
Answers

Section A

1 C

	Cost P
Bulldozer – second hand	525,000
5 ton truck	340,000
Saloon car	175,000
	<u>1,040,000</u>
25% of tax cost	<u>260,000</u>

Tutorial note: *The cost of a saloon car for the calculation of capital allowances is restricted to P175,000.*

2 A

	P
Rent received – net	242,450
Farming business loss	0
Medical aid refunds	0
Interest received from a building society	0
	<u>242,450</u>

3 A

	P
Plant and machinery	0
Trading licence	500,000
Current assets	0
Current liabilities	0
Goodwill	1,250,000
	<u>1,750,000</u>
Less: 25% moveable property allowance	(437,500)
	<u>1,312,500</u>

4 C

Anyone carrying on a business must keep the records of that business for eight years.

5 B

	P
Invoice dated 17 January 2019	558
Invoice dated 25 February 2019	2,790
Invoice dated 3 December 2018	0
Invoice dated 12 April 2019	186
	<u>3,534</u>

6 C

	P
Debenture interest	24,861
Commission on sales	54,186
Bank interest	7,828
Residential rent	16,722
	<u>103,597</u>

7 D

	P
Old commercial building – annual allowance	17,500
New factory building – initial allowance	540,000
New factory building – annual allowance	54,000
	<u>611,500</u>

8 B

The Botswana Unified Revenue Service (BURS) may raise an assessment on a company up to eight years following the end of the tax year to which it relates for reasons of fraud but in respect of an individual, an assessment can be made at any time.

9 B

	P
100 shares in GTK (Pty) Ltd	(37,845)
2,000 shares in Land Holdings Ltd – listed on BSE for three years	0
50 share options in JT Consultants (Pty) Ltd	88,264
300 debentures in New World Ltd – listed on BSE for six months	47,219
	<u>97,638</u>

10 C

	P
Salary	67,050
50% medical aid	0
School fees	12,000
Company car	5,125
Company housing	20,300
	<u>104,475</u>

11 D

	P
Sales	526,894
Free samples	0
Competition prize	0
Promotional sale at a 30% discount	67,452
	<u>594,346</u>

12 B

A warehouse is not an industrial building if the Commissioner General is not satisfied that it is used for industrial purposes.

13 A

	P
Pension	240,000
Farming chargeable income	47,931
Net disposal gain on sale of commercial property	76,293
Interest received from bank	0
	<u>364,224</u>
Less: farming loss brought forward (limited to)	<u>(47,931)</u>
	<u>316,293</u>

14 C

	P
Shipping	0
Marketing fees	10,188
Advertising	0
Engineering advice	11,052
	<u>21,240</u>

15 B

	P
Tax payable	505,406
Self-assessment tax	(350,000)
Withholding tax on construction contracts	(78,213)
Withholding tax on dividends received	0
Withholding tax on rent received	(18,562)
	<u>58,631</u>

2 marks each

30

Section B

Marks

1 Alec Ngwako

Disposal gain

1 Residential house

		Original cost P	Indexation P	Tax cost P	P	
House cost	November 2014	520,000	62,254	582,254		1
Indexation: (520,000 x 1,860·3/1,661·4) – 520,000						
Extension cost	May 2016	165,000	11,631	176,631		1
Indexation: (165,000 x 1,860·3/1,737·8) – 165,000						
		<u>685,000</u>	<u>73,885</u>	<u>758,885</u>		
Sale price	July 2018			1,550,000	791,115	0·5
2 Loan account Turbo Services (Pty) Ltd						
Sale price				250,000		0·5
Cost				(296,000)	(46,000)	0·5
3 Share option						
Sale price				10,000		0·5
Cost				(500)	9,500	0·5
4 500 shares in Chobe Chemicals (Pty) Ltd						
Working						
Original cost of 700 shares				87,500		
Rights issue cost (100 shares x P136·0 per share)				13,600		
Total cost of 800 shares				<u>101,100</u>		1
Sale price				275,000		0·5
Cost	500/800 x 101,100			(63,188)	211,812	1
5 Share swap						
Sale price of shares in Link Engines (Pty) Ltd (1,200 x P83)				99,600		1
Cost of shares in Link Engines (Pty) Ltd				(14,000)	85,600	0·5
					<u>1,052,027</u>	
Less: 25% moveable property allowance on 3, 4 and 5					(76,728)	1·5
Net disposal gain					<u>975,299</u>	

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2 Mining Products (Pty) Ltd

(a) (i) Tax which should have been withheld

	P	
Non-residents		
Purchases	0	0·5
Technical support	385,218	0·5
Transport	0	0·5
Procurement fees	55,188	0·5
Insurance	0	0·5
Computer licence fees	24,739	0·5
Brokerage fees	57,735	0·5
Residents		
Administration fees	0	0·5
Interest – bank	0	0·5
Interest – shareholder loan	10,639	0·5
Sales commission	79,241	0·5
Residential rent	13,655	0·5
	<u>626,415</u>	6

Marks

(ii) The due date for the payment of withholding tax is the 15th of the month following payment of the expense.

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(b) Taxable income

	P	P	
Net profit per accounts		15,650,750	
Add: technical support	2,568,122		0-5
Add: procurement fees	367,921		0-5
Add: computer licence fees	164,925		0-5
		<u>3,100,968</u>	
Less: technical support (240,200 x 100/15)	1,601,333		0-5
Less: procurement fees	0		0-5
Less: computer licence fees (15,000 x 100/15)	100,000		0-5
		<u>(1,701,333)</u>	
Taxable income		<u>17,050,385</u>	

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Tutorial note: A deduction is denied if tax is not withheld on payments to non-residents. It does not apply to situations where tax is not withheld from payments to residents.

3 Sayed Productions (Pty) Ltd

	Notes	P	
Outputs			
Sales – local		642,165	0-5
Sales – export	1	0	0-5
Sales proceeds – machine		120,000	0-5
Sales proceeds – saloon car	2	0	1
Purchase returns		62,073	0-5
Irrecoverable debt previously written off and now recovered		24,097	0-5
		<u>848,335</u>	
Inputs			
Purchases – local		138,992	0-5
Purchases – imported		276,392	0-5
Sales returns – exports	1	0	0-5
Discount allowed		16,339	0-5
Commercial rent		21,500	0-5
Salaries and wages	2	0	0-5
Office expenses		14,083	0-5
Utilities		26,319	0-5
Irrecoverable debts	3	0	1
Interest	4	0	0-5
Management fees – non-resident	1	0	0-5
Repairs to rented commercial property		36,974	0-5
		<u>530,599</u>	
Excess outputs		<u>317,736</u>	
VAT payable at 12%		<u>38,128</u>	

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Notes:

1. Zero rated
2. Non-taxable
3. An irrecoverable debt written off can only be claimed as an input after one year
4. Exempt

4 Toteng Communications (Pty) Ltd

(a) PAYE system

Any person who pays remuneration to an employee is required to register with the Botswana Unified Revenue Service (BURS) as an employer; and is required to deduct tax from the remuneration.	0.5
This is commonly referred to as pay as you earn (PAYE);	0.5
and tax deductions are calculated on any payment to an employee using deduction tables provided by BURS.	0.5
'Remuneration' includes wages, salary, leave pay, commission, bonus, gratuity and most employment benefits.	0.5
Amounts deducted must be paid over to BURS by the 15th of the month following deduction.	1
	<u>3</u>

(b) PAYE exempt

(i) Medical aid and medical payments	0.5
(ii) Return fares	0.5
(iii) Company pension contribution	1
	<u>2</u>

(c) Tax-free remuneration

If there is an agreement between the employer and the employee whereby the employee receives remuneration free of tax, then effectively the employer is paying the tax on behalf of the employee.	1
The employee's remuneration is not exempt from tax.	0.5
Therefore the tax paid by the employer is considered as income in the hands of the employee; and is 'grossed up' according to a formula provided by BURS.	0.5
It is then added to the remuneration which is subject to PAYE.	0.5
	<u>3</u>

(d) PAYE forms at the end of the tax year

At the end of the tax year, each employer is required to produce the following documents:	
– ITW8. This document details the employee's total earnings for the year together with the PAYE deducted. This form is given to the employee who will use it to claim a credit in their tax return. A copy of the ITW8 is also given to BURS.	1
– ITW10. This document is an annual reconciliation statement. The details of all ITW8 forms issued are listed giving details of income and PAYE deducted. The total of PAYE deducted is then reconciled to PAYE payments made to BURS.	1
	<u>2</u>
	<u>10</u>

5 Zambezi Holdings (Pty) Ltd

(a) Capital allowances

Balancing charge

	P	
Cost	629,560	
Allowances	(389,361)	0.5
	<u>240,199</u>	
Sale proceeds	300,000	0.5
Balancing charge	59,801	0.5
Less: rolled over	(59,801)	0.5
	<u>0</u>	

Capital allowances

	P	P	
Cost at 1 April 2018		3,782,290	
<i>Less: asset sold</i>		(629,560)	0-5
<i>Add: addition</i>	805,200		0-5
<i>Less: balancing charge rolled over</i>	<u>(59,801)</u>	<u>745,399</u>	
Cost at 31 March 2019		<u>3,898,129</u>	
Capital allowances at 1 April 2018		2,678,103	
<i>Less: allowances on asset sold</i>		(389,361)	0-5
<i>Add: current year claim (3,898,129 x 15%)</i>		<u>584,719</u>	0-5
Capital allowances at 31 March 2019		<u>2,873,461</u>	
Tax value at 31 March 2019		<u>1,024,668</u>	
			<u>4</u>

(b) Taxable income

	P	P	
Net profit		711,827	
<i>Add: general deductible expenditure</i>	0		
<i>Add: depreciation</i>	562,982		0-5
<i>Add: fair value adjustment</i>	785,350		0-5
<i>Add: provision for future expenses</i>	470,221		0-5
<i>Add: amortisation of patents</i>	208,864		0-5
<i>Add: general allowance for irrecoverable debts</i>	200,000		0-5
<i>Add: debts written off as irrecoverable</i>	0		0-5
<i>Add: specific provision for irrecoverable debts</i>	0		0-5
<i>Add: VAT not recovered</i>	0		0-5
<i>Add: VAT late payment interest</i>	24,914		0-5
<i>Add: VAT late submission penalties</i>	16,273		0-5
<i>Add: balancing charge</i>	<u>0</u>	<u>2,268,604</u>	0-5
<i>Less: capital allowances</i>	584,719		0-5
<i>Less: interest received</i>	0		0-5
<i>Less: dividends received</i>	267,942		0-5
<i>Less: profit on sale of non-current asset</i>	87,623		0-5
<i>Less: irrecoverable debts recovered</i>	<u>0</u>	<u>(940,284)</u>	0-5
Taxable income		<u>2,040,147</u>	
			<u>8</u>

(c) Minimum self-assessment tax (SAT) payment

	P	P	
Tax at 22% (2,040,147 x 22%)		448,832	0-5
<i>Less: withholding tax interest</i>	43,589		0-5
<i>Less: withholding tax on dividends</i>	<u>0</u>	<u>(43,589)</u>	0-5
Tax payable		<u>405,243</u>	
Minimum SAT payable each quarter at 20%		<u>81,049</u>	0-5
			<u>2</u>

(d) Deductions

There are two types of deductions.

The majority fall under what is known as the general deduction formula whereby any expenditure can be deducted from assessable income provided it has been wholly, exclusively and necessarily incurred during the tax year in the production of assessable income.

Specific deductions – such as capital allowances – on the other hand are those deductions which would not ordinarily be allowed.

0-5

0-5

115

6 Nelson Tafa

(a) Chargeable income from farming

Capital allowance claim

	Cost P	Capital allowances P	
Farm machinery	187,034	0	0.5
Saloon car – Nelson Tafa	245,000	43,750	1
Tractor	145,000	36,250	0.5
		<u>80,000</u>	

Tutorial note: No further allowances are available in respect of farm machinery as the cost has been fully claimed. Capital allowances on a saloon car are limited to $P175,000 \times 25\% = P43,750$.

Balancing allowance

		P	
Sale proceeds of truck		75,000	
Tax value at 30 June 2017		<u>85,392</u>	
Balancing allowance		<u>10,392</u>	1
	P	P	
Net profit per accounts		216,765	
Add: increase in inventory (485 – 420) = 65 x P800		52,000	1
Add: personal use (8 x P800)		6,400	1
Add: drawings Nelson Tafa		200,000	0.5
Add: donation to a political party		35,000	0.5
Add: purchase of tractor		145,000	0.5
Add: erection of fencing and farm buildings		<u>0</u>	0.5
		655,165	
Less: rental income		0	0.5
Less: proceeds on sale of truck	75,000		0.5
Less: capital allowances	80,000		0.5
Less: balancing allowance	<u>10,392</u>	<u>(165,392)</u>	0.5
Chargeable income from farming		<u>489,773</u>	
			<u>9</u>

Tutorial note: Farming capital expenditure, being the erection of fencing and farm buildings, is specifically deductible in the year in which incurred.

(b) Taxable income

		P	
Salary		620,600	0.5
Medical aid (company)		0	0.5
Car benefit = $10,000 + (15\% \times 45,000)$		16,750	1
Bonus		53,500	0.5
Chargeable income from farming		<u>489,773</u>	0.5
		1,180,623	
Less: medical aid (Nelson)		0	0.5
Less: pension contribution		<u>(31,030)</u>	0.5
Taxable income		<u>1,149,593</u>	
			<u>4</u>

	P	P	<i>Marks</i>
(c) Tax payable			
Tax on first P144,000		13,050	
Next (P1,149,593 – P144,000) = P988,843 x 25%		<u>251,398</u>	0-5
		264,448	
Less: PAYE	178,312		0-5
Less: withholding tax – Botswana Meat Commission	68,334		0-5
Less: withholding tax – rent	<u>1,800</u>	(248,446)	0-5
Tax payable		<u>16,002</u>	<u>2</u>
			<u>15</u>