higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

INCOME TAX N6

25 September 2020

This marking guideline consists of 6 pages.

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QUESTION 1

1.1 1.1.1 True
1.1.2 False
1.1.3 True
1.1.4 False
1.1.5 True

(5 × 2) (10)

1.2 1.2.1 The cost of repairing the front door of the business offices will not be deductible.

1.2.2 The R900 paid to SARS for administrative penalties would not be deductible.

1.2.3 The amount for R2 500 for rental will be deductible.

1.2.4 This amount will not be deductible.

(4 × 2) (8)
[18]

QUESTION 2

DETAILS	DATE	FORM	RAND
First provisional tax payment	31/08/2019✓✓	IRP 6✓✓	
Basic amount/taxable income			650 000✓✓
Tax per table			184 707✓✓
Less: Rebate Primary 14 220 Secondary 7 794 Tertiary 2 601			(24 615)✓✓
			160 092✓
Divide by 2			80 046✓✓
Less: PAYE			(50 000)✓
Less: Medical tax credits (310 × 6)			(1 860)✓✓
First provisional payment			28 186✓✓
Second provisional payment	29/02/2020✓✓		
Basic amount/taxable income (Cannot use 90% × R800 000 = R720 000 => R650 000)			650 000✓✓
Tax per table			184 707✓
Less: Rebate Primary 14 220 Secondary 7 794 Tertiary 2 601			(24 615)✓✓
Less: PAYE			(100 000)✓
Less: First provisional payment			(28 816)✓
Less: Medical tax credits (310 × 12)			(3 720)✓
Second provisional payment			27 553✓✓

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QUESTION 3

DETAILS	RAND
Salary (22 000 × 8)	176 000✓
Bonus	24 000✓
Annuity (2 800 × 4)	11 200✓
Housing subsidy (4 000 × 8)	32 000✓
Interest received on investment (1 000 ÷ 2)	500✓
Less: Exemption	(500) ✓
Lump sum from life policy	0✓
Gift from fellow workers	0✓
Sale of old laptop	0✓
Casino winnings	0✓
Fringe benefit	16 850✓
Long-service award (7 500 – 5 000)	2 500✓✓
	262 550✓
Less: Contribution to pension fund + provident fund + RAF (8 000✓ + 2 500✓ + 3 500)✓ = 14 000	(14 000)✓
Limited to the lessor of: • 27,5% × 262 550 = 72 201✓ **OR** • 350 000✓	
Taxable income	248 550✓
Tax per table	48 955✓
Less: Rebate Primary 14 220 Secondary 7 794	(22 014)✓✓
Less: Medical aid Medical tax credit [(310 × 2) + 209] × 12 Medical contribution: 24 000 + 16 850 = 40 850✓ Minus tax credit: (9 948 × 3) = (29 844)✓ 11 006✓ Add: Qualifying out of pocket medical expenses: 10 000 21 006 Less: R21 006 × 33,33% = (7 002)✓	(9 948)✓ (7 002)✓✓
	9 991
Plus tax on lump sum	65 700✓✓
Pension lump sum 800 000✓ Accumulated leave pay 6 000✓ Gratuity 4 000✓ 810 000✓	
Total taxation for the year	75 691
Less: Tax withheld during the year	(55 691)✓
Tax liabilities	20 000✓✓

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QUESTION 4

DETAILS	FARMING INCOME/EXPENSE	CDE	OTHER INCOME
Purchases of livestock	(375 000)✓		
Sales of livestock	760 000✓		
Sales of maize	305 000✓		
Bonus from cooperative	8 000✓		
Interest received on investment			32 000✓
Less: Exemption			(23 800)✓
Cost of building a new dam		(380 000)✓	
Wages for building a new dam		(50 000)✓	
Grazing fees received	80 000✓		
Donation of cows (2 000 × 2)✓	4 000✓		
Cows slaughtered for rations	0✓		
Cows eaten by farmer (1 000 × 8)	8 000✓✓		
New dipping tanks		(6 500)✓	
Medical aid for farm workers	(2 800)✓		
Closing stock at standard value	36 840✓		
Opening stock at standard value	(30 000)✓		
TOTAL	794 040✓✓	(436 500)✓	8 200✓
Utilise CDE against farming income	(436 500)✓✓	436 500✓	
Farming income	357 540✓✓	0✓✓	
Income transferred to farmer	(357 540)✓		357 540✓✓
Taxable income	0		365 740✓✓
Tax per the tables			82 419✓✓
Less: Rebate: Primary			(14 220)✓✓
Tax payable			68 199✓✓

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QUESTION 5

	RAND
Taxable income – given	6 758 631✓
Export sales	750 352✓
Dividend received (used in dividends tax calculation)	0✓✓
Imported liquor ingredients	(588 535)✓
Opening inventory @ market value (lowest)	(289 750)✓
Closing inventory @ cost (lowest)	319 760✓
Bad debts written-off	(75 205)✓
Doubtful debts – 2019 (R85 725 × 25%)✓	21 431✓
Doubtful debts – 2020 (R105 250 × 25%)✓	(26 313)✓
Incentive bonuses	(350 000)✓
Pension fund contributions	(135 250)
Legal expenses – in production of income	(8 500)✓
Legal expenses – director (private: prohibited)	0✓
Advertising – Weekly Cape Mail	(4 580)✓
Advertising – Billboard – capital in nature	0✓
Machine B – cost 350 000✓ Installation (R14 250 × 100/115) 12 500✓ 362 500✓	
Section 12C allowance – 40% × R362 500✓	(145 000)✓
Section 11(e) delivery vehicle (R125 000/4 × 6/12)✓	(15 625)✓
Manufacturing building allowance (R1 650 000 × 5%)✓	(82 500)✓
Rent paid (R15 000 × 8)✓	(120 000)✓
Lease premium (R90 000/120 × 8) ✓✓	(6 000)✓
Alternative: (R90 000/10 × 8/12)	
Leasehold improvements (R550 000/115 × 2)✓	(9 565)✓
Alternative: (R550 000/9.583 × 2/12)✓	
Building allowance (R600 000 – R550 000) × 5%✓	(2 500)✓
Disposal machine D • Cost 100 000✓ • Less: Section 12C – 2018 (R100 000 × 20%) (20 000)✓ • Section 12C – 2019 (R100 000 × 20%) (20 000)✓ • Section 12C – 2020 (R100 000 × 20%) (20 000)✓ Tax value 40 000✓ Proceeds on disposal (15 000)✓	(20 000)✓
Section 11(o) scrapping allowance 25 000	(25 000)✓
Renewal of patent J (R8 500 × 5%)✓	(425)✓✓
New trademark K (nondeductible)(prohibited)	0✓
Restraint of trade payment, the lesser of: -R550 000/5 = 110 000✓ **OR** 550 000/3 = 183 333✓	(110 000)✓
Subtotal	5 835 426
Less: Section 18A donation (R5 835 426 × 10% = R583 543 but limited to actual donation)	(50 000)✓

	5 785 426✓
Less: Assessed loss brought forward from 2019	(112 314)✓
Taxable income for 2020	5 673 112✓
SA normal tax @ 28%	1 588 471✓
Less: Provisional tax paid	(1 351 584)✓
Calculated tax liability for 2020	236 887

[57]

QUESTION 6

	Chris	**Penny**
	RAND	**RAND**
Taxable foreign dividends	13 000✓	8 200✓
Less: Exemption (13 000 × 25/45)(8 200 × 25/45)	(7 222)✓✓	(4 556)✓✓
Interest from foreign investments	15 000✓	2 950✓
Interest from local investments	30 000✓	1 800✓
Less: Exemption	(30 000)✓	(1 800)✓
Taxable income	20 778✓	6 594✓✓

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TOTAL: 200

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