

Fundamentals Level – Skills Module

# Taxation (Botswana)

Thursday 10 December 2015



**Time allowed**

Reading and planning: 15 minutes

Writing: 3 hours

This question paper is divided into two sections:

Section A – ALL 15 questions are compulsory and **MUST** be attempted

Section B – ALL SIX questions are compulsory and **MUST** be attempted

Rates of tax and tables are printed on pages 2–5.

**Do NOT open this question paper until instructed by the supervisor.**

**During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.**

**Do NOT record any of your answers on the question paper.**

**This question paper must not be removed from the examination hall.**

The Association of Chartered Certified Accountants

The Botswana Institute of Chartered Accountants



# Paper F6 (BWA)

**SUPPLEMENTARY INSTRUCTIONS:**

1. Calculations and workings need only be made to the nearest P.
2. All apportionments should be made to the nearest month.
3. All workings should be shown in Section B.

**TAX RATES AND ALLOWANCES**

The following rates of tax and allowances are to be used when answering the questions.

**Rates of tax  
2014/2015 tax year**

<b>Resident companies</b>	<b>On taxable income</b>
Standard rate	22%
Manufacturing company rate	15%

**Resident individuals**

PO – P36,000		PO +	0%
P36,001 – P72,000		PO +	5%
P72,001 – P108,000		P1,800 +	12.5%
P108,001 – P144,000		P6,300 +	18.75%
P144,001 +		P13,050 +	25%

**Non-resident individuals, trusts and estates**

PO – P72,000		PO +	5%
P72,001 – P108,000		P3,600 +	12.5%
P108,001 – P144,000		P8,100 +	18.75%
P144,001 +		P14,850 +	25%

**Capital gains – individuals**

PO – P18,000		PO +	0%
P18,001 – P72,000		PO +	5%
P72,001 – P108,000		P2,700 +	12.5%
P108,001 – P144,000		P7,200 +	18.75%
P144,001 +		P13,950 +	25%

**Capital gains – companies**

Net aggregate gains are taxable at the company rates of tax.

<b>Value added tax (VAT) rate</b>	12%
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**Basis of valuation of benefits**

**Individual’s vehicle benefit**

<b>Vehicle cost</b>		<b>Employee’s benefit</b>	<b>Fuel cost adjustment</b>
P1 – P50,000		P2,500	P1,000
P50,001 – P100,000		P5,000	P2,000
P100,001 – P150,000		P7,500	P3,000
P150,001 – P200,000		P10,000	P4,000

Benefit on the excess of P200,000 will be 15% thereof with a maximum fuel benefit of P5,000.

Where the cost of fuel is paid for by the employee the fuel cost adjustment is deducted from the benefit, but where the cost is borne by the employer the full benefit is taxable.

### Medical contributions

The employer's contributions to a medical benefit fund on behalf of his employee up to an amount equal to 100% of the required contributions shall not become taxable in the hands of the employee.

### Individual's housing benefit

If rated:

10% of the property's rateable value prorated by occupation and reduced by any charge borne by the employee.

If not rated:

The lower of (a) or (b) prorated by occupation and reduced by any charge borne by the employee:

- (a) Gross floor area x P250 per sq metre x 8%
- (b) 25% of taxable employment income before housing benefit

### Individual's furniture benefit

10% of furniture cost in excess of P15,000 by usage.

### Capital allowances

The annual allowance on plant and machinery is between 10% and 25% of the cost incurred. The following are the rates fixed by the Commissioner General of Taxes as fair and reasonable having regard to the expected lives of the assets listed.

#### Capital allowances

Furniture and fittings	10%
Office equipment and machinery	15%
Plant and machinery including farming	15%
Motor vehicles, boats and aircraft	25%
Heavy plant and machinery	25%
Computer hardware	25%

#### Industrial and commercial buildings

Industrial building – initial allowance	25%
Industrial building – annual allowance	2.5%
Commercial building – annual allowance	2.5%

### Withholding tax rates

	Residents	Non-residents
Interest	10%	15%
Dividends	7.5%	7.5%
Entertainment fee	–	10%
Management and consultancy fees	–	15%
Commercial royalty	–	15%
Rent	5%	5%
Commission or brokerage	10%	10%
Construction contracts	3%	3%

## Capital gains tax

### Indexation allowance

Paragraph 8 of the Tenth Schedule to the Income Tax Act 1995.

Table of factors from the National Cost of Living Indices.

	1982	1983	1984	1985	1986	1987	1988
January		104.1	113.5	119.9	133.9	147.4	157.8
February		104.8	113.5	120.7	135.5	148.5	158.7
March		105.5	115.2	122.0	135.5	148.9	160.8
April		106.6	116.0	124.1	136.8	151.9	163.4
May		108.3	116.9	126.6	138.0	153.6	164.0
June		108.4	118.3	128.6	140.9	154.1	165.5
July	100.0	109.0	119.1	130.1	141.2	154.9	168.0
August	101.2	110.2	120.1	129.8	141.8	156.6	169.3
September	101.2	110.2	119.8	131.1	142.7	156.7	171.0
October	102.1	110.7	120.7	131.5	143.4	157.1	172.6
November	103.3	111.7	119.7	131.8	144.7	157.5	173.9
December	103.8	112.3	119.5	132.0	146.3	158.1	174.4
	1989	1990	1991	1992	1993	1994	1995
January	176.9	196.6	220.5	248.5	291.0	324.2	357.9
February	178.0	199.0	221.4	250.4	293.1	326.8	361.0
March	180.1	200.5	223.5	256.6	295.8	328.3	364.1
April	182.7	204.1	225.8	262.1	301.1	332.7	368.6
May	184.1	205.1	227.3	265.5	303.3	337.3	370.5
June	186.2	206.0	229.0	269.4	306.0	340.3	374.9
July	187.3	207.2	232.0	273.3	308.7	343.2	377.8
August	188.7	209.2	234.2	275.0	311.4	345.3	381.6
September	190.2	210.7	237.2	277.6	315.0	347.0	384.3
October	191.1	212.6	239.5	280.1	317.6	348.4	386.0
November	191.5	216.0	242.4	283.0	320.1	351.4	387.9
December	194.2	217.6	245.1	285.4	321.5	353.1	391.3
	1996	1997	1998	1999	2000	2001	2002
January	395.5	431.6	464.8	495.1	530.8	581.4	613.1
February	398.1	435.5	466.0	499.7	536.8	582.1	613.9
March	402.2	439.7	469.9	504.3	538.8	587.2	622.1
April	405.6	443.6	476.0	507.5	545.5	589.9	629.6
May	408.8	448.7	477.9	509.2	548.9	596.9	631.3
June	413.9	451.2	478.9	513.3	552.0	598.6	634.0
July	417.0	454.2	481.0	514.3	568.6	601.3	654.0
August	419.1	455.1	484.0	517.7	569.8	603.0	662.4
September	421.6	457.6	484.4	521.1	571.4	605.4	666.7
October	423.8	459.7	486.9	523.5	576.0	608.5	670.7
November	426.0	460.9	489.5	524.0	577.5	610.2	677.6
December	428.7	461.9	491.2	525.2	578.7	611.0	679.3

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
January	683·2	721·3	779·2	877·4	942·9	1022·2	1152·7
February	689·0	728·6	781·7	884·0	948·5	1034·4	1151·1
March	692·2	735·8	783·8	891·5	949·5	1043·1	1165·0
April	701·4	743·6	789·4	901·4	957·7	1064·7	1172·8
May	705·8	754·0	801·4	909·6	968·1	1085·0	1176·0
June	715·0	721·3	813·2	915·0	974·5	1115·1	1193·4
July	714·5	758·9	821·2	918·6	988·5	1136·7	1204·8
August	698·0	761·3	834·8	924·2	991·2	1140·6	1209·7
September	707·0	765·7	842·3	930·8	994·1	1133·8	1213·0
October	715·9	770·7	857·1	936·4	1004·3	1135·5	1213·3
November	717·9	772·4	859·7	935·4	1007·2	1159·0	1217·2
December	718·9	774·9	863·1	936·4	1012·8	1151·2	1218·4

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
January	1223·2	1320·0	1436·1	1544·3	1611·2
February	1225·4	1330·2	1440·0	1546·9	1618·7
March	1234·6	1338·9	1446·5	1555·4	1624·3
April	1256·2	1359·0	1460·4	1565·6	1637·1
May	1268·6	1373·6	1480·0	1570·2	1641·0
June	1285·3	1386·4	1487·3	1573·8	1645·6
July	1289·7	1380·6	1492·1	1576·7	1647·5
August	1290·6	1403·4	1496·7	1580·4	1652·1
September	1297·9	1409·0	1508·9	1584·3	1654·8
October	1300·6	1415·0	1515·4	1587·9	
November	1304·2	1424·0	1530·2	1593·5	
December	1309·1	1428·8	1534·8	1598·1	

**Section A – ALL 15 questions are compulsory and MUST be attempted**

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet. Each question is worth 2 marks.

1 Mpho received interest income from the following sources in the tax year 2014/2015:

	Gross interest
	P
Building society	26,796
Her brother	19,772
A Botswana resident company	48,930
A commercial bank	34,592

Withholding tax was deducted from all the interest received at the appropriate rate.

**What is the amount of interest income which should be included in Mpho's taxable income for the tax year 2014/2015?**

- A P130,090
- B P83,522
- C P61,388
- D P68,702

2 Murray is self-employed and suffered withholding tax (WHT) on the following amounts received in the tax year 2014/2015:

	Gross income	WHT deducted
	P	P
Commission	476,892	47,689
Dividends	28,679	2,151
Rental income	96,000	4,800
Bank interest	280,635	28,064

**What is the amount of withholding tax which Murray can claim as a credit against his tax liability in the tax year 2014/2015?**

- A P75,753
- B P52,489
- C P82,704
- D P49,840

3 Netstar Botswana (Pty) Ltd is a manufacturing company with a taxable income of P5,000,000 for the year ended 30 April 2015.

**What is the minimum self-assessment tax (SAT) payment which must be made by Netstar Botswana (Pty) Ltd on each of the relevant due dates in order to avoid incurring an interest charge?**

- A P275,000
- B P150,000
- C P220,000
- D P187,500

- 4 Richard declared taxable income of P200,000 but failed to declare certain taxable income of P120,000 in his income tax return for the tax year 2014/2015. The Botswana Unified Revenue Service (BURS) considers that Richard's actions constitute carelessness.

**What is the maximum penalty which can be imposed on Richard?**

- A P30,000
- B P120,000
- C P60,000
- D P240,000

- 5 A value added tax (VAT) registered company, Photolens (Pty) Ltd, made a supply of goods to Frames (Pty) Ltd which is considered to be a related person for VAT purposes.

Frames (Pty) Ltd raised a purchase order on 1 January 2015 and the goods were made available to Frames (Pty) Ltd on 1 February 2015. A tax invoice was raised in respect of the supply by Photolens (Pty) Ltd on 15 February 2015 and Frames (Pty) Ltd paid the invoice on 1 March 2015.

**What is the date of the supply of goods for VAT purposes?**

- A 15 February 2015
- B 1 January 2015
- C 1 February 2015
- D 1 March 2015

- 6 Metal Pressings (Pty) Ltd expanded the size of its factory during the year ended 31 March 2015 at a cost of P575,000. The original cost of the building was P850,000.

**What is the amount of capital allowances which Metal Pressings (Pty) Ltd can claim on buildings in the year ended 31 March 2015?**

- A P35,625
- B P179,375
- C P165,000
- D P158,125

- 7 Gaone received a salary of P750,000 in the tax year 2014/2015. In addition, she paid P26,000 in respect of medical aid, P37,500 in respect of contributions to her employer's pension fund and P48,000 in respect of travelling costs.

**What is Gaone's taxable income for the tax year 2014/2015?**

- A P638,500
- B P750,000
- C P686,500
- D P712,500

- 8 Jonathan carries on business as an architect and makes up his accounts to 30 June each year. The Botswana Unified Revenue Service (BURS) wrote to him in August 2015 to request that he produce all his books, records and documents for tax purposes in respect of his 2005–2008 accounting periods.

Jonathan is not sure if he is obliged to comply with this request.

**In respect of which accounting period or periods is Jonathan obliged to present his books, records and documents for tax to the Botswana Unified Revenue Service (BURS) as a result of the letter received?**

- A 2008 only
  - B 2005, 2006, 2007 and 2008
  - C None of the accounting periods
  - D 2007 and 2008 only
- 9 Golden Designs (Pty) Ltd imported goods from a South African supplier and paid value added tax (VAT) at the time of importation. The VAT paid on the import was recovered as input tax in the VAT return for the month ended 31 October 2015. In November 2015, the South African supplier gave Golden Designs (Pty) Ltd a discount of P500,000 and issued a credit note for this amount against the purchase.

**What is the correct action which Golden Designs (Pty) Ltd should take in relation to the discount for VAT purposes?**

- A Resubmit its VAT return for the month ended 31 October 2015 reflecting the discount received
  - B Report an input VAT adjustment in its VAT return for the month ended 30 November 2015
  - C Report a change in the inventory value to the Botswana Unified Revenue Service (BURS)
  - D No action required to be taken
- 10 Morgan sold the following holdings in shares, which were all listed on the Botswana Stock Exchange, during the tax year ended 30 June 2015:

Company	Year purchased	Gain P
Engen	February 2007	120,364
Sefalana	August 2014	27,382
Wilderness	January 2015	12,762
FNB	May 2010	48,293
RDC	May 2013	21,774

**What is the gross amount of capital gains which Morgan should declare in his return for the tax year 2014/2015?**

- A P230,575
  - B P40,144
  - C P190,431
  - D P61,918
- 11 **For the purposes of value added tax (VAT), which of the following are examples of exempt supplies?**
- (1) Medical aid contributions
  - (2) Making loans
  - (3) Bank charges
  - (4) Life insurance contributions
- A 1, 2 and 3 only
  - B 3 and 4 only
  - C 1, 2 and 4 only
  - D 1, 2, 3, and 4



- 12 George purchased 500 shares in Little Rock Holdings (Pty) Ltd for P500,000 in 2002. In 2006 George received an additional 30 shares in the company as a result of a bonus issue. The market value of the 30 bonus shares was P90,000.

During 2015, George sold 200 of his shares in Little Rock Holdings (Pty) Ltd for P375,000.

**What is George's net disposal gain subject to capital gains tax?**

- A P186,321
- B P139,741
- C P152,358
- D P114,269

- 13 Georgina formally objected to a notice of assessment received from the Botswana Unified Revenue Service (BURS) on the grounds that it disallowed an expense item which Georgina believed should have been deductible from her taxable income. The objection was disallowed and now Georgina wishes to appeal this decision.

**In relation to Georgina's appeal, which of the following statement(s) is/are true?**

- (1) The notice of appeal need **not** be in writing
- (2) The appeal can be based on the disallowance of the expense item or on any other grounds
- (3) The appeal must be made within 30 days of Georgina receiving notice of the decision on her objection
- (4) The appeal should be made to the Board of Adjudicators

- A 1 and 3
- B 2 and 4
- C 3 only
- D 4 only

- 14 Joshua has a farming loss brought forward from the tax year 2013/2014 of P271,834. His farming loss for the tax year 2014/2015 is P85,464 and he also has other chargeable income in the year amounting to P367,208.

**What is the amount of Joshua's farming loss carried forward to the tax year 2015/2016?**

- A P271,834
- B P314,566
- C P357,298
- D P0

- 15 Albert was provided with housing by his employer company throughout the tax year 2014/2015. The annual rental of the house was P96,000 and the rateable value was P542,000. The size of the house was 1,850 square metres.

Albert's taxable employment income for the tax year 2014/2015 was P700,000.

**What is the amount of housing benefit assessable on Albert for the tax year 2014/2015?**

- A P96,000
- B P37,000
- C P54,200
- D P175,000

**(30 marks)**

**Section B – ALL SIX questions are compulsory and MUST be attempted**

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1** Pearl Publishers (Pty) Ltd is registered for value added tax (VAT) in Botswana and is engaged in the publishing business. The following information relating to VAT is available for the tax period ended 31 July 2015:
- (1) Sales for the period amounted to P1,672,083 of which P237,974 were exports. These figures are exclusive of VAT.
  - (2) Sales returns amounted to P186,295 of which P44,619 related to export sales. These figures are exclusive of VAT. Credit notes were issued in respect of all sales returns.
  - (3) A tax invoice amounting to P136,042 (including VAT) was issued in respect of a consignment of goods which had not yet been delivered by the end of the period. This invoice is not included in the sales figure of P1,672,083.
  - (4) A bad debt of P28,726 (including VAT) was recovered during the period. An input credit in respect of bad debt relief on this amount had been claimed in a previous period return.
  - (5) The company sold a saloon car for proceeds of P50,000. VAT was not charged on the sale.

**Required:**

**(a) In respect of Pearl Publishers (Pty) Ltd for the value added tax (VAT) period ended 31 July 2015:**

- (i) Explain whether the sale of the undelivered goods (transaction (3)) should or should not be included in taxable outputs; (2 marks)
- (ii) Explain whether the sale of the saloon car (transaction (5)) should or should not be included in taxable outputs; (1 mark)
- (iii) Calculate the output VAT payable.

Note: You should indicate by the use of zero (0) any items referred to in the question where there is no VAT impact. (5 marks)

- (b) State the penalty which would apply both in the case of the late submission of a VAT return and late payment of VAT. (2 marks)**

**(10 marks)**

- 2 Josephine works for Panda Financial Services (Pty) Ltd. For the tax year ended 30 June 2015, her employment package included the following:

		P
Salary		672,500
Year end bonus		75,000
Company car	Cost	210,000
Medical aid – company contribution		24,000
Pension – company contribution		25,000
Low interest loan	2%	300,000

The market interest rate for the year was 10%.

In addition, her employer company paid Josephine's medical costs of P18,725 which she could not recover from the medical aid scheme.

Josephine's own contribution to Panda Financial Services (Pty) Ltd's pension fund in the year was P25,000. In addition, she paid P12,000 to a retirement annuity fund.

Further information relating to Josephine's non-employment income is as follows:

- (1) Josephine owns a house which she rents out at P8,000 per month. She incurred the followings costs in relation to the house in the year ended 30 June 2015:

	P
Construction of a garage	150,000
Insurance	15,000
Rates	2,000
Mortgage interest	18,500

- (2) Josephine's investment income for the year ended 30 June 2015 was:

	P
Interest received from a bank	36,590
Dividends received	13,829

Withholding tax was correctly deducted from both items.

**Required:**

- (a) Calculate the income tax (PAYE) which Panda Financial Services (Pty) Ltd should have deducted from Josephine's employment package.

Note: You should indicate any amounts of employment income which are non-taxable by including them in your calculation as zero (0). (5 marks)

- (b) Calculate Josephine's taxable income for the year ended 30 June 2015.

Note: You should indicate any items of income which are non-taxable or any expense items which are not deductible by including them in your computation as zero (0). (5 marks)

**(10 marks)**

**3** Anand, a resident of Botswana, entered into the following capital transactions during the tax year ended 30 June 2015:

- (1) Sold shares in Seven Holdings Ltd, a company listed on the Botswana Stock Exchange, for P326,882. He had originally purchased the shares in October 2008 for P49,000.
- (2) Sold his shares and loan account receivable in Technovision Systems (Pty) Ltd for a total sum of P2,500,000. At the date of sale, the total owing by Technovision Systems (Pty) Ltd to Anand on the loan account stood at P783,562 and the loan was sold for its par value. Anand had purchased the shares for P450,000 in August 2002.
- (3) Sold Plot 5283 Gaborone, his principal private residence, for P4,200,000. He originally purchased the property for P650,000 in May 1998.
- (4) Sold the goodwill in the trading name 'Team Vision' for P250,000. There was no original cost associated with the trading name.
- (5) Sold shares in a company, Thebe Properties (Pty) Ltd, in July 2014 for P2,750,000. Thebe Properties (Pty) Ltd is a property company as its dominant assets owned are immovable property. The immovable property owned by Thebe Properties (Pty) Ltd was purchased by the company for P1,800,000 in January 2004. The shares sold by Anand represented 50% of the total issued share capital of the company.

**Required:**

**(a) Briefly explain whether each of Anand's disposals (1) to (5) will be subject to capital gains tax.** (4 marks)

**(b) Calculate Anand's net disposal gain for the tax year ended 30 June 2015.** (6 marks)

**(10 marks)**

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Question 4 begins on page 14.**

4 The results of Badumetse Construction (Pty) Ltd for the year ended 30 June 2015 are as follows:

	P
<b>Gross income</b>	
Work certified	12,674,296
Interest received	107,500
Dividend received	30,000
	<hr/>
	12,811,796
<b>Gross expenses</b>	
Administrative expenses	679,621
Management fee paid to a resident	350,000
Interest paid to a resident	119,736
Royalty paid to a non-resident	425,000
Construction costs	3,306,225
Subcontractor costs (paid to resident subcontractors)	2,773,893
Salaries and wages	2,879,302
	<hr/>
	10,533,777
Net profit	<hr/>
	2,278,019

**Additional information:**

1. During the year the company paid a gross dividend of P800,000 to resident shareholders.
2. The tax withheld from income was:

	P
Work certified	380,229
Interest received	10,750
Dividend received	2,250
	<hr/>
	393,229

3. All expenses were paid as at 30 June 2015.

**Required:**

**(a) State the amount and rate of withholding tax which should have been paid by Badumetse Construction (Pty) Ltd in the year ended 30 June 2015 in respect of the following payments made:**

- (i) Management fee paid to a resident;
- (ii) Interest paid to a resident;
- (iii) Royalty paid to a non-resident;
- (iv) Subcontractor costs (paid to resident subcontractors);
- (v) Dividend paid to resident shareholders.

(4 marks)

- (b)** The amount of withholding tax actually deducted by Badumetse Construction (Pty) Ltd from its relevant payments was as follows:

	<b>P</b>
Management fee paid to a resident	0
Interest paid to a resident	0
Royalty paid to a non-resident	10,000
Subcontractor costs (paid to resident subcontractors)	66,125
Dividend paid to resident shareholders	60,000
	<u>136,125</u>

**Required:**

- (i) Calculate the taxable income of Badumetse Construction (Pty) Ltd for the year ended 30 June 2015.**  
(3 marks)
- (ii) Calculate the net tax payable by Badumetse Construction Ltd for the year ended 30 June 2015.**  
(3 marks)

**(10 marks)**

5 Malebogo Tlagae owns a beautician business and provides to you her results for the tax year ended 30 June 2015:

**Beautician business**

	P
<b>Income</b>	
Sales	1,768,943
Medical aid refund	15,729
Bank loan	200,000
Proceeds on the sale of a personal vehicle	35,000
	2,019,672
<b>Expenses</b>	
Purchases	630,084
Depreciation	130,000
Purchase of a new vehicle for business	150,000
Rental expense	269,361
Drawings by Malebogo	224,832
Wages	652,630
Bank loan repayments (Note 1)	36,000
	2,092,907
Net loss	(73,235)

Note 1 – P7,284 of the loan repayments made to the bank was in respect of interest charged.

Note 2 – Details of the non-current assets and capital allowances brought forward as at 1 July 2014 were:

	P
Cost of equipment	286,246
Capital allowances	(42,792)
	243,454

**Cattle farm partnership**

Malebogo is also a 50% partner with her sister, Cecilia, in a cattle farm which they acquired by way of an inheritance. The results of the cattle farm partnership for the year ended 30 June 2015 are as follows:

	P
<b>Income</b>	
Sales of cattle	862,903
	862,903
<b>Expenses</b>	
Purchases of cattle in the year	632,865
Sinking of borehole	48,963
Construction of dam	83,926
Other allowable expenses	319,345
	1,085,099
Net loss	(222,196)

Opening inventory (stock) of cattle at 1 July 2014 was 836 head.

Closing inventory (stock) of cattle at 30 June 2015 was 542 head.

The standard value of cattle for tax purposes was P600 per head.

The partnership has a farming loss brought forward from previous years amounting to P278,407.



**Required:**

**For the tax year ended 30 June 2015:**

- (a) Calculate Malebogo Tlagae's share of the taxable income or loss of the cattle farm partnership; (3 marks)**
- (b) Calculate the taxable income of Malebogo Tlagae; (10 marks)**
- (c) Calculate Malebogo Tlagae's farming loss carried forward to the tax year ended 30 June 2016. (2 marks)**

**(15 marks)**

6 Serowe Hardware (Pty) Ltd estimates that its taxable income for the year ending 31 December 2015 will be P4,200,000.

This taxable income figure includes an accounting profit of P300,000 which is expected to arise on the sale of an old machine during the year. The machine originally cost P625,000 and the capital allowances claimed on it totalled P584,250. The estimated sale price is P350,000 and the company is confident that this sale will take place before the end of the year.

Serowe Hardware (Pty) Ltd plans to immediately replace the old machine with a new one costing P875,000. This purchase is not included in the estimated taxable income for the year but it is also expected to take place before the end of the year.

In addition, negotiations are at an advanced stage to sell the paint division of the company before 31 December 2015 for the following amounts:

	P
Paint machines – Note 1	200,000
Inventory (stock) – at cost	150,000
Goodwill	500,000
	<hr/>
	850,000

No figures in relation to the sale of the paint division are reflected in the estimated taxable income figures.

Note 1: The sales price of the machines was agreed based on the tax value at 31 December 2014.

**Required:**

(a) **Recalculate the estimated taxable income of Serowe Hardware (Pty) Ltd for the year ended 31 December 2015 based on the above information.**

Note: You should assume that all available reliefs will be claimed. (9 marks)

(b) **Calculate the minimum self-assessment tax (SAT) payable by Serowe Hardware (Pty) Ltd for the year ended 31 December 2015 and state the dates on which payment should be made.** (4 marks)

(c) **State the date by which Serowe Hardware (Pty) Ltd must submit its tax return for the year ended 31 December 2015 and the penalty for late submission.** (2 marks)

**(15 marks)**

**End of Question Paper**