
Answers

Section A

1 B

	P
Sale price of shares	842,000
Less: cost of shares	(273,000)
Less: expenses	(89,052)
Less: capital loss brought forward	(67,382)
	<u>412,566</u>
Less: 25% moveable property allowance	(103,142)
	<u>309,424</u>

Kaelo is entitled to deduct all costs and any losses brought forward in arriving at the disposal gain.

2 C

		P
Penalties	89 days x P100 per day	8,900
Interest	1.5% per month compounded x 3 months	2,072
		<u>10,972</u>

Late submission of income tax returns results in penalties of P100 per day plus compound interest at the rate of 1.5% per month.

3 D

The minimum amount of taxable supplies which is required before a person can voluntarily register for value added tax (VAT) is P500,000 per annum. (Therefore, Compass Properties (Pty) Ltd (CPL) would not be able to voluntarily register for VAT.)

4 A

	P
Commission	11,062
Bank interest	0
Dividends	0
Rent	26,791
	<u>37,853</u>

Bank interest subjected to withholding tax and dividends received are not included in gross income and therefore the tax withheld cannot be claimed as a credit.

5 D

	P
Original cost	365,000
Fair value adjustment	0
Rollover relief applied to original cost	(100,000)
Capital allowances claimed	(198,750)
	<u>66,250</u>
Sale price	280,000
Balancing charge	<u>213,750</u>

In order to calculate the balancing charge, the rollover relief claimed when the machine was purchased and also the capital allowances claimed to date must be deducted.

6 A

	P
Salary	600,000
Medical aid contributions	0
House rent allowance	52,000
School fees	27,000
Company car: $10,000 + ((340,000 - 200,000) \times 15\%)$	31,000
	<u>710,000</u>

In general, all employment benefits are taxable except medical aid contributions and return fares to place of hire.

7 B

The costs of hotel or lodge for staff such as staff meals cannot be claimed as an input credit. The same applies to a saloon car but a credit can be claimed in respect of a game-viewing vehicle.

8 D

	P
Estimated tax payable $P2,000,000 \times 22\%$	<u>440,000</u>
Self-assessment tax (SAT) payable $80\% \times 440,000$	352,000
Less: SAT paid	(250,000)
Less: withholding tax (WHT) on bank interest received	(62,839)
Less: WHT on dividends received	0
Less: WHT on brokerage received	(15,803)
	<u>23,358</u>

A credit cannot be claimed for tax withheld on dividends since dividend income does not come into charge for tax.

9 B

	P
Sale price	10,000,000
Less: net asset value	<u>(3,900,000)</u>
Goodwill	6,100,000
Less: 25% moveable property allowance	<u>(1,525,000)</u>
	<u>4,575,000</u>

The sale of goodwill is treated the same as a sale of shares for capital gains tax purposes and a 25% moveable property allowance can be claimed.

10 C

	P
Salary	600,000
Board of directors fees	20,000
Production bonus	75,000
Employer medical aid contribution	0
Employer contribution to company pension fund	0
	<u>695,000</u>
PAYE thereon $((695,000 - 144,000) \times 25\%) + 13,050$	<u>150,800</u>

Employer contributions to a medical aid fund and a pension fund are not considered to be taxable employment benefits.

11 C

The Botswana Unified Revenue Service (BURS) can only go back four years in order to issue a revised assessment.

12 D

	P
Chargeable income	3,476,093
Less: losses	
2011/2012	0
2012/2013	0
2013/2014	(1,380,832)
2016/2017	(785,498)
	<u>1,309,763</u>

Losses which are not utilised within five years are forfeited.

13 C

	P
Rent of equipment	0
Commission (10% x 89,640)	8,964
Technical fees	0
Interest on bank loan	0
	<u>8,964</u>

There is no requirement to withhold tax from payments to residents for rent of equipment, technical fees and bank interest. Only commission payments are liable to withholding tax.

14 A

		P
Diesel generators (15% x 106,280)		15,942
1 ton truck (15% x 180,000)		27,000
Borehole pumps		68,945
Bridge		96,035
		<u>207,922</u>

Certain farming capital expenditure can be written off in total in the year of expenditure.

15 B

The cost of patents, trademarks and copyrights can be written off in equal annual instalments over the period during which a person is allowed to use such intangible assets or 25 years, whichever is the lesser.

2 marks each

30

Section B

Marks

1 Tuli Soap Industries (Pty) Ltd

(a) Net disposal loss

	Original cost P	Indexation P	Tax cost P	P	
Plot 15324, Gaborone					
Cost	1,200,000	0	1,200,000		
Indexation (1,200,000 x 1872.6/1641.0 – 1,200,000)	0	169,360	169,360		1
	<u>1,200,000</u>	<u>169,360</u>	<u>1,369,360</u>		
Sale price			<u>1,850,000</u>	480,640	
Plot 761, Phakalane					
Land	2,000,000		2,000,000		
Indexation (2,000,000 x 1858.6/1309.1 – 2,000,000)		839,508	839,508		1
Factory building	3,682,500		3,682,500		
Indexation (3,682,500 x 1858.6/1380.6 – 3,682,500)		1,274,978	1,274,978		1
Extension	1,629,632		1,629,632		
Indexation (1,629,632 x 1858.6/1714.5 – 1,629,632)		136,967	136,967		1
	<u>7,312,132</u>	<u>2,251,453</u>	<u>9,563,585</u>		
Sale price			<u>11,540,000</u>		
Gain before relief			1,976,415		
Less: rollover relief			<u>(1,976,415)</u>	0	1
Plot 491, Jwaneng					
Cost	1,500,000		1,500,000		
Indexation (1,500,000 x 1856.8/1403.4 – 1,500,000)		484,609	484,609		1
	<u>1,500,000</u>	<u>484,609</u>	<u>1,984,609</u>		
Sale price			<u>720,000</u>	(1,264,609)	
Net disposal loss				<u>(783,969)</u>	<u>6</u>

(b) Rollover relief requirements

(i) The property disposed of and the property acquired must be immovable property.	0.5
(ii) The immovable property must be used in the business.	0.5
(iii) The claim must be made within one year of the disposal.	0.5
(iv) The whole of the original investment plus all or part of the gain must be reinvested.	0.5
	<u>2</u>

(c) Effect of rollover on base cost

	P	P	
Plot 68 Ramotswa (purchased June 2018)	1,425,000		
Less: rollover relief	<u>(1,425,000)</u>	0	1
Plot 67 Ramotswa (purchased August 2018)	850,000		
Less: rollover relief (1,976,415 – 1,425,000)	<u>(551,415)</u>	298,585	1
		<u>298,585</u>	<u>2</u>
			<u>10</u>

2 Macstan Packaging (Pty) Ltd

(a)	P	
Net outputs supplied P762,950 x 12%	91,554	0.5
1. Single cab bakkie sold P48,000 x 12%	5,760	1
Saloon car purchased – passenger vehicle, input tax denied	0	1
2. Services to charitable organisation (140,000 – 100,000) = P40,000 x 12%	4,800	1
3. Deposit – not consideration until applied	0	1
4. Services from foreign supplier – foreign VAT cannot be deducted	0	0.5
5. Irrecoverable debt recovered P14,560 x 12/112	1,560	0.5
6. Credit note to supplier P20,250 x 12%	(2,430)	1
7. Second hand machine – VAT not charged	0	0.5
8. Indemnity payment P63,000 x 12/112	6,750	1
	<u>107,994</u>	
Net VAT payable		<u>8</u>

(b) VAT requirements – imports and exports

Imported goods are subject to VAT at the standard rate upon importation into Botswana.	0.5
Imported services are only subject to VAT if they are in connection with exempt supplies.	0.5
Goods and services which are exported outside Botswana are subject to VAT at the zero rate.	1
	<u>2</u>
	<u>10</u>

3 Thebe Design and Graphics (Pty) Ltd

(a) Withholding tax (WHT) which should have been paid

		P	
Advertising		0	0.5
Commission	10% x (73,560 + 91,440)	16,500	1
Interest	10% x 162,770	16,277	0.5
Management fees		0	0.5
Marketing fees	15% x 450,000	67,500	0.5
Office and staff costs		0	0.5
Technical fees	15% x 287,400	43,110	0.5
		<u>143,387</u>	
			<u>4</u>

(b) Taxable income

	P	P	
Profit before tax per accounts		1,329,527	
Add: marketing fees	450,000		0.5
Add: technical fees	<u>287,400</u>	737,400	0.5
Less: marketing fees	0		1
Less: technical fees (22,098 x 100/15)	<u>147,320</u>	(147,320)	1
Taxable income		<u>1,919,607</u>	
			<u>3</u>

(c) Payment of WHT and interest

Tax which is withheld from payment must be paid by the 15th of the following month. Note that the requirement is that tax is only withheld from physical payment and not on accrual.	2
Interest is charged at 1.5% per month or part thereof.	1
	<u>3</u>
	<u>10</u>

4 Tshepo Ditau

(a) Losses carried forward

	P	P	
Business			
Business loss brought forward	(266,301)		
Less: used 2018/19 against business profit	173,829		0-5
Less: loss expired (214,937 – 173,829)	<u>41,108</u>		1
Loss carried forward		<u>(51,364)</u>	0-5
Losses expire if not used within five years.			0-5
In this case, the unutilised loss which arose in the year ended 30 June 2014 expires.			0-5
Rental			
Loss carried forward		<u>(47,286)</u>	0-5
The rental losses are ring-fenced and cannot be set-off against other income.			0-5
Farming			
Farming loss brought forward (192,962 x 50%)	(96,481)		0-5
Farming loss 2018/19 (181,032 x 50%)	<u>(90,516)</u>		0-5
Loss carried forward		<u>(186,997)</u>	0-5
Farming losses cannot be set-off against other income.			0-5
Farming losses can be carried forward indefinitely;			0-5
until utilised by set-off against taxable farming profits arising in subsequent periods.			0-5
			<u>7</u>

(b) Taxable income 2018/19

	P	Taxable income P	
Business – chargeable income	173,829		
Less: business loss brought forward	<u>(173,829)</u>		
		0	0-5
Pension income		126,398	0-5
Rental income		0	0-5
Interest income		38,994	0-5
Dividend income		0	0-5
Farming income		<u>0</u>	0-5
Taxable income		<u>165,392</u>	
			<u>3</u>
			<u>10</u>

5 Sandham Engineering Services (Pty) Ltd

(a) Taxable income for the year ended 30 June 2019

Working 1 – loss on sale of shares

	P	
Cost	567,028	0-5
Sale price	400,000	0-5
Loss on sale of shares carried forward	<u>(167,028)</u>	

Working 2 – balancing charge on sale of equipment

Marks

		P	
Cost		680,637	0-5
Less: capital allowances		(482,568)	0-5
		<u>198,069</u>	
Sales price		235,000	0-5
Balancing charge		<u>36,931</u>	
	P	P	
Profit before tax		1,466,170	
Administration expenses (all allowable)	0		
Add: depreciation	462,896		0-5
Add: loss on sale of equipment	72,744		0-5
Add: fair value adjustment	250,000		0-5
Add: provisions (50,000 + 127,983)	177,983		1
Add: balancing charge (working 2)	<u>36,931</u>	1,000,554	0-5
Gross profit (fully taxable)	0		
Interest received	0		0-5
Damages compensation	0		0-5
Less: capital allowances	502,896		0-5
Less: profit on sale of shares	<u>32,972</u>	(535,868)	0-5
Chargeable income		1,930,856	
Net disposal gains (working 1)		<u>0</u>	0-5
Taxable income		<u>1,930,856</u>	
			<u>8</u>

(b) Tax payable

		P	
Tax at 22% on P1,930,856		424,788	0-5
Less: withholding tax (WHT) on interest (26,208 x 10%)		(2,621)	0-5
Less: self-assessment tax (SAT) paid		<u>(370,000)</u>	0-5
Tax payable		<u>52,167</u>	0-5
			<u>2</u>

(c) The self-assessment tax (SAT) system

The SAT system is a system of advance tax payments during the course of a tax year and applies only to companies.	1
Each company is required to estimate its taxable income for the year and to pay the tax in four quarterly instalments with a fifth or top up payment, if necessary, at the time of submitting its tax return.	1
Each payment must be at least 20% of the final tax liability so that, at the financial year end, the company should have paid 80% of the final tax liability.	1
Interest is charged if in any quarter the SAT paid is less than 20%.	<u>1</u>
	<u>4</u>

(d) Date of tax return

Four months following the end of the financial year, i.e. 31 October 2019.	<u>1</u>
	<u>15</u>

6 Cecilia Mpetsane

(a) Chargeable income from business

	P	P	
Hire income		237,308	0.5
Less: driver's wages	56,352		0.5
Less: running costs	75,922		0.5
Less: insurance	5,736		0.5
Less: building of garage	0		1
Less: capital allowances on truck (25% x 245,000)	61,250	(199,260)	1
Chargeable income from business	<u>61,250</u>	<u>38,048</u>	<u>4</u>

(b) Taxable income

	P	
Gross salary	560,000	0.5
Company car (10,000 – 4,000) + ((275,000 – 200,000) x 15%)	17,250	1.5
Employer contribution to company pension	0	0.5
Utilities	22,500	0.5
Airfare	10,000	0.5
Company housing (320,000 x 10% x 5/12)	13,333	1.5
Gross interest received – building society	0	0.5
Gross interest received – individual	84,330	0.5
Gross dividends received	0	0.5
Gross royalties received	36,000	1
Chargeable income from business	<u>38,048</u>	0.5
Taxable income	<u>781,461</u>	<u>8</u>

(c) Tax payable

	P	P	
First 144,000		13,050	
Next 637,461 (781,461 – 144,000) x 25%		<u>159,365</u>	
		172,415	0.5
Less: PAYE	147,050		0.5
Less: withholding tax (WHT) interest – building society	0		1
Less: WHT interest – individual	8,433		0.5
Less: dividends	0	(155,483)	0.5
Tax payable	<u>0</u>	<u>16,932</u>	<u>3</u>
			<u>15</u>