

Applied Skills

Taxation – Botswana (TX – BWA)

Tuesday 4 June 2019



Time allowed: 3 hours 15 minutes

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

Tax rates and allowances are printed on pages 2–5.

Do NOT open this question paper 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.

BWA
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TX

Think Ahead



The Association of Chartered
Certified Accountants

The Botswana Institute of
Chartered Accountants

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
2018/2019 tax year

Resident companies	On taxable income
Standard rate	22%
Manufacturing company rate	15%

Resident individuals

P0 – P36,000	P0 +	0%
P36,001 – P72,000	P0 +	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

P0 – P72,000	P0 +	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

P0 – P18,000	P0 +	0%
P18,001 – P72,000	P0 +	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.

Valued added tax (VAT) rate	12%
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Basis of valuation of benefits

Individual's vehicle benefit

Vehicle cost	Employee's benefit	Fuel cost adjustment
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	7.50%	7.50%
Entertainment fee	–	10%
Management and consultancy fees	–	15%
Commercial royalty	–	15%
Rent	5%	5%
Commission or brokerage	10%	10%
Construction contracts	3%	3%

Note: Withholding tax on interest paid to residents is calculated at 10% of interest paid to a resident in excess of P1,950 in a quarter of a year.

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

	2003	2004	2005	2006	2007	2008	2009
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

	2010	2011	2012	2013	2014	2015	2016
January	1223·2	1320·0	1436·1	1544·3	1611·2	1670·7	1715·4
February	1225·4	1330·2	1440·0	1546·9	1618·7	1664·2	1714·5
March	1234·6	1338·9	1446·5	1555·4	1624·3	1669·8	1721·0
April	1256·2	1359·0	1460·4	1565·6	1637·1	1687·5	1735·9
May	1268·6	1373·6	1480·0	1570·2	1641·0	1690·3	1737·8
June	1285·3	1386·4	1487·3	1573·8	1645·6	1696·8	1741·5
July	1289·7	1380·6	1492·1	1576·7	1647·5	1698·7	1744·3
August	1290·6	1403·4	1496·7	1580·4	1652·1	1701·5	1747·1
September	1297·9	1409·0	1508·9	1584·3	1654·8	1704·2	1751·7
October	1300·6	1415·0	1515·4	1587·9	1656·8	1708·9	1755·2
November	1304·2	1424·0	1530·2	1593·5	1661·4	1709·8	1758·7
December	1309·1	1428·8	1534·8	1598·1	1657·7	1708·9	1760·5

	2017	2018
January	1769·2	1823·5
February	1772·7	1828·8
March	1781·5	1832·3
April	1795·5	1856·8
May	1799·0	1858·6
June	1802·5	1858·6
July	1804·3	1860·3
August	1806·0	
September	1807·8	
October	1807·8	
November	1811·3	
December	1816·5	

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 Riverside Contractors (Pty) Ltd (RCL) purchased the following motor vehicles during the tax year ending 30 June 2019 at cost:

	P
Bulldozer – second hand	525,000
5 ton truck	340,000
Saloon car	290,000

What is the maximum capital allowances claim which RCL can make in the 2018/2019 tax year?

- A P173,250
B P288,750
C P260,000
D P173,500
- 2 Johannes has the following income/(loss) for the 2018/2019 tax year:

	P
Rent received – net	242,450
Farming business loss	(136,890)
Medical aid refunds	96,260
Interest received from a building society	187,220

How much is Johannes' taxable income for the 2018/2019 tax year?

- A P242,450
B P389,040
C P525,930
D P292,780
- 3 Kaelo sold his business in February 2019 for a total sum of P2,750,000 which is made up as follows:

	P
Plant and machinery	200,000
Trading licence	500,000
Current assets	1,200,000
Current liabilities	(400,000)
Goodwill	1,250,000

How much is Kaelo's net disposal gain?

- A P1,312,500
B P937,500
C P2,750,000
D P1,750,000

4 The owner of Thebe Florists wants to destroy some of its old records.

How long must a person carrying on a business preserve the books and records of that business?

- A Seven years
- B Forever
- C Eight years
- D Four years

5 Trident Tile Products (Pty) Ltd (TTP) is registered for value added tax (VAT) and receives the following tax invoices inclusive of VAT. None of the invoices have been included in any previously submitted VAT return.

	P
Invoice dated 17 January 2019	5,208
Invoice dated 25 February 2019	26,040
Invoice dated 3 December 2018	46,872
Invoice dated 12 April 2019	1,736

How much value added tax (VAT) can TTP claim as an input deduction for the tax period ended 30 April 2019?

- A P8,556
- B P3,534
- C P3,348
- D P744

6 Midas Sales (Pty) Ltd (MSL), a company resident in Botswana, receives the following income net of withholding tax (WHT) during the 2018/2019 tax year:

	Income	WHT
	P	P
Debenture interest	248,610	24,861
Commission on sales	541,860	54,186
Bank interest	78,280	7,828
Residential rent	334,440	16,722

How much withholding tax can MSL claim as a credit against its corporation income tax liability for the 2018/2019 tax year?

- A P79,047
- B P70,908
- C P103,597
- D P95,769

7 Paradigm Industries (Pty) Ltd (PIL) owns a commercial building which had cost P700,000 in 2010. During the 2018/2019 tax year, PIL constructed a factory building costing P2,160,000.

What is the maximum capital allowances claim which PIL can make in the 2018/2019 tax year?

- A P580,500
- B P598,000
- C P594,000
- D P611,500

- 8 In certain circumstances a tax assessment can be raised by the Botswana United Revenue Service (BURS) more than four years following the end of the tax year to which it relates.

In which of the following circumstances can BURS make such an assessment on a taxpayer?

- (1) The taxpayer has filed a late tax return
- (2) The taxpayer has misrepresented certain material facts
- (3) The taxpayer has failed to disclose certain material facts
- (4) The taxpayer has furnished an incorrect tax return

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

- 9 Imperial Merchants (Pty) Ltd (IML) sold certain investments during the 2018/2019 tax year and made the following profits and losses:

	P
100 shares in GTK (Pty) Ltd	(37,845)
2,000 shares in Land Holdings Ltd – listed on the Botswana Stock Exchange (BSE) for three years	164,278
50 share options in JT Consultants (Pty) Ltd	88,264
300 debentures in New World Ltd – listed on BSE for six months	47,219

How much is the disposal gain which IML should declare in its 2018/2019 tax return?

- A P135,483
- B P97,638
- C P261,916
- D P299,761

- 10 In the tax year 2018/19, Lionel Busang receives the following annual employment benefits in addition to his annual salary of P360,000:

		P
50% medical aid		28,000
School fees		48,000
Company car	Cost	270,000
Company housing	Rateable value	812,000

How much PAYE should Lionel's employer deduct annually from Lionel's employment package?

- A P44,425
- B P37,425
- C P104,475
- D P111,475

11 Lubricant Supplies (Pty) Ltd (LSL) is registered for value added tax (VAT) and made the following supplies during the tax period ended 31 March 2019:

		P
Sales		526,894
Free samples	Cost price	36,218
Competition prize	Cost price	18,962
Promotional sale at a 30% discount	Sale price	67,452

How much output supplies should LSL declare in its March 2019 value added tax (VAT) return?

- A** P623,254
- B** P678,434
- C** P649,526
- D** P594,346

12 Which of the following are industrial buildings?

- (1) A hotel
- (2) A factory
- (3) A warehouse
- (4) A building which uses chemicals

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

13 Thuto is a farmer and his farming loss brought forward from the prior year amounted to P152,084. His income for the 2018/2019 tax year includes:

	P
Pension	240,000
Farming chargeable income	47,931
Net disposal gain on sale of commercial property	76,293
Interest received from bank	22,781

How much is Thuto's taxable income for the 2018/2019 tax year?

- A** P316,293
- B** P234,921
- C** P212,140
- D** P339,074

14 Computer Solutions (Pty) Ltd (CSL) made the following payments to non-residents during the 2018/2019 tax year:

	P
Shipping	142,820
Marketing fees	67,920
Advertising	46,220
Engineering advice	73,680

How much withholding tax should CSL have paid?

- A P49,596
- B P28,173
- C P21,240
- D P28,356

15 G K Electronics (Pty) Ltd (GKE) has chargeable income of P2,650,000 for the 2018/2019 tax year and has a loss of P352,700 brought forward. GKE has the following tax credits:

	P
Self-assessment tax	350,000
Withholding tax on construction contracts	78,213
Withholding tax on dividends received	36,608
Withholding tax on rent received	18,562

What is the final amount of corporate income tax which GKE must pay?

- A P155,406
- B P58,631
- C P22,023
- D P136,225

(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 paper within the Candidate Answer Booklet.

- 1** Alec Ngwako carried out the following disposals of capital assets during the 2018/2019 tax year:
1. A residential house, which was previously rented out, was sold for a sum of P1,550,000 in July 2018. The original cost was P520,000 in November 2014 and improvements costing P165,000 were completed in May 2016.
 2. A loan account in Turbo Services (Pty) Ltd was sold for P250,000. The balance on the loan at the time of sale was P296,000.
 3. A share option in Turbo Services (Pty) Ltd was sold for P10,000. Alec purchased the share option in December 2013 for P500. The company has been performing well and so Alec decided to realise the gain.
 4. 500 shares in Chobe Chemicals (Pty) Ltd were sold for P275,000. Alec had originally purchased 700 shares for P87,500 and, prior to sale, had received a further 100 shares in a rights issue which cost P136 per share.
 5. 5,000 shares in Link Engines (Pty) Ltd, which had originally cost Alec P14,000, were exchanged for 1,200 shares in Abercorn Motors (Pty) Ltd. The value of the shares in Abercorn Motors (Pty) Ltd at the time of the share swap transaction was P83 per share.

Required:

Calculate Alec Ngwako's net disposal gain or loss resulting from the above disposals for the tax year ending 30 June 2019.

(10 marks)

- 2 Mining Products (Pty) Ltd is a supplier of mining equipment. The following amounts were charged to the income statement for the year ended 31 December 2018:

	P
Payments to non-residents:	
Purchases	13,996,271
Technical support	2,568,122
Transport	1,769,305
Procurement fees	367,921
Insurance	85,904
Computer licence fees	164,925
Brokerage fees	577,352

	P
Payments to residents:	
Administration fees	149,602
Interest – bank	38,971
Interest – shareholder loan	106,387
Sales commission	792,410
Residential rent	273,104

The company also made the following withholding tax payments during the year:

	P
Technical support	240,200
Computer licence fees	15,000
Sales commission	79,241
Residential rent	7,350

The company made an accounting net profit amounting to P15,650,750 for the year, after deducting the above payments made to non-residents and residents.

Required:

In respect of Mining Products (Pty) Ltd for the year ended 31 December 2018:

- (a) (i) Calculate the tax which should have been withheld (assuming all expenditure was paid during the year).

Note: You should indicate the expenses paid from which withholding tax should not have been deducted by the use of a zero (0). (6 marks)

- (ii) State the due date for the payment of withholding tax. (1 mark)

- (b) Calculate the taxable income.

Notes:

1. You should start your answer with the net profit figure of P15,650,750 and you should only include in your answer any items which require adjustment.
2. The claim for capital allowances was exactly the same as the depreciation charged and so no adjustment is required for this. (3 marks)

(10 marks)

**This is a blank page.
Question 3 begins on page 14.**

- 3 Sayed Productions (Pty) Ltd is a film producer and is registered for value added tax (VAT). The company made the following transactions exclusive of VAT for the tax period ended 25 February 2019:

	Note	P	P
Sales	1		853,082
Cost of sales	2		<u>(362,819)</u>
			490,263
Commercial rent		21,500	
Salaries and wages		273,814	
Office expenses		14,083	
Utilities		26,319	
Loss on sale of assets	3	152,560	
Irrecoverable debts	4	23,766	
Interest		18,022	
Management fees – non-resident		20,000	
Repairs to rented commercial property		<u>36,974</u>	<u>(587,038)</u>
Net loss			<u>(96,775)</u>

Notes:

1. Sales are made up as follows:

	P
Local sales	642,165
Export sales	269,028
Sales returns – exports	(41,772)
Discount allowed	<u>(16,339)</u>
	<u>853,082</u>

2. Cost of sales is made up as follows:

	P
Opening inventory	167,086
Purchases – local	138,992
Purchases – imported	276,392
Purchase returns	(62,073)
Closing inventory	<u>(157,578)</u>
	<u>362,819</u>

3. Loss on sale of assets is made up as follows:

	P
Proceeds on sale of machine	120,000
Proceeds on sale of saloon car	45,000
Net book values	<u>(317,560)</u>
	<u>(152,560)</u>

4. Irrecoverable debts is made up as follows:

	P
Debt written off in the tax period ended 25 February 2019	47,863
Recovery of debt written off two years ago	<u>(24,097)</u>
	<u>23,766</u>

Required:

In respect of Sayed Productions (Pty) Ltd for the tax period ended 25 February 2019, calculate the VAT payable or refundable.

Note: You should list all the transactions referred to in the question, indicating any amounts which do not have any VAT consequences by the use of a zero (0).

(10 marks)

- 4 Toteng Communications (Pty) Ltd (TCL) is registered as an employer with the Botswana Unified Revenue Service (BURS).

In addition to paying salaries and wages to its employees, TCL also provides employment benefits, which are subject to PAYE, to certain of its senior management.

The managing director of TCL receives his remuneration free of tax.

Required:

- (a) Summarise the essential features of the PAYE system and state the date by which tax deducted must be paid to the Botswana Unified Revenue Service (BURS). (3 marks)
- (b) State THREE employment benefits which are explicitly exempt from PAYE. (2 marks)
- (c) Explain how the contractual arrangement regarding Toteng Communications (Pty) Ltd's managing director's remuneration is treated for PAYE purposes. (3 marks)
- (d) List the documents which an employer must provide to BURS at the end of the tax year and briefly summarise what each contains. (2 marks)

(10 marks)

- 5 The results of Zambezi Holdings (Pty) Ltd, a diversified automotive company, for the year ended 31 March 2019 are summarised below:

	Note	P
Income		
Sales		16,820,338
Cost of sales (all allowable)		<u>(9,609,361)</u>
		7,210,977
Other income		
Interest received		435,891
Dividends received		267,942
Profit on sale of non-current assets	2	<u>87,623</u>
		<u>8,002,433</u>
Expenditure		
General deductible expenses		4,835,380
Depreciation		562,982
Fair value adjustment		785,350
Provision for future expenses		470,221
Amortisation of patents		208,864
Impairment of accounts receivable	3	338,602
VAT cost	4	<u>89,207</u>
		<u>7,290,606</u>
Net profit		<u>711,827</u>

Notes:

1. Cost of assets and allowances at 1 April 2018:

	P
Cost	3,782,290
Accumulated allowances	<u>(2,678,103)</u>
Tax value	<u>1,104,187</u>

Allowances are claimed at the rate of 15% on all assets.

2. The profit on sale of non-current assets is made up as follows:

	P
Cost	629,560
Accumulated depreciation	<u>(467,183)</u>
	162,377
<i>Add: fair value adjustment</i>	<u>50,000</u>
	212,377
Sales proceeds	300,000
Profit on sale	<u>87,623</u>

Capital allowances on the sold asset amounted to P389,361.

A replacement asset was purchased costing P805,200.

3. Impairment of accounts receivable is made up as follows:

	P
Debts written off as irrecoverable	110,461
Irrecoverable debts recovered	(28,662)
Increase in general allowance for irrecoverable debts	200,000
Increase in specific allowance for irrecoverable debts	56,803
	<hr/>
	338,602

4. The VAT cost is made up as follows:

	P
VAT not recovered	48,020
Late submission penalty	16,273
Late payment interest	24,914
	<hr/>
	89,207

5. The company has the following tax credits:

	P
Interest received	43,589
Dividends received	20,096

Required:

In respect of Zambezi Holdings (Pty) Ltd for the year ended 31 March 2019:

(a) Calculate the claim for capital allowances using all available reliefs. (4 marks)

(b) Calculate the taxable income, starting with the net profit figure of P711,827.

Note: You should show by the use of a zero (0) any items of other income or expenditure referred to in the question which do not require adjustment. (8 marks)

(c) Calculate the minimum self-assessment tax (SAT) which should have been paid each quarter in order to avoid the imposition of interest. (2 marks)

(d) State the difference between the general deduction formula and specific deductions. (1 mark)

(15 marks)

- 6 Nelson Tafa is employed by Lotus Chemicals (Pty) Ltd and he also earns income from other sources including farming. The following information relates to Nelson's earnings for the 2018/2019 tax year.

1. Lotus Chemicals Pty Ltd income

Nelson received the following remuneration package from Lotus Chemicals Pty Ltd:

	P
Salary	620,600
Medical aid – company contribution	8,265
Pension – company contribution	62,060
Production bonus	53,500
	<u>744,425</u>

Nelson made the following personal contribution:

	P
Pension fund	31,030

2. Farm income

Nelson is also a cattle farmer and the expected results for the year ending 30 June 2019 are as follows:

	P	P
Sales of cattle		1,708,350
Cost of sales (all allowable)		<u>(1,073,835)</u>
		634,515
Other income		
Rental income		36,000
Sale proceeds of truck		<u>75,000</u>
		745,515
Expenditure		
Erection of fencing and farm buildings	116,865	
Drawings – Nelson Tafa	200,000	
Motor vehicle costs	31,885	
Donation to a political party	35,000	
Purchase of tractor	<u>145,000</u>	<u>(528,750)</u>
Net profit		<u>216,765</u>

The non-current assets used in the farm business and the capital allowances claimed as at 30 June 2018 are:

	Cost P	Capital allowances P
Farm machinery	187,034	187,034
Saloon car – Nelson Tafa	245,000	87,500
Tractor	145,000	0

The tax value of the truck sold was P85,392.

Nelson uses the saloon car for both business and personal use and the costs are borne by the farming business.

Details of the number of cattle in stock:

	Number
Opening inventory	420
Closing inventory	485

Nelson took eight head of cattle for personal use.

The standard value is P800 per head.

3. Tax withheld from Nelson's earnings

	P
Lotus Chemicals	178,312
Botswana Meat Commission	68,334
Rental income	1,800

Required:

In respect of Nelson Tafa for the year ending 30 June 2019:

- (a) Calculate the chargeable income from farming or farming loss to be carried forward assuming Nelson's results for the year are as expected, and he utilises all claims and reliefs.

Note: You should start your answer with the net profit figure of P216,765 and indicate by the use of a zero (0) any items of other income or expenditure referred to in the question which do not require adjustment.

(9 marks)

- (b) Calculate the taxable income from all sources, indicating by the use of a zero (0) any item which is not taxable or deductible.

(4 marks)

- (c) Calculate the tax payable or refundable.

(2 marks)

(15 marks)

End of Question Paper