



Think Ahead

Taxation (LSO)

Sample Questions – September 2020

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.

Introduction screen



Introduction

This practice exam indicates how the live exam will be structured and assessed, and the likely style and range of questions that could be asked.

You should use the practice exam to become familiar with the question types and the features and functionality contained within the live exam.

The practice exam is reflective of the live exam experience but has some differences:

- The live exam will be timed, however there is no time limit in this exam.
- If you want to sit this exam in exam style conditions you should answer the questions presented within the time allowed for your live exam.
- Once you have started this exam you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers to the constructed response questions will be expert-marked. At the end of this exam, all objective test questions (OTs) be auto-marked however you should use the solution material provided to assess your performance in the constructed response questions.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and/or Sample Answer for each question. If you wish to access these without completing the questions, click on **End Exam** on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

Instruction screens


Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.


General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

Answering and Navigating

- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting **Next →** or **← Previous**, or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.




Flag for Review

- If you wish to revisit/review a question later in the exam, click  **Flag for Review**.
- Click the button again if you no longer wish to revisit/review the question later in the exam.


Instruction screens (continued)

Instructions (2 of 4)



Help

- Click the **Help** button provided to access:
- A copy of these exam instructions.
- Help and guidance on constructed response questions. (in the constructed response section of the exam only).
- Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e.  **Help**,  **Help/Formulae Sheet** or  **Help/Tax Tables**


Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting  **Calculator**
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

Highlight and Strikethrough

- You can highlight key phrases or figures in the question scenario by selecting  **Highlight**
- You can strikethrough text in the question scenario by selecting  **Strikethrough**
- Highlighted and strikethrough text will be displayed on all questions relating to the scenario.

Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting  **Scratch Pad**
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will not be submitted for marking. It will be collected at the end of the exam and must not be removed from the exam room.
- **Important:**
 - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
 - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

Instruction screens (continued)

Instructions (3 of 4)


Copy and Paste

- You can copy and paste from the Scratch Pad or question scenario into your answers in the constructed response section of the exam by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet in the live exam you must double-click the cell or paste directly into the formula bar. In this exam you can also paste into the spreadsheet by selecting the cell.


Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting  **Symbol** on the top toolbar.

Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting  **Navigator**
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

Close All

- You can close each window (eg. Calculator or Scratch Pad) individually or you can close multiple windows by selecting  **Close All** on the top toolbar.

Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
 - Navigate to the **last question** in the exam.
 - Click **Next→**
- This takes you to the Item Review screen.

Instruction screens (continued)

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

Instructions (4 of 4)

Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next→**, **← Previous** or **Review Screen**
- When reviewing questions you can change your answer and click **Review Screen** to view any updated status on the Item Review screen.

Ending the Exam

- Once you have completed your item review and wish to finally end the exam click **End Exam**
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

← Previous Next →

Exam summary screen

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

Time allowed: This sample exam is not timed.

This exam is divided into two sections:

Section A

- 15 objective test (OT) questions, each worth 2 marks.
- 30 marks in total.

Section B

- Six constructed response questions that may contain a scenario which relates to one or more requirement(s).
- Each constructed response question is worth 10 or 15 marks in total.
- 70 marks in total.

All questions are compulsory.

Select **Next** to start your exam.

← Previous Next →

Sample exam questions

Section A – summary screen

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

Flag for Review

Section A

This section of the exam contains **15 objective test (OT) questions**.

Each question is worth **2 marks** and is compulsory.

This exam section is worth **30 marks** in total.

Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.

Select **Next** to continue.

Navigator Next →

Section A - questions

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

1 of 30

S Symbol

Highlight

Strikethrough

Calculator

Scratch Pad

Close AllFlag for Review

Which external body can a taxpayer appeal to in order to lodge an objection against an assessment which has been raised by the Lesotho Revenue Authority?

☐ The Court of Appeal

☐ The High Court of Lesotho

☐ The Parliament of Lesotho

☐ The Lesotho Revenue Tribunal

Wendy Construction Ltd (Wendy) is a South African company operating in Lesotho, which has realised an overall contract loss of M120,000 for a three-year project contracted with the Lesotho government. Wendy has no other activities in Lesotho. Wendy's chargeable income from the project, calculated on the basis of completion over the three-year period, is given as follows:

	Year 1 M	Year 2 M	Year 3 M
Chargeable income	125,000	110,000	75,000

What is the maximum allowable loss claim that Wendy Construction Ltd is able to make against the previously estimated chargeable income for years 1, 2 and 3?

☐ M110,000

☐ M120,000

☐ M75,000

☐ M0

Keta, who is employed as a researcher, was provided with a loan of M30,000 by his employer on 1 April 2019, which is repayable in full on 1 April 2020. The annual interest rate was 5%. Keta used the loan as follows:

- M14,000 for payment of school fees for his children.
- M16,000 for attending a conference to present a research paper. Keta had to fund himself because he had exhausted his annual allowance for conferences provided by his employer.

The interest rate for Central Bank of Lesotho averaged 21% throughout the year.

What is the taxable value of loan fringe benefit in respect of the loan provided to Keta for the year ended 31 March 2020?

☐ M3,857

☐ M2,700

☐ M1,260

☐ M1,440

Section A – questions (continued)

Naleli Properties is a local vendor for value added tax (VAT) purposes and whose core business is renting commercial properties to various tenants. During the month of March 2020, all the rental properties were painted at a total cost of M42,400. The monthly rental income received by Naleli Properties amounted to M90,000. M40,500 of this rental income was received from a manufacturing business. The remaining M49,500 was from various retailers. All amounts are inclusive of VAT at the rate of 15% where appropriate.

What is the input value added tax (VAT) claimable by Naleli Properties for the month of March 2020?

- ☐ M5,530
- ☐ M2,489
- ☐ M3,042
- ☐ M3,498

Moli is a resident individual who is employed in South Africa. Her annual salary which was taxed in South Africa amounts to M240,600. In addition, Moli has the following sources of income derived within Lesotho:

- M78,000 annual payment for maintenance and support of children by her former spouse.
- M66,000 for rentals in respect of commercial premises which are rented out.

What is the annual chargeable income for Moli?

- ☐ M318,600
- ☐ M144,000
- ☐ M384,600
- ☐ M66,000

Which of the following statements describe the progressive nature of direct taxes?

- (1) They are based on the ability to pay principle
- (2) The tax rate increases in stages
- (3) The tax burden is greater on lower income earners than on higher earners
- (4) The tax burden cannot be shifted to the next person in a supply chain

- ☐ 1 and 2
- ☐ 1 and 4
- ☐ 2 and 3
- ☐ 3 and 4

Section A – questions (continued)

Pampiri is a resident individual who runs a property development business. In 2010, he purchased land for M45,000. He spent some money on clearing the land in preparation for building new offices for his business. However, in September 2019, he decided to give it to his two sons because the location was no longer suitable for his business. On the date of the transfer of the land to his sons, the adjusted cost base of the land was M65,000 and the open market value was M53,500.

How much deemed consideration should Pampiri include when calculating if he has any chargeable gains on the transfer of the land to his sons?

- ☐ M65,000
- ☐ M0
- ☐ M53,000
- ☐ M45,000

Which of the following statements are examples of tax avoidance?

- (1) Operating as a company rather than as a sole trader in order to reduce tax liabilities
- (2) Overstating allowable expenses
- (3) Understating declared income
- (4) Legitimately claiming deductions allowed by the tax provisions in circumstances not intended by the Government

- ☐ 1 and 3
- ☐ 2 and 3
- ☐ 1 and 4
- ☐ 2 and 4

TLC Limited uses a substituted accounting period ending 31 October each year.

When is the due date for TLC Limited's first income tax instalment for the year ended 31 October 2019?

- ☐ 31 July 2020
- ☐ 30 April 2019
- ☐ 30 April 2020
- ☐ 31 July 2019

Section A – questions (continued)

The Lesotho Revenue Authority charged Lerato Beauties Pty Ltd additional tax for deliberate understatement of its chargeable income by M58 000, in respect of the year ended 31 March 2020.

What is the additional tax payable by Lerato Beauties Pty Ltd for the year ended 31 March 2020?

- ☐ M58 000
- ☐ M14 500
- ☐ M43 500
- ☐ M29 000

Khotso, aged 65, is entitled to terminal benefits of M1 250 000, in total, upon his retirement on 30 April 2020. The total employment income received by Khotso for the period of his employment, excluding the terminal benefits was M4 400 000.

What is the tax payable by Khotso (if any) on his retirement benefits?

- ☐ M37 500
- ☐ M0
- ☐ M312 500
- ☐ M250 000

Mpho, a resident individual, is an employee of TDC Ltd, a taxable employer. Mpho's annual salary is M280 000. For the year ended 31 March 2020, Mpho contributed M14 000 to the employer superannuation fund. Her employer, TDC Ltd contributed M46 000 on her behalf.

What is the maximum amount of superannuation fund contributions for which TDC Ltd may claim as a deduction in respect of the contributions made on behalf of Mpho?

- ☐ M46 000
- ☐ M56 000
- ☐ M42 000
- ☐ M28 000

Section A – questions (continued)

Matau passed away in October 2017. Her estate was placed in the custody of an administrator until January 2022 when her son, the sole beneficiary, will be eligible to inherit.

The chargeable income of Matau's estate for the year ended 31 March 2020 was M270,500.

What is the tax payable on Matau's estate for the year ended 31 March 2020?

- ☐ M67,625
- ☐ M81,150
- ☐ M0
- ☐ M65,442

Lesia, a resident individual, submitted his self-assessment return for the year ended 31 March 2020, which shows the following sources of income:

	M
Employment income	204,800
Business income: Lesotho source	190,800
Business income: Foreign source	(35,000) Loss
Property income	(4,400) Loss

What is the total chargeable income of Lesia for the year of assessment ended 31 March 2020?

- ☐ M395,600
- ☐ M360,600
- ☐ M356,200
- ☐ M319,200

For any year of assessment, employers are obliged to file fringe benefits tax returns on a quarterly basis.

When is the due date for the third quarter fringe benefits tax returns for a company that uses a substituted accounting period which ended on 31 December 2019?

- ☐ 30 September 2019
- ☐ 14 July 2019
- ☐ 30 June 2019
- ☐ 14 January 2020

Section B – summary screen

Section B

This section of the exam contains **six constructed response questions**.

Each question may contain a scenario which relates to one or more requirement(s) which may be split over multiple question screens.

Each question is worth **10 or 15 marks** and is compulsory.

This exam section is worth **70 marks** in total.

Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.
3. In your live exam you must:
 - Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
 - Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to continue.

Section B – questions

Scenario 1

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

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🧮 Calculator

📝 Scratch Pad

The following scenario relates to three requirements.

Teddy Spares (Teddy) trades in Berea district, and is the only Lesotho branch of Big Ted Machine Spares Ltd (BTMSL), which is incorporated in Botswana. All management decisions about BTMSL are taken in Botswana. BTMSL has many large outlets throughout southern Africa.

The financial statements of the Teddy branch for the year ended 31 March 2020 showed a profit before tax of M360,000.

This profit amount is after taking account of the following items:

- Dividends of M48,600 received from Moses Ltd, a Lesotho resident company.
- An annuity payment of M65,000 payable to the dependents of a former employee.

Additional information

- (1) The financial records of Teddy revealed that interest received from a bank in Botswana amounting to M25,700 (gross) was omitted in the calculation of the profit before tax of M360,000
- (2) Teddy repatriates 30% of the branch profit after tax to its head office at BTMSL in Botswana

🔍 Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 1

(a) State the tests which are used to determine whether a company is resident in Lesotho for tax purposes.

(3 marks)

A rich text editor toolbar with icons for undo, redo, search, bold, italic, underline, strikethrough, subscript, and superscript. Below the icons is a paragraph style dropdown menu and a list of alignment and indentation options.

(b) Explain the basis on which Teddy Spares is liable to Lesotho income tax.

(2 marks)

A rich text editor toolbar with icons for undo, redo, search, bold, italic, underline, strikethrough, subscript, and superscript. Below the icons is a paragraph style dropdown menu and a list of alignment and indentation options.

(c) Calculate the Lesotho branch profits tax payable for the year ended 31 March 2020 on the profits repatriated by Teddy Spares to its head office in Botswana.

(5 marks)

(10 marks)

A spreadsheet interface with a toolbar at the top containing icons for undo, redo, search, bold, italic, underline, strikethrough, subscript, and superscript. Below the toolbar is a grid of cells. The first row is labeled A through O. The first column is labeled 1 through 4. The cell A1 is highlighted.

Section B – questions (continued)

Scenario 2

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

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The following scenario relates to three requirements.

Johan, a German national, was appointed as the Chief Engineer of Highland Diamonds Ltd (HDL), which is a Lesotho resident company, on 1 April 2019. Johan is treated as an expatriate in Lesotho for tax purposes. His remuneration package is as follows:

- (1) An annual salary of M375,000.
- (2) Provision of a company motor car which is available for Johan to use for both business and private purposes. The car cost HDL M520,000 when it was acquired in August 2018. The market value of the motor car when it was provided to Johan was M489,000. Johan pays M1,500 on a monthly basis to HDL for the use of the motor car.
- (3) HDL has signed a two-year sub-lease to rent a fully furnished house for Johan. The monthly rental payable by HDL amounts to M15,000.
- (4) HDL provides Johan with two domestic assistants. One works as a housekeeper and another is employed as a security guard. HDL incurs a total of M54,000 as their annual remuneration, payable as follows:

	M
Housekeeper	32,400
Security guard	<u>21,600</u>
	<u>54,000</u>

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 Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 2

(a) Define an expatriate for tax purposes.

(2 marks)

A rich text editor interface with a toolbar containing icons for undo, redo, search, bold, italic, underline, strikethrough, subscript, superscript, and text color. Below the toolbar is a paragraph style dropdown and a list of alignment and indentation options. The main text area is empty.

(b) Calculate the annual fringe benefits tax (FBT) payable by Highland Diamonds Ltd in respect of the fringe benefits provided to Johan for the year ended 31 March 2020.

Note: Identify by the use of a zero (0) any amounts which are exempt from fringe benefits tax

(6 marks)

A spreadsheet interface with a toolbar showing 'Edit' and 'Format' tabs, and icons for undo, redo, zoom (set to 100%), and various formatting options like bold, italic, underline, text color, background color, text alignment, and bullet points. Below the toolbar is a grid with columns labeled A through O and rows numbered 1 through 4. The cell A1 is selected.

(c) Highland Diamonds Ltd spent M45,000 on air tickets and other related transportation costs, in order to bring Johan to Lesotho when he first started to work for the company. Explain the tax treatment of these costs, both for Highland Diamonds Ltd, and also for Johan.

(2 marks)

(10 marks)

A rich text editor interface with a toolbar containing icons for undo, redo, search, bold, italic, underline, strikethrough, subscript, superscript, and text color. Below the toolbar is a paragraph style dropdown and a list of alignment and indentation options. The main text area is empty.

Section B – questions (continued)

Scenario 3

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

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The following scenario relates to three requirements.

Kamah, a vendor, runs a business buying and selling computers and related accessories. The following information is available about Kamah's income and payments for the month of April 2020:

	Notes	M
Revenue		
Sales Income	1	<u>110,000</u>
Expenditure		
Purchases of goods for resale	2	45,300
Rent paid to a local vendor		7,500
Electricity		6,400
Insurance premium		4,200
Bank charges on overdraft		800
Accounting fees to a non-vendor		3,400
Communication bills		2,900
Refreshments for staff		<u>750</u>
		<u>71,250</u>

All amounts are inclusive of value added tax (VAT) where appropriate.

Notes

(1) The income includes M50,500 for the market value of the stock sold on deferred payment terms. The amount of income due and received for these goods in April is M30,400.

(2) Purchases include the following items:

- M8,500 of faulty stock which has been returned to a supplier. The debit note has already been issued, but the adjustment has not yet been recorded in Kamah's records.
- M250 for a memory card that was given to one of the employees as a gift for being the best performer of the month. The memory card would have been sold for M330.

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 Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 3

(a) Calculate the value added tax (VAT) payable by Kamah for the tax period ended 30 April 2020.

Note: Indicate any items not resulting in output or input VAT by the use of a zero (0).

(7 marks)

Edit Format

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	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1															
2															
3															
4															

(b) Explain the VAT rules governing the time of supply for goods sold on a deferred payment basis.

(1 mark)

Paragraph

(c) State any FOUR legal duties required of Kamah as a vendor for VAT purposes.

(2 marks)

(10 marks)

Paragraph

Section B – questions (continued)

Scenario 4

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

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The following scenario relates to one requirement.

Nala is a resident individual who owns various buildings for rental to tenants. He had the following transactions relating to the disposal of some of his assets during the year ended 31 March 2020:

- (1) On 1 July 2019, Nala received insurance proceeds of M180,000 as a compensation for rented buildings which were damaged by fire in April 2019. The adjusted cost base of the buildings (ACB) on the date that the fire occurred was M145,000. Nala used M150,000 of the insurance proceeds to reconstruct the damaged building.
- (2) He received M210,000 in October 2019 from the sale of 1,500 shares of the 5,000 held in a listed resident company. Nala incurred legal costs amounting to M900 in respect of the sale. The 5,000 shares were originally purchased in March 1999 at a total cost of M190,000.
- (3) During the year, he transferred a building with a market value of M405,000 to his former spouse as part of their divorce settlement. The ACB of the building on the date of transfer amounted to M375,000.
- (4) On 31 October 2019, Nala sold another rental building for M1,640,000. Nala had inherited the building from his deceased father in July 2005. The market value of the building at the date of transfer was M210,000. The building was renovated a number of times. In December 2010, Nala spent a total of M350,000 on renovations by Nala. Included in this amount was M45,000 for sealing a leaking roof. The remaining M305,000 was spent on extending the building. In September 2019, Nala paved the entire compound at a total cost of M75,000.
- (5) Nala had a realised capital loss of M61,500 brought forward from the year ended 31 March 2019.
- (6) When preparing his returns of rental income, Nala always makes sure that he claims all relevant deductions against his income in the year that expenses were incurred.

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Help/Tax Tables

Requirements for Scenario 4

Notes:

- | | |
|----------------|-----|
| March 1999 | 85 |
| July 2005 | 110 |
| December 2010 | 180 |
| April 2019 | 210 |
| July 2019 | 215 |
| September 2019 | 216 |
| October 2019 | 216 |

Edit Format

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Section B – questions (continued)

Scenario 5

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

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The following scenario relates to two requirements.

Molapo is a resident individual and entrepreneur who works as a contractor engaged in the construction business. He also hires out trucks to the public. His financial records for the year ended 31 March 2020 include the following information:

	Note	M
Revenue		
Contracting Income stated net of withholding tax		494,000
Truck Hire Income, stated gross		<u>260,000</u>
		<u>754,000</u>
Expenses		
Wages and salaries	1	395,000
Depreciation	2	180,125
Repairs and maintenance	3	61,000
Hire purchase instalments	4	26,250
Sundry expenses (all allowable)		<u>48,900</u>
		<u>711,275</u>

Scenario 5 (continued)

Notes:

- (1) Wages and salaries consist of the following:
 - M350,000 of wages and salaries.
 - M45,000 taken by Molapo for personal purposes.
- (2) M180,125 for depreciation relates to Molapo's non-current assets as they appear in his asset register below. The depreciation calculations have been worked out for accounting purposes.
- (3) Repairs and maintenance relates to a motor van which is used for both business and private purposes. The proportion of private use is agreed to be 20%.
- (4) The hire purchase instalments relate to purchase of office equipment on 31 October 2019. The market value of the equipment was M51,000. Under this hire purchase agreement, Molapo will pay 12 monthly instalments of M5,250. The interest is calculated on the straight-line basis. There are no further accounting entries about this purchase in the books of Molapo.

Additional information

- The fixed asset register shows the following items:

Assets	Date of Acquisition	Cost (M)	Depreciation 25%
Heavy general-purpose truck 1	1 May 2018	250,000	62,500
Heavy general-purpose truck 2	31 August 2019	210,500	52,625
Motor van	30 April 2019	260,000	<u>65,000</u>
			<u>180,125</u>

- Molapo has elected for the pooling method to apply when calculating tax depreciation.

Section B – questions (continued)

Requirements for Scenario 5

(a) Calculate the income tax payable by Molapo for the year ended 31 March 2020. (13 marks)

Edit Format

11 **B** *I* U A B C D E F G H I J K L M N O P Q R S T U V W X Y Z AA AB AC AD AE AF AG AH AI AJ AK AL AM AN AO AP AQ AR AS AT AU AV AW AX AY AZ BA BB BC BD BE BF BG BH BI BJ BK BL BM BN BO BP BQ BR BS BT BU BV BW BX BY BZ CA CB CC CD CE CF CG CH CI CJ CK CL CM CN CO CP CQ CR CS CT CU CV CW CX CY CZ DA DB DC DD DE DF DG DH DI DJ DK DL DM DN DO DP DQ DR DS DT DU DV DW DX DY DZ EA EB EC ED EE EF EG EH EI EJ EK EL EM EN EO EP EQ ER ES ET EU EV EW EX EY EZ FA FB FC FD FE FF FG FH FI FJ FK FL FM FN FO FP FQ FR FS FT FU FV FW FX FY FZ GA GB GC GD GE GF GG GH GI GJ GK GL GM GN GO GP GQ GR GS GT GU GV GW GX GY GZ HA HB HC HD HE HF HG HH HI HJ HK HL HM HN HO HP HQ HR HS HT HU HV HW HX HY HZ IA IB IC ID IE IF IG IH II IJ IK IL IM IN IO IP IQ IR IS IT IU IV IW IX IY IZ JA JB JC JD JE JF JG JH JI JJ JK JL JM JN JO JP JQ JR JS JT JU JV JW JX JY JZ KA KB KC KD KE KF KG KH KI KJ KK KL KM KN KO KP KQ KR KS KT KU KV KW KX KY KZ LA LB LC LD LE LF LG LH LI LJ LK LL LM LN LO LP LQ LR LS LT LU LV LW LX LY LZ MA MB MC MD ME MF MG MH MI MJ MK ML MN MO MP MQ MR MS MT MU MV MW MX MY MZ NA NB NC ND NE NF NG NH NI NJ NK NL NM NO NP NQ NR NS NT NU NV NW NX NY NZ OA OB OC OD OE OF OG OH OI OJ OK OL OM ON OO OP OQ OR OS OT OU OV OW OX OY OZ PA PB PC PD PE PF PG PH PI PJ PK PL PM PN PO PP PQ PR PS PT PU PV PW PX PY PZ QA QB QC QD QE QF QG QH QI QJ QK QL QM QN QO QP QQ QR QS QT QU QV QW QX QY QZ RA RB RC RD RE RF RG RH RI RJ RK RL RM RN RO RP RQ RR RS RT RU RV RW RX RY RZ SA SB SC SD SE SF SG SH SI SJ SK SL SM SN SO SP SQ SR SS ST SU SV SW SX SY SZ TA TB TC TD TE TF TG TH TI TJ TK TL TM TN TO TP TQ TR TS TT TU TV TW TX TY TZ UA UB UC UD UE UF UG UH UI UJ UK UL UM UN UO UP UQ UR US UT UU UV UW UX UY UZ VA VB VC VD VE VF VG VH VI VJ VK VL VM VN VO VP VQ VR VS VT VU VV VW VX VY VZ WA WB WC WD WE WF WG WH WI WJ WK WL WM WN WO WP WQ WR WS WT WU WV WW WX WY WZ XA XB XC XD XE XF XG XH XI XJ XK XL XM XN XO XP XQ XR XS XT XU XV XW XX XY XZ YA YB YC YD YE YF YG YH YI YJ YK YL YM YN YO YP YQ YR YS YT YU YV YW YX YY YZ ZA ZB ZC ZD ZE ZF ZG ZH ZI ZJ ZK ZL ZM ZN ZO ZP ZQ ZR ZS ZT ZU ZV ZW ZX ZY ZZ

G24

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(b) Explain when an individual taxpayer is able to use the pooling method of depreciation. (2 marks)

(15 marks)

Paragraph

Section B – questions (continued)

Scenario 6

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

\$

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The following scenario relates to three requirements.

Mega Pharmaceutical Ltd (MPL) is a Lesotho resident company manufacturing medicines for pharmacies and hospitals across Lesotho. MPL commenced its operations in April 2019.

The following summarised financial information was extracted from MPL's first set of financial statements for the year ended 31 March 2020:

(1) Total revenue of M550,500 was declared. Included in this amount is trading income of M500,300. The balance relates to dividends received from non resident companies, totalling M50,200. The dividends were received and recorded net of M21,514 of foreign withholding taxes.

(2) Operating expenses are all attributable to manufacturing income. The total figure of M663,300 includes the following items:

(i) Training expenses of M75,200. MPL incurred M68,300 for university training offered overseas in respect of its two senior employees. The balance was paid to a local training institution, for short-term training of other junior employees, who are all citizens of Lesotho.

(ii) Marketing and advertising of M210,000. This consists of large scale advertising of M140,000 incurred prior to commencement of MPL's operations. The remaining M70,000 relates to promotions and marketing costs incurred during the year.

(iii) Research and development costs:

	M
Market research conducted during the year	36,600
Production engineering	81,200
Purchase of specialised equipment used in production engineering	<u>38,700</u>
	<u>156,600</u>

(The equipment was purchased on 31 August 2019)

(iv) Royalty payments of M60,000, inclusive of withholding taxes where relevant:

- M40,000 paid to a Chinese non-resident company for the use of technology necessary in the production of medicines.
- M20,000 paid to a Botswana non-resident company in Botswana for the use of a trade name.

(v) Operating lease instalments of M35,000 were paid to a South African company for some of the equipment which is used in the process of production.

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 Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 6

(a) Calculate the corporation tax payable by Mega Pharmaceutical Ltd (MPL) for the year ended 31 March 2020. Your answer should start with the revenue.

Note: You should assume that MPL will take advantage of any tax reliefs which are available.

(9 marks)

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(b) Calculate the total withholding tax payable by Mega Pharmaceutical Ltd (MPL) in respect of the payments made on royalties and the operating lease in notes (2)(iv) and (2)(v) in the scenario.

(3 marks)

Edit Format

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(c) Calculate the income tax instalments that will be payable by Mega Pharmaceutical Ltd (MPL) for the year ended 31 March 2021, and state the due date when each instalment is payable.

(3 marks)

(15 marks)

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Example view of full CBE constructed response workspace

Taxation - Lesotho (TX - LSO) Sample Questions - September 2020

Symbol Highlight Strikethrough Calculator Scratch Pad

The following scenario relates to three requirements.

Teddy Spares (Teddy) trades in Berea district, and is the only Lesotho branch of Big Ted Machine Spares Ltd (BTMSL), which is incorporated in Botswana. All management decisions about BTMSL are taken in Botswana. BTMSL has many large outlets throughout southern Africa.

The financial statements of the Teddy branch for the year ended 31 March 2020 showed a profit before tax of M360,000.

This profit amount is after taking account of the following items:

- Dividends of M48,600 received from Moses Ltd, a Lesotho resident company.
- An annuity payment of M65,000 payable to the dependents of a former employee.

Additional information

- (1) The financial records of Teddy revealed that interest received from a bank in Botswana amounting to M25,700 (gross) was omitted in the calculation of the profit before tax of M360,000
- (2) Teddy repatriates 30% of the branch profit after tax to its head office at BTMSL in Botswana

(a) State the tests which are used to determine whether a company is resident in Lesotho for tax purposes.

(3 marks)

Paragraph