
Answers

Section A

1 D

$$P19,772 + P48,930 = P68,702$$

2 B

$$P47,689 + P4,800 = P52,489$$

3 B

$$P5,000,000 \times 15\% = (P750,000 \times 80\%) / 4 = P150,000$$

4 A

$$P120,000 \times 25\% \times 100\% = P30,000$$

Tutorial note: The maximum penalty in the case of carelessness is 100% of the tax potentially lost.

5 C

Tutorial note: The time of supply for transactions between related parties is when the goods are made available to the recipient unless the time of supply has already taken place in accordance with the general rule.

6 B

	P
Original cost	850,000
New building cost	575,000
	1,425,000
Initial allowance (P575,000 x 25%)	143,750
Annual allowance (P1,425,000 x 2.5%)	35,625
	179,375

7 D

	P
Salary	750,000
Less: contributions to pension fund	(37,500)
Taxable income	712,500

8 A

Tutorial note: A taxpayer carrying on a business in Botswana is required to keep their books, records and other tax documents for a period of eight years following the end of the accounting period to which the books relate. Therefore, as at August 2015, Jonathan is only required to have retained his records for the accounting period ended 30 June 2008 and later years.

9 D

Tutorial note: As the input VAT recovered by Golden Designs (Pty) Ltd in its October return reflects the output VAT paid on importation, no further action is required.

10 B

$$P27,382 + P12,762 = P40,144$$

Tutorial note: Capital gains on shares held for at least 12 months in a company listed on the Botswana Stock Exchange are not subject to tax.

11 C

Tutorial note: Most financial services are exempt supplies. However, transactions rendered for a fee or a commission are taxable.

12 B

	P
Proceeds	375,000
Cost (200/530 x P500,000)	(188,679)
Gain	186,321
25% movable property allowance	(46,580)
Net disposal gain	<u>139,741</u>

Tutorial note: Bonus shares are issued for no cost.

13 D

Tutorial note: The notice of appeal must be raised within 60 days of Georgina receiving the decision on her objection and it must be restricted to the grounds in the original objection. The notice of appeal must be in writing.

14 A

Tutorial note: Current year farming losses can be offset in full against other chargeable income provided they are less than 50% of that chargeable income. Brought forward farming losses may only be offset against future farming income.

15 C

$$P542,000 \times 10\% = P54,200$$

2 marks each

30

1 Pearl Publishers (Pty) Ltd

(a) (i) Undelivered consignment of goods

The sale of the undelivered goods should be included in taxable outputs for the period ended 31 July 2015. This is because the golden rule for the timing of a supply of goods is the earlier of the issue of a tax invoice or the receipt of cash. In this case, a tax invoice has been issued in the current tax period and so the output must be reported in the same period. The fact that the goods have not yet been delivered is irrelevant.

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(ii) Sale of saloon car

VAT does not have to be charged on the sale of the saloon car. VAT on the purchase of a saloon car is a prohibited input and, therefore, Pearl Publishers (Pty) Ltd will not have recovered any input tax on the original purchase of the car. Equally, now, VAT does not have to be charged on the sale nor the output tax reported.

1

(iii) Output VAT

Outputs	Standard P	Zero P	Total P	VAT 12% P	
Sales	1,434,109	237,974	1,672,083	172,093	1.5
Sales returns	(141,676)	(44,619)	(186,295)	(17,001)	1
Undelivered goods (P136,042 x 100/112)	121,466	0	14,576	14,576	0.5
Bad debt recovered (P28,726 x 100/112)	25,648	0	3,078	3,078	1.5
Saloon car	0	0	0	0	0.5
					<u>5</u>

Tutorial note: As bad debt relief was allowed in a previous period in respect of the bad debt, VAT must now be accounted for on the amount recovered.

(b) Penalties for late submission of VAT return and late payment of VAT

The penalty for both the late submission of a VAT return and late payment of VAT is the higher of P50 per day and 10% per month (or part of month) of the VAT payable.

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2 Josephine

(a) PAYE deducted

Salary	P	0.5
Bonus	672,500	0.5
Company car (P10,000 + (P10,000 x 15%))	75,000	0.5
Low interest loan benefit (300,000*(10% - 2%))	11,500	1
Medical aid	24,000	0.5
Employer pension contributions	0	0.5
Medical costs paid by employer	0	0.5
	<u>783,000</u>	
Less: personal pension contribution	(25,000)	0.5
Amount subject to PAYE	<u>758,000</u>	
Tax thereon – and therefore PAYE to be deducted:		
First P144,000	13,050	
Next P614,000 at 25%	<u>153,500</u>	0.5
	<u>166,550</u>	<u>5</u>

(b) Taxable income

Working 1 – chargeable income from rents

	P	P	
Rent received (P8,000 x 12)		96,000	0.5
Less: construction of garage (capital)	0		0.5
Less: insurance	15,000		0.5
Less: rates	2,000		0.5
Less: mortgage interest	18,500	(35,500)	0.5
Chargeable income from rents		<u>60,500</u>	
		P	
Employment income (from (a))		758,000	0.5
Interest from bank		0	0.5
Dividends		0	0.5
Chargeable income from rents (W1)		<u>60,500</u>	
		818,500	
Less: retirement annuity contribution		(12,000)	1
Taxable income		<u>806,500</u>	
			<u>5</u>
			<u>10</u>

3 Anand

(a) Tax treatment of disposals

- (1) Gains arising on the sale of shares listed on the Botswana Stock Exchange are exempt from capital gains tax provided they have been owned for at least one year. In this case, Anand has held the shares in Seven Holdings Ltd for several years and so any gain is exempt. 0.5
- (2) Gains arising on the sale of shares in private companies are liable to capital gains tax (CGT).
The sale of the loan account is not taxable.
In this case, Anand has sold his shares and loan account for a fixed sum. In order to ascertain the sale price of the shares it will be necessary to deduct the balance on the loan account (as it was sold for par value) to determine the sale proceeds on the shares. 1
- (3) Gains arising on the sale of a principal private residence are exempt provided that it has been owned for at least five years. In this case, Anand has owned the house for many years and so any profit is exempt. 1
- (4) A sale of goodwill or the sale of a trade name will trigger a potential liability to CGT. In this case, the sale of the goodwill in the trading name 'Team Vision' will result in a charge to capital gains tax. 0.5
- (5) A sale of shares in a company whose dominant assets are immovable property is treated as a sale of the underlying immovable property rather than a sale of shares. Therefore, Anand's disposal of the shares in Thebe Properties (Pty) Ltd will be subject to capital gains tax. 1

4

Marks

(b) Net disposal gain

	P	P	
Shares in Technovision Systems (Pty) Ltd			
Sale price (P2,500,000 – P783,562)	1,716,438		0·5
Cost price	(450,000)		0·5
	<u>1,266,438</u>		
Less: 25% movable property allowance	(316,610)	949,828	1
Goodwill/'Team Vision' trade name			
Sale price	250,000		
Cost price	0		}0·5
	<u>250,000</u>		
Less: 25% movable property allowance	(62,500)	187,500	1
Shares in Thebe Properties (Pty) Ltd			
Sale price	2,750,000		0·5
Cost price (P1,800,000 x 50%)	(900,000)		1
Indexation (P900,000 x (1,647·5 – 721·3)/721·3)	(1,155,663)	694,337	1
	<u>(1,155,663)</u>		
Net disposal gain		<u>1,831,665</u>	
			<u>6</u>
			<u>10</u>

4 Badumetse Construction (Pty) Ltd

(a) Withholding tax payable

	%	P	
Management fee paid to a resident	0	0	1
Interest paid to a resident	10	11,974	1
Royalty paid to a non-resident	15	63,750	0·5
Subcontractor costs (paid to resident subcontractors)	3	83,217	1
Dividend paid to resident shareholders	7·50	60,000	0·5
		<u>218,941</u>	
			<u>4</u>

(b) Taxable income

	P	P	
Net profit per accounts		2,278,019	
Add: royalty paid to non-resident		425,000	1
Less: dividend received	30,000		1
Less: royalty paid to non-resident (P10,000/15%)	66,667	(96,667)	1
	<u>66,667</u>		
Taxable income		<u>2,606,352</u>	
			<u>3</u>

Tutorial note: The total expense relating to the royalty paid to a non-resident is added back and the deduction is determined by reference to the withholding tax actually paid in the year.

(c) Net tax payable

	P	P	
Taxable income (from (b))		2,606,352	
Tax thereon at 22%		573,397	0·5
Less: withholding tax on work certified	380,229		1
Less: withholding tax on interest received	10,750		1
Less: withholding tax on dividend received	0	(390,979)	0·5
	<u>0</u>		
Net tax payable		<u>182,418</u>	
			<u>3</u>
			<u>10</u>

5 Malebogo Tlaga

(a) Partnership loss

	P	
Net loss per accounts	(222,196)	0.5
Opening inventory (stock) of cattle (836 x P600)	(501,600)	1
Closing inventory (stock) of cattle (542 x P600)	325,200	1
Loss from farming	<u>(398,596)</u>	
Share of loss split:		
Malebogo (50%)	(199,298)	0.5
Cecilia (50%)	(199,298)	
	<u>(398,596)</u>	<u>3</u>

(b) Taxable income

Working 1 – Capital allowances

	Equipment	Vehicle	Total	
	P	P	P	
15% x 286,246	42,937		42,937	1
25% x 150,000		37,500	<u>37,500</u>	1
Total capital allowances			<u>80,437</u>	
		P	P	
Net loss per accounts			(73,235)	0.5
Add: depreciation		130,000		0.5
Add: purchase of new vehicle (capital)		150,000		0.5
Add: drawings		224,832		1
Add: bank loan repayments (36,000 – 7,284)		<u>28,716</u>	533,548	1.5
Less: medical aid refund		15,729		0.5
Less: bank loan		200,000		0.5
Less: proceeds on sale of personal vehicle		35,000		1
Less: capital allowances (working 1)		<u>80,437</u>	<u>(331,166)</u>	0.5
Chargeable income			129,147	
Less: farming loss set off (P129,147 x 50%)			<u>(64,574)</u>	1.5
Taxable income			<u>64,573</u>	<u>10</u>

(c) Farming loss carried forward

	P	
Loss brought forward	278,407	0.5
Add: current year share of loss (from (a))	199,298	0.5
Less: loss utilised (from (b))	<u>(64,573)</u>	0.5
Loss carried forward	<u>413,132</u>	0.5
		<u>2</u>
		<u>15</u>

6 Serowe Hardware (Pty) Ltd

(a) Estimated taxable income

Working 1 – Rollover relief

	P	
Cost of machine	625,000	0·5
Capital allowances claimed	(584,250)	0·5
	<u>40,750</u>	
Less: sale proceeds	350,000	0·5
Balancing charge – available for rollover relief	<u>309,250</u>	
Cost of new machine	875,000	0·5
Less: rollover relief	(309,250)	1
Adjusted cost	<u>565,750</u>	

Working 2 – Capital gain on sale of paint division

	P	
Goodwill		
Sales price	500,000	0·5
Cost price	<u>0</u>	0·5
	500,000	
Less: movable property allowances x 25%	(125,000)	1
Net disposal gain	<u>375,000</u>	

Estimated taxable income

	P	
Original estimate of taxable income	4,200,000	0·5
Less: accounting profit on sale of machine	(300,000)	1
Less: capital allowances on new machine (15% x 565,750) (working 1)	(84,863)	1·5
Add: net disposal gain (working 2)	<u>375,000</u>	1
Revised estimated taxable income	<u>4,190,137</u>	

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Tutorial notes:

- As the painting machines will be sold for their tax value, there will be no balancing charge on their disposal.
- As the inventory will be sold at cost, there will be no additional income.

(b) SAT

	P	
Estimated taxable income	<u>4,190,137</u>	
Estimated tax at 22%	<u>921,830</u>	0·5
Minimum SAT payable P921,830 x 80%/4 =	<u>184,366</u>	1
31 March 2015	184,366	0·5
30 June 2015	184,366	0·5
30 September 2015	184,366	0·5
31 December 2015	184,366	0·5
30 April 2016	<u>184,366</u>	0·5
	<u>921,830</u>	

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(c) Submission of tax return

Filing deadline – 30 April 2016

Penalty for late submission – P100 per day

Marks

1

1

2

15