EXAM PAST PAPER SOLUTIONS 2015 & JUNE 2014

Suggested Solutions

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Together We Pass

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OCTOBER 2015

QN 1

Salary		750000
Employer Vehicle-		5766
Protective clothing		__
Long service Award tax free up to R5000(6000-5000)		1000
Building Material(25000-20000)		5000
Motorbike-Not remuneration		_
Foreign dividends (25/40) Exempt(3200-2000)		1200
Local Interest-Exempt 23800 ; (25800-23800)		2000
Foreign interest		1056
		766022
Less Deductions		
Pension ltd to greater of 1750 or 7.5% *750000		-56250
Past period 2000 l.t.d to R1800		-1800
Taxable Income		**707972**
Tax tables= 208587+(707972-701300*41%)		211322.5
Less Primary Rebate		-13257
Medical scheme(270*2*12)		-6480
Additonal 48000-(6480*3) + 12000 *33.3%		-13506
Net Normal Tax		**178079.5**

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Q N 2

Basic salary(42000*12)	504000
Travelling allowance (4000*80%*12)	38400
Meals(2500*12)	30000
Loan (12000*3%*3	1080
Taxable	573480
Maariage in Community divide by 2	
Taxable for Jane (573480/2)	**286740**
((59314+(286740-284101))*31%	60132
Credit	-13257
Medical Aid Credit	-270
T2	**46605**
Divide by 12= 46605/12	**3884**

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QN 3

Cost	600000
Transfer	34000
Legal Fees	9000
Tiles	40000
Electronic System	12000
Commission	116000
Base Cost	**811000**
Proceeds	2900000
Gain	**2089000**
Primary Resident Exclusion(2000000 *90%)	1800000
Taxable Gain	**289000**
M Vehicle	
Proceeds	110000
Purchases	180000
Loss	**70000**
Gold Coins	
Market Value	70000
Cost	45000
Gain	25000

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QN 4

ESTATE VALUATION		900000
Farm Bovlei		8000000
Holiday Apartment		2700000
Annuity use tables (7.06201*5000*12)		456121
Unlisted Shares		380000
Insurance(22000-9000)		1300000
Furniture		440000
		14176121
Allowable Deductions S.4		
Liablities	2300	
Master's fees	365300	
Funeral & Death	9000	**376600**
Net Value of Estate		**13799521**
Less S. 4 Abatement		3500000
Dutiable Amount		10299521
* 20%		2059904
Less Esate Duty owing to annuity inclusion(456121/13799521)*2059904		68087
Estate Duty Payable		**1991817**

Notes

- Property subsequently sold (S 5 1 a) It says should be recognized at selling price.
- Unlisted shares to be included at the date of death value.

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QN 5

PART A

Pension Fund		1100000
Less;		
Transfer	-300000	
Contribution Disallowed	-23000	
Previous Contribution	-600000	-923000
		177000
Use tables (177000-25000)*18%		**27360**
Primary Rebate		13257
Tax Payable		**14103**

PART B

For a receipt to be included in gross income, it must comply with all the requirements of the general defi-nition of "gross income". That is:

- The total amount, Passes
- In cash or otherwise, Passes
- Received by or accrued to, Passes
- During the year of assessment, Passes
- Not of a capital nature. Passes, since this was in relation to the earning of income.

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MAY/ JUNE 2015

QN 1

Salary		650000
Travel Allowance incl vat R182400...Check tables Fixed cost 46505		1659
Parking (4000-2000)		**2000**
Bursary		exempt
Housing		51445
Foreign dividends (25/40) Exempt(6400-4000)		2400
Local Interest-Not in his favour		_
Medical aid benefit 84000*50%		42000
		749504
Less Deductions		
Pension ltd to greater of 1750 or 7.5% *650000		-48750
RAF ltd to 7.5%(698754-650000+48750) or 1750		-7313
Taxable Income		**693441**
Tax tables= 149619+(693441-550100*39%)		205522
Less Primary Rebate		-13257
Medical scheme(270*2+181*12)		-8652
Additonal 84000-(8652*3) + 12000 *33.3%		-19329
Net Normal Tax		**164284**

1 Trvel Allwance

46505/18000 2.58

Fuel 0.879

0.367

Benefit (2000*3.829)-(3*2000)

1659

2 Bursary with condition of repayment is exempt

3 Use the formula (A-B) *C/100* D/12

(81945-30500)

51445

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QN 2

(a)

Salary(22000*12)		264000
Travel Allowance(2000*80%*12)		19200
Use of Vehicle(587-400)		2244
Internet Benefit(350*70%*12)		2940
		288384
Less Donation(800*12)		9600
Taxable		**278784**
Tables 32742+(278784-181900)*26%		57932
Primary		-13257
medical		-270
Employee tax payable		44405
For March		**3700**

(b)

Retirement		200000
Provident		950000
		1150000
Allowable deductions		
Transfer	310000	
Previous Contribution	520000	830000
		320000
Using tables(320000-25000)*18%		53100
Primary		-13257
Medical		-270
Tax Payable		**39573**

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QN 3

(a) We only adjust this 8% for 2014 and 2015 since 18 months lapsed from the last assessment.

2014 : 320000+8% = 345600

2015 : 345600+8%=373248

(b)

(260000-181900) * 26% + 32742 = R53048

Less Primary Rebate	13257
Tax Payable	**39791**
Less 1st Provision	8000
Due for 2nd Provisional	**31791**
Paid	19556
Interest on	**12235**

@10.5% = 1285

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QN 4

Proceeds		**4420000**				
Valuation Date Value		-1700000				
Allowable cost After I Ocober		-246000				
Gain		**2474000**				
Less Primary Exclusion(400-170)/400 * 2m		1150000				
Taxable Gain		**1324000**				

Notes

- Insurance- Income tax Purposes**(ITP**)
- 2250 replacement **ITP** , although you can debate about depend with the explanation you give in the notes section.
- Interest- **ITP**
- Exclusion rate is apportioned if the other part is not used for business. 170 square meters to be excluded.

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JUNE 2014 SUGGESTED SOLUTIONS

Salary	270 000
Use of a company car	20 137, 60

Total fringe benefit value : 230 000 x 114/100

= 262 200

262 200 x 3,5 % x 9

Determined value	=	82 593

Less business travel

(7 000 x 70%) 4 900/ 7 000 x 82 593

= (57 815,1)

Less fuel cost reduction

2 100 km x 130, 3c = (2 736,3)

Less vehicle repairs = (1 904)

Value of fringe benefit = 20 137,60

Use of Tablet Computer	2 100
Cost to the employer	2 800
(25% x 2 800)	(700)
Value of fringe benefit	2 100

The asset was used mainly for private purposes paragraph 6(2)a of the seventh schedule

Reimburse allowance	nil

Reimburse allowance is exempted.

Cell phone allowance	1 100

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Value of fringe benefit	1 800	
Less business use reduction	(700)	
Value of the benefit	1 100	
Foreign interest		7 000
Foreign interest exempted		(7 000)
Local interest		28 000
Exempt portion		(23800)
Medical fringe benefit		21 500
11 000 + (3500 x 3)		
Less: Pension Fund Contribution: R 22 000		(20 250)
Limited to the greater of		
R 1 750 or		
7,5% x R 270 000 = 20 250		
Taxable Income		298 787,6

Normal Tax

59 314 + (298 787,6 -258 750*31%)		71726
Less primary rebate		(13257)
Medical scheme tax		(8652)
(270*2 + 181) x 12		
Employees' medical contribution	17 000	
Employer's contribution	11 000	

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Less tax credit	(8652)	
Add qualifying expense	4 000	
Less (7,5%x 298 787,6)	(22 409,07)	
Net normal tax		43
955, 28		

B) **Tax on Pension Fund Lump Benefit**

Pension fund Lump sum	700 000
Less amount disallowed current year(22 000-20 250)	(1750)
Amount disallowed previous years	
	698 250

Taxable income

698 250 + 380 000 = 1 078 250

Tax 203 400 + 36% (1 078 250-990 000)

= R235170

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2)

Calculation of employee Tax for the year of assessment 2014

Income		216 000
Travel allowance		13 140
24 000- 10 860		
Total kilometres travelled		
2 000* 12 = 24 000		
6 000 + 4 000 = 10 000 km		
Fixed cost 65 667/10 000 X 239/365	42,9	
Deemed cost per kilometre		
Fuel	98,7	
Maintenance	39,4	
181c x 6 000 =	10 860	
Income from client service		150 000
Foreign dividend		8 000
Exempt portion		(8 000)
Pension contribution by employer		17 280
Less deductible expenses		
Pension fund Contribution		(16 200)
Greater of, but limited to : 17280		
1750		
Or 7, 5% 216 000 = 16 200		
Annual equivalent		380 000
Tax on 380 220 (380 220-272 700*30%) + 55 957		88 213

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Less rebate		(12 726)
Medical scheme tax credits 484 *12		(5 808)
Add qualifying expenses		2 000
Employee tax		71 679
Monthly employee tax 71 679/12	5 973, 25	

Calculation of employee tax for the month of February

Annual equivalent	380 000
Add annual bonus	18000
	398 000
Tax on 398 000 (398 000 -377 450) *35% + 87 382	94 547,5
Less rebate	(12 726)
Medical tax credit	(5 808)
76 013,5	
Less employee tax on annual equivalent	(71 679)
	4 334,5
Total employee tax for February 4 334,5 + 5 973,25	10 307,75

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Part b)

First Provisional Payment

Basic amount		320 000
Used 2013 figure because is the latest available assessed amount		
Tax on 320 000 (320 000-258 750) 30%	+ 53 096 =	71 471
First provisional payment 71 471/2		35 735,5

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Question 3

Ayanda Radebe.

The building is a pre-valuation date asset therefore the taxpayer should calculate cost at 1/10/01, paragraph 26

Base cost :

= market value = 825 000

20% rule = 20% (4 000 000) = 800 000

TAB = 850 000

Base cost = 850 000 greater of the above 3

B.C = 850 000 + 480 000 (600 000 * 80 %) + 240 000 (6% * 4 000 000)

= 1 570 000

Capital gain

= 4 000 000 – 1570 000

= 2 430 000

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Question 4			
a)	Cash to sister	75,000.00	
	Exemption -100000 limited to	75,000.00	
		-	
	Cash to cousin	100,000.00	
	Exemption (100000-75000)	25,000.00	
		75,000.00	
	Donations tax @ 20%	**15,000.00**	
	Car to son	350,000	
	exemption	-	
		350,000.00	
	Donations tax @ 20%	**70,000.00**	
b)	Townhouse	4,200,000.00	
	Studio flat	2,980,000.00	
	Unlisted share	535,000.00	
	Insurance policy-business-bought to acquire peter's shares and peter did not pay premiums		not included
	Insurance policy-personal-deemed property	560,000.00	
	Painting	325,000.00	
	Sec 4 (4) deductions		
	Master's fees	-600.00	
	Executo'r rem	-165,725.00	
	painting	-325,000.00	
	Net value	8,108,675.00	
	Rebate	-3,500,000.00	
	Dutiable amount	4,608,675.00	
	Estate duty payable	**921,735.00**	

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