)		
VAT paid to SARS	Nil✓		
Rent paid	✓(80 000)		
Rates and taxes	✓(14 000)		
Provision for bad debts (25% × R3 000)	✓(750)		
Advertisement	✓(5 000)		
Provision for bonus for workers	Nil✓		
Office buildings (R500 000 x 5%)	✓(25 000)		
Interest paid for running cost	✓(2 000)		
Interest paid for financing the building	✓(16 000)		
Interest received on tax-free investment T: [(R24 500 ÷ 6) × 4] = R16 333 J: [(R24 500 ÷ 6) × 2 × 50%] = R4 083	Nil✓	✓✓16 333	✓✓✓4 083
Less: Exemptions <65		✓(16 333)	✓(4 083)
Manufacturing machine W&T: 2018 (60 000 × 40%) Recoupment	 ✓✓(24 000) 1 200✓		
Drawings	Nil✓	Nil	Nil
New machine purchased W&T: 2018 (80 000 × 40%)	 ✓✓(32 000)		
Second-hand machine (20 000 × 20%)	✓✓(4 000)		
New machine bought: Cost price 20 000 Import duties 500 Total price 20 500 ✓ W&T: 2018 (20 500 × 40%)	 ✓✓(8 200)		
Sales commission	✓(50 000)		
Bad debts: employee	Nil✓		
Legal fees	Nil✓		
Recovered amount	Nil✓		
Partnership profit	✓206 250		
Distributed according to profit ratio	✓(206 250)		
Thomas [R206 250 ÷ 6] × 4		✓137 500	
Jones [R206 250 ÷ 6] × 2			✓68 750
Less: Donations (no sec 18A certificate)		Nil	Nil✓
Taxable income	**Nil✓**	**297 500**	**248 750**
Tax per table		62 208	49 484
Less: Primary rebate		✓(13 635)	✓(13 635)
Tax payable		**48 573**	**35 849**

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QUESTION 4

Details	Rand
Salary (R22 000 × 8)✓	✓176 000
Pension annuity (R8 000 × 4)✓	✓32 000
Life policy payout	Nil✓✓
Rental income (40 000 ÷ 2)✓	✓20 000
Rental expenses (10 000 ÷ 2)✓	✓ (5 000)
Bonus	✓19 000
Lotto winning ticket	Nil✓✓
Gift from fellow workers	Nil✓✓
Prize for best employee of the month	✓✓1 000
Medical fringe benefit	✓✓45 000
Taxable income before contributions towards retirement funds	✓288 000
Less: Pension fund actual contribution @8% 14 080✓ Limited to the lesser of: 1) 27,5% × 288 000 = 79 200✓ 2) 350 000✓	✓(14 080)
Taxable income	✓273 920
Tax per table [R34 178 + (273 920 – 189 880)26%]	✓56 028
Less: Primary rebate	✓(13 635)
Less: PAYE	✓(3 500)
Less: Medical tax credits Medical tax credit [(R303 × 2) + (R204 × 2)] × 12 = R12 168✓ Medical contribution: self 30 000✓ Medical contribution: employer 45 000✓ Total contributions to medical aid 75 000 Less: 4 times medical tax credit (R12 168 x 4) ✓ (48 672)✓ 26 328✓ Less: 7,5% R273 920 (20 544)✓ 5 784✓ Less: Additional medical tax credits: 25% × R5 784✓	✓(12 168) ✓(1 446)
Income tax payable	✓**25 279**

[40]

QUESTION 5

5.1 First provisional payment

	DATE	FORM	RAND
	31/08/2017✓✓	IRP6/01✓	
Basic amount			✓✓500 000
Tax per table [(500 000 – 365 000) × 21% + 20 248]✓			✓48 598
Divide by 2			✓✓24 299
First provisional payment			✓24 299

5.2

Second provisional payment	28/02/2018✓✓	IRP6/02✓	
Basic amount			✓✓550 000
Tax per table [550 000 – 365 000 × 21% + 20 248]✓			✓59 098
Less: First provisional payment			✓✓(24 299)
Second provisional payment			✓34 799

[20]

QUESTION 6

6.1 Fringe benefit

R6 000✓ × $\frac{15}{100}$ x $\frac{2}{12}$ ✓✓

= R900 × $\frac{2}{12}$

= R 150✓✓✓ (6)

6.2 Allowance received – Deemed costs incurred

Allowance received (R5 800 + R1 500 + R800)	= R8 100✓✓✓
Less: Exempt portion (R397 × 5 days)	= (R1 985)✓✓✓
Taxable fringe benefit	= R6 115 ✓✓✓

(9)

6.3 (A – B) × $\frac{C}{100}$ × $\frac{D}{12}$✓✓✓

A = R380 000 × $\frac{100}{109}$

= R348 624✓✓✓

= (R348 624 – R 75 750) × $\frac{17}{100}$ × $\frac{12}{12}$ ✓✓✓ ✓✓

= R272 874 × $\frac{17}{100}$ x $\frac{12}{12}$

Fringe benefit	= R46 389✓
Less: Rent paid: 1 400 × 12	= (R16 800)✓
	= R29 589✓✓

(15)

6.4 ✓ ✓ ✓
R280 000 × 3,25% × 7
= R 3 700✓✓ (5)
[35]

TOTAL SECTION B: 190
GRAND TOTAL: 200

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