



Think Ahead

Taxation (ZAF)

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

Taxation - South Africa (TX - ZAF) Sample Questions - September 2020

 **Think Ahead**

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.

Next →

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 - South Africa (TX - ZAF) 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 - South Africa (TX - ZAF) 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 - South Africa (TX - ZAF) 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 - South Africa (TX - ZAF) Sample Questions - September 2020

1 of 22

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Close All Flag for Review

Take-a-break (Pty) Ltd has a year end of 31 March. It has an assessed loss in respect of its 2020 year of assessment. Take-a-break (Pty) Ltd ceased trading on 31 March 2020 and intends to start again on 1 April 2021 re-branded.

Which of the following statements is correct in respect of Take-a-break (Pty) Ltd's assessed loss from the 2020 year of assessment?

- ☐ The assessed loss may be carried forward indefinitely
- ☐ The assessed loss will cease to be available from 31 March 2021
- ☐ The assessed loss will be ring-fenced and will only be available if Take-a-break (Pty) Ltd conducts the same trade when it starts trading again
- ☐ The assessed loss must be used in full in the 2022 year of assessment, otherwise it will be lost

Jaap, a Dutch national, came to South Africa on 1 March 2017 on a consulting contract. Apart from leave of one month per year, he has worked in South Africa on the consulting project (totalling 1,000 days as at 29 February 2020).

Jaap loves living in South Africa and so he bought a home and settled down in South Africa permanently from 1 March 2020.

Which of the following statements is correct about Jaap's South African tax residency?

- ☐ Jaap is resident as he has spent more than 183 days in each of the last three years of assessment in South Africa
- ☐ Jaap became resident on 1 March 2020 when he became ordinarily resident
- ☐ Jaap is non-resident and will remain so until at least 91 days have passed in the 2023 tax year to ensure all elements of the physical presence test are met
- ☐ Jaap can never be ordinarily resident as he is not South African

Restore (Pty) Ltd buys, restores and resells second-hand items. It is a registered value added tax (VAT) vendor.

Restore (Pty) Ltd recently acquired a second-hand item from a non-VAT registered vendor for R10,000. The market value of this item in its current condition is only R9,000, but a premium was paid as the item will be worth substantially more once restored.

What is the amount of input VAT Restore (Pty) Ltd can claim in respect of this acquisition?

- ☐ R1,304
- ☐ R0
- ☐ R1,350
- ☐ R1,174

Section A – questions (continued)

Which of the following is the first step a taxpayer should take if they disagree with the assessment issued by the South African Revenue Service (SARS) after the submission of their income tax return?

- ☐ Refer the matter to the Tax Board
- ☐ Request reasons for the assessment
- ☐ Enter into the Alternative Dispute Resolution process
- ☐ Object to the Office of the Tax Ombud

Luan owns a plot of land which he acquired on 1 March 2010 for R1,000,000. During the 2020 year of assessment, he sub-divided the land into two unequal pieces. The costs of the sub-division amounted to R25,000.

Luan then sold the larger piece of the sub-divided land on 1 February 2020 for R5,000,000. The market value of the entire plot of land at the time of the sale was R9,000,000.

What is Luan's net capital gain from the sale of the piece of land on 1 February 2020?

- ☐ R4,430,556
- ☐ R3,975,000
- ☐ R4,390,556
- ☐ R4,447,500

Mieke earned remuneration of R450,000 in the 2020 year of assessment. She contributed R90,000 to her retirement fund.

Mieke's employer made donations on her behalf of R27,000 to non-profit organisations. Her employer received certifications for all donations and takes all permissible deductions into account for employees tax.

What is Mieke's net remuneration on which her employer will calculate her employees tax for the 2020 year of assessment?

- ☐ R342,000
- ☐ R360,000
- ☐ R333,000
- ☐ R432,000

Section A – questions (continued)

Small (Pty) Ltd is a registered micro business. During the year ended 29 February 2020, it received R500,000 from sales, R5,000 from interest and R70,000 from the sale of a machine (which originally cost R65,000).

What is the taxable turnover of Small (Pty) Ltd for the year ended 29 February 2020?

- ☐ R540,000
- ☐ R509,000
- ☐ R535,000
- ☐ R507,500

GoodDeal Ltd is a registered value added tax (VAT) vendor and second-hand motor car dealership.

In its VAT period ended 30 April 2020, GoodDeal Ltd sold four motor cars for a total of R800,000 and purchased one motor car from a non-VAT registered vendor for R60,000 (the market value was R80,000). GoodDeal Ltd also held a party for its sales staff costing R3,000 at a restaurant which is VAT registered.

All amounts stated are inclusive of VAT, where applicable.

What is GoodDeal Ltd's net VAT payable for the period ended 30 April 2020?

- ☐ R96,522
- ☐ R111,000
- ☐ R96,130
- ☐ R93,913

Joan runs a registered micro business as a sole trader. She is also employed part-time and her employment package is R200,000 per year. These are Joan's only sources of income.

Which of the following statements is correct with respect to the income tax returns to be submitted by Joan?

- ☐ Joan must be registered for provisional tax in her personal capacity and must submit an annual return which includes her employment income and the micro business income
- ☐ Joan must submit an annual return in respect of her employment income and an annual return in respect of the micro business
- ☐ Joan must submit provisional tax returns and an annual return in respect of her employment income and interim returns and an annual return in respect of the micro business
- ☐ Joan must submit an annual return in respect of her employment income and interim returns and an annual return in respect of the micro business

Section A – questions (continued)

Kholwa runs a bus service in Port Elizabeth. Her turnover from bus fares for the last 12 months was R970,000. In addition, during the 12-month period Kholwa had to sell one bus, which she did for R60,000. The sale of buses is not a regular activity for Kholwa.

Which of the following statements is correct in respect of Kholwa's value added tax (VAT) registration obligations?

- ☐ Kholwa must register for VAT as her receipts for the last 12 months are greater than the R1 million registration threshold
- ☐ Kholwa cannot register for VAT as her enterprise makes only exempt supplies
- ☐ Kholwa could voluntarily register for VAT as her turnover for the last 12 months is below the R1 million registration threshold
- ☐ Kholwa should register for VAT as her enterprise makes only zero-rated supplies so she would benefit from being able to reclaim input tax

Kaya took out a tax-free investment on 1 March 2017. She has only made contributions within the allowed thresholds and any return on the investment is reinvested.

On 1 May 2019, Kaya decided to change service providers and moved her tax-free investment, now worth R40,000, to another tax-free investment.

Which of the following statements is correct?

- ☐ On moving her tax-free investment, Kaya will have to pay tax on the returns capitalised to restart the tax-free balance, but not on the capital moved
- ☐ Kaya will be penalised in the 2020 year of assessment as the amount moved exceeds the permissible contribution threshold for the year
- ☐ There are no tax consequences for Kaya on moving the tax-free investment other than disclosing it on her tax return
- ☐ Kaya's new tax-free investment is only tax-free for the amounts newly contributed and not the amounts transferred

Research Ltd conducts industrial research. Its projects are registered with the Minister for Science and Technology. Research Ltd paid the following amounts during the 2020 year of assessment:

(i) Salaries for scientists	R5,000,000
(ii) Salaries for administrative and marketing staff	R900,000
(iii) Laboratory running costs	R2,000,000
(iv) New machine to be used in research and development	R3,000,000

What amount can Research Ltd deduct in respect of these costs for the 2020 year of assessment?

- ☐ R12,900,000
- ☐ R15,900,000
- ☐ R13,350,000
- ☐ R11,900,000

Section A – questions (continued)

Friedrich, aged 58, has a number of local investments and also holds some foreign shares. During the 2020 year of assessment, the following amounts accrued to him:

- (1) Interest of R40,000
- (2) Local dividends of R6,000
- (3) Dividends from a real estate investment trust (REIT) of R4,000
- (4) Dividends from the foreign shares of R3,000

What amount is to be added to Friedrich's taxable income in respect of these investments for the 2020 year of assessment?

- ☐ R53,000
- ☐ R17,533
- ☐ R47,000
- ☐ R21,533

Mpho has decided to emigrate from South Africa. On the date of emigration he had only cash of R6,000,000, his clothing worth R200,000 (costing R175,000) and his apartment which was unsold, valued at R3,000,000 (costing R2,000,000).

Which of the following statements is correct?

- ☐ Mpho will have to pay capital gains tax on all three assets on emigration
- ☐ Mpho will pay no capital gains tax on emigration as the cash is excluded, the clothing is a personal use asset and the apartment is his primary residence
- ☐ Mpho will have to pay capital gains tax, but only on the clothing and the apartment
- ☐ Mpho will pay no capital gains tax as the cash is excluded, the clothing is a personal use asset and the apartment remains subject to capital gains tax as a non-resident

Trade Ltd is determining its closing inventory as at 31 March 2020. It has found:

- (i) Raw materials which cost R500,000 and have a current market value of R490,000.
- (ii) Work-in progress which is not in a saleable form, comprising raw materials and manufacture costs attributable to the goods totalling R100,000. There is no market value available.
- (iii) Finished goods with a completed cost of R730,000 and retail value of R1,250,000.

What is Trade Ltd's closing inventory for the year ended 31 March 2020?

- ☐ R1,220,000
- ☐ R1,840,000
- ☐ R1,320,000
- ☐ R1,330,000

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 - South Africa (TX - ZAF) Sample Questions - September 2020

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This scenario relates to one requirement.

Jabulani is 53 years old. He works as a sales representative for a large medical business. For the 2020 year of assessment, in addition to his cash salary of R800,000, Jabulani had the following employment benefits:

(i) Jabulani's employer funded his daughter's high school fees, amounting to R75,000 for the year.

(ii) He received a travel allowance of R10,000 per month. Jabulani uses his own car for business travel, which he purchased new on 1 March 2014 for R380,000. The maintenance plan lasted for five years, coming to an end on 28 February 2019. The travel allowance Jabulani received is meant to cover all business travel expenses.

Jabulani travelled 55,000 kms in the year, of which 38,000 kms were related to business travel. He spent R38,750 on fuel for the year and R8,000 replacing his tyres. Jabulani incurred a further R9,000 servicing his car at regular intervals during the year.

(iii) When he is away from home on business, Jabulani receives an allowance of R500 per day to cover meals and incidental expenses. His employer arranges all accommodation directly and also settles the bill directly. Jabulani is not required to account to his employer for the R500 per day spend, but may claim compensation if expenses greater than the allowance are incurred. Jabulani keeps accurate records.

During the year, Jabulani spent 40 nights away from home on business. On most trips, he only spent R200 per day, but on one two-night stay, he was joined by one of the company directors and had to pay for a dinner with clients. This dinner amounted to R4,000. Jabulani claimed R3,700 to cover the additional expense above his allowance. The director had authorised the expense before Jabulani made payment.

🔗 Help/Tax Tables

Requirements for Scenario 1

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Section B – questions (continued)

Scenario 2

Taxation - South Africa (TX - ZAF) Sample Questions - September 2020

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📝 Scratch Pad

This scenario relates to three requirements.

Tech-up (Pty) Ltd is a newly registered company. It is a start-up offering computer servicing and information technology (IT) consulting. Tech-up (Pty) Ltd is staffed by four friends who are equal shareholders and directors of the company. The company has a year of assessment ending 31 March each year and is not registered for value added tax (VAT).

Tech-up (Pty) Ltd was funded by equity capital and a bank loan. The interest on the bank loan was R5,000 in the 2019 year of assessment and R15,000 in the 2020 year of assessment. The company opened its doors to its first customers on 1 April 2019.

For the 2019 year of assessment (consisting of three months activity in preparation of commencement of trade), Tech-up (Pty) Ltd incurred the following expenses:

(i)	Rental of office space	R12,500
(ii)	Cost of second-hand office furniture	R20,000
(iii)	Equipment for servicing computers	R50,000
(iv)	High speed internet	R5,000

For the 2020 year of assessment, Tech-up (Pty) Ltd had turnover of R560,000 from IT consulting and computer servicing and the company incurred the following expenses:

(i)	Rental of office space	R25,000
(ii)	High speed internet	R19,500
(iii)	Salaries to the four directors	R720,000

The Commissioner for the South African Revenue Service (SARS) allows a write off of six years for furniture and three years for technological equipment not deductible under any other capital allowance.

🔗 Help/Tax Tables

Requirements for Scenario 2

(a) Explain why Tech-up (Pty) Ltd does not qualify as a micro business or a small business corporation.

(b) Calculate the amount of qualifying pre-trade expenditure and state when Tech-up (Pty) Ltd will be able to claim a deduction for this expenditure.

(c) Calculate the assessed loss of Tech-up (Pty) Ltd for the 2020 year of assessment.

Edit Format

11 A B C D E F G H I J K L M N

Section B – questions (continued)

Scenario 3

Taxation - South Africa (TX - ZAF) Sample Questions - September 2020

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📝 Scratch Pad

This scenario relates to three requirements.

Transport and Vehicle Service (Pty) Ltd (TVS) is a registered value added tax (VAT) vendor. The company offers motor vehicle servicing (mainly to the taxi industry) and offers its own taxi and airport transfer service.

The following information is relevant for the one-month VAT period ended 30 January 2020. All amounts are stated inclusive of VAT, where applicable:

- (i) Turnover from the servicing of motor vehicles was R2,500,000.
- (ii) Turnover from the taxi service and airport transfers was R500,000.
- (iii) TVS used spare parts from the servicing department costing R50,000 to service its fleet of taxis. These spare parts have a market value of R70,000.
- (iv) TVS acquired two second-hand vehicles. The first was purchased from a VAT registered vendor for R200,000 for use in its taxi business. The second was purchased from a non-VAT registered vendor for R30,000 and TVS will strip this vehicle for parts to service older taxis.
- (v) Salaries and wages paid amounted to R600,000.
- (vi) Administrative office expenses totalled R75,000 for the month. These expenses relate to both the taxi and motor vehicle servicing business
- (vii) Rental of the garage space for motor vehicle servicing cost R100,000. The garage rental also provides access to an open-air parking lot where TVS parks taxis which are not operating during the day.

The South African Revenue Service (SARS) accepts that the taxi business represents 17% of the total business of TVS.

TVS filed its January 2020 VAT return on 1 March 2020 and made payment for the VAT due on 15 March 2020.

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Help/Tax Tables

Requirements for Scenario 3

(1 mark)

(7 marks)

(2 marks)

(10 marks)

Section B – questions (continued)

Scenario 4

Taxation - South Africa (TX - ZAF) Sample Questions - September 2020

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📝 Scratch Pad

This scenario relates to two requirements.

Lerato, is 60 years of age. After having built up her small business, African Crafts (Pty) Ltd over 40 years, she is looking to take early retirement and emigrate to an island state. The Commissioner for the South African Revenue Service (SARS) has accepted that African Crafts (Pty) Ltd qualifies as a small business corporation for income tax purposes.

Lerato has decided, in anticipation of emigrating, to realise her business assets and sell her home and furniture.

The following transactions occurred during the 2020 year of assessment:

(i) On 1 September 2019, Lerato sold her 51% share of African Crafts (Pty) Ltd to her fellow shareholder, Thabo, (who originally held 49% of the shares) for R4,500,000. Thabo also took over Lerato's loan to the company of R500,000. The market value of the company assets totalled R9.75 million.

Lerato and Thabo started African Crafts (Pty) Ltd together. The shares had been issued to Lerato for R51 and to Thabo for R49 for a total equity share capital of R100.

(ii) On 1 December 2019, Lerato sold her home in Sandton for R8,000,000. She had bought it on 1 May 2009 for R2,500,000 (including all acquisition costs). From 1 June 2016 to 31 July 2017, Lerato rented her home to another family while she travelled throughout Africa sourcing new crafts for sale in her business. On returning to South Africa on 1 August 2017, she moved back into her home and has not lived anywhere else since.

(iii) The furniture in Lerato's home was sold for R100,000. It had originally cost R400,000.

Lerato moved to her holiday home in Plettenberg Bay while waiting to emigrate on 30 April 2020. After emigrating, her intention is to treat this as her home when she visits South Africa for four months each year. When she is not in South Africa, she will rent the home on short-term leases.

🔍 Help/Tax Tables

Requirements for Scenario 4

(2 marks)

(8 marks)

(10 marks)

Section B – questions (continued)

Scenario 5

Taxation - South Africa (TX - ZAF) Sample Questions - September 2020

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🧮 Calculator

📝 Scratch Pad

This scenario relates to two requirements.

Security Fencing (Pty) Ltd is a company which manufactures steel fencing for residential and commercial use. The company is a wholesaler to building supply retail stores. Security Fencing (Pty) Ltd has a year end of 31 March each year and is a registered value added tax (VAT) vendor. The manufacture of steel fencing is considered to be a process of manufacture.

Security Fencing (Pty) Ltd has an assessed loss of R1,000,000 and an assessed capital loss of R250,000 brought forward from the 2019 year of assessment.

The following information is relevant for the 2020 year of assessment (all amounts are stated exclusive of any applicable VAT charged by vendors):

- (i) Security Fencing (Pty) Ltd had sales of R30 million during the year before any discounts. It offers a 7.5% discount on all cash purchases and a 2.5% discount on settlement of customer accounts within 30 days of invoicing. Of the R30 million sales, R3,000,000 were for cash and R20,000,000 were credit sales settled within 30 days.
- (ii) The company had a 2020 list of doubtful debts amounting to R1 million and wrote off a further R150,000 during the 2020 year of assessment. In 2019, the doubtful debts list had been R950,000. The Commissioner for the South African Revenue Service (SARS) accepts 25% of the doubtful debts list as deductible.
- (iii) Fluctuating steel prices led to the 2019 closing inventory of raw steel being written down by R200,000. The total closing inventory figure for 2019 was R7,200,000. The steel price has again risen above the cost incurred for the steel and the company wishes to write the trading inventory back up to cost. Steel purchases amounted to R10,000,000 for the year and the cost of manufacture was R5,000,000. The closing inventory comprises raw steel of R5,000,000, gates in manufacture of R6,300,000 and finished goods of R3,000,000.
- (iv) Wages and salaries amounted to R10,000,000.
- (v) During the year, the steel cutting machine broke down beyond repair and required replacement. The insurance company paid out an amount of R900,000 on the policy. The machine had a tax value of R400,000 at the start of the year and had been originally acquired for R1,000,000. A new machine was acquired at a cost of R1,500,000.
- (vi) Machines excluding those in (v) generated capital allowances of R9,000,000.

(vii) Second-hand tools used by the factory foreman were purchased from a non-VAT registered vendor at a cost of R50,000 on 1 May 2019. The tools are part of a set. The Commissioner for SARS permits wear & tear on tools of five years.

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Section B – questions (continued)

Requirements for Scenario 5

(a) Explain the VAT implications of the discounts Security Fencing (Pty) Ltd grants on cash and credit sales.

(2 marks)

(b) Calculate the income tax liability of Security Fencing (Pty) Ltd for the 2020 year of assessment.

Notes:

1. You should indicate by the use of a zero (0) any amounts which are not taxable or not deductible.
2. You should also indicate the amounts of any assessed losses to be carried forward to the 2021 year of assessment.

(13 marks)

(15 marks)

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Section B – questions (continued)

Scenario 6

Taxation - South Africa (TX - ZAF) Sample Questions - September 2020

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This scenario relates to one requirement.

Mandla is 45 years old and married with two children. His wife is 43 and his children are 19 and 16 years of age. Mandla is employed by a large insurance company as a senior manager in its actuarial department. In addition to his employment, Mandla owns three rental properties.

The following information is relevant to Mandla for the 2020 year of assessment:

Employment:

Mandla receives a gross cash salary of R4,000,000 per annum. His employer makes contributions to its company provident fund at 20% of his cash salary. Mandla is also part of the company medical aid scheme. He contributes R12,000 per month in respect of himself and his three dependants.

The insurance company permits its senior managers to take out interest-free loans from the company up to R2,000,000, using the accumulated pension in the pension fund as security for payment. Mandla used this facility, obtaining a loan of R2,000,000 on 1 March 2019. He used this loan to settle his home mortgage of R780,000 and used the balance to partly settle the purchase of a new rental apartment, Prop C.

Rental properties:

Mandla leases two of his rental properties, Prop A and Prop B, on a long-term basis.

The monthly rental of Prop A is R18,000 per month. The tenant of Prop A left without warning on 1 June 2019, having not paid the April and May rental. The tenant could not be traced and so the lease was cancelled with effect from 1 June 2019. There was extensive damage to the property, resulting in repairs amounting to R130,000. Routine running costs for the property (being levies and insurance) amounted to a further R20,000. Due to the extensive repairs required, Prop A remained empty for the rest of the year.

Prop B was newly acquired on 1 March 2018 using bank loan finance. The rental income was R180,000 for the year. Running costs for Prop B were R30,000 and interest on the bank loan was R150,000 for the year.

Prop C is used by Mandla's 19 year-old daughter while she attends university. During university holidays, she returns to the family home and the apartment is used for short-term leases. For eight months of the year, the exclusive resident of Prop C is Mandla's daughter. Short-term leases occupy the property for the remaining four months of the year.

Short-term leases of Prop C resulted in income of R40,133 for the 2020 year of assessment. Running costs for the full year amounted to R45,000 incurred evenly over the year, as the short-term rentals include the use of utilities. Such use is expected to continue for four to five years.

The Commissioner for the South African Revenue Service (SARS) accepts that Prop A and Prop B constitute a single trade, but has classified Prop C as a separate trade based on the short-term lease policy Mandla is using. Prop A has always been profitable in prior years. Prop B had a first year loss of R20,000, but Prop A and Prop B combined were profitable.

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Requirements for Scenario 6

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Example view of full CBE constructed response workspace

Taxation - South Africa (TX - ZAF) Sample Questions - September 2020

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This scenario relates to one requirement.

Jabulani is 53 years old. He works as a sales representative for a large medical business. For the 2020 year of assessment, in addition to his cash salary of R800,000, Jabulani had the following employment benefits:

(i) Jabulani's employer funded his daughter's high school fees, amounting to R75,000 for the year.

(ii) He received a travel allowance of R10,000 per month. Jabulani uses his own car for business travel, which he purchased new on 1 March 2014 for R380,000. The maintenance plan lasted for five years, coming to an end on 28 February 2019. The travel allowance Jabulani received is meant to cover all business travel expenses.

Jabulani travelled 55,000 kms in the year, of which 38,000 kms were related to business travel. He spent R38,750 on fuel for the year and R8,000 replacing his tyres. Jabulani incurred a further R9,000 servicing his car at regular intervals during the year.

(iii) When he is away from home on business, Jabulani receives an allowance of R500 per day to cover meals and incidental expenses. His employer arranges all accommodation directly and also settles the bill directly. Jabulani is not required to account to his employer for the R500 per day spend, but may claim compensation if expenses greater than the allowance are incurred. Jabulani keeps accurate records.

During the year, Jabulani spent 40 nights away from home on business. On most trips, he only spent R200 per day, but on one two-night stay, he was joined by one of the company directors and had to pay for a dinner with clients. This dinner amounted to R4,000. Jabulani claimed R3,700 to cover the additional expense above his allowance. The director had authorised the expense before Jabulani made payment.

Calculate Jabulani's taxable income for the 2020 year of assessment.

Note: You should indicate by the use of zero (0) any amounts which are not taxable or not deductible.

(10 marks)

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