SUPPLEMENTARY INSTRUCTIONS

1. You should assume that the tax rates and allowances for the tax year 2017 will continue to apply for the foreseeable future unless you are instructed otherwise.
2. Calculations and workings need only be made to the nearest R.
3. All apportionments should be made to the nearest month.
4. All workings should be shown.

TAX RATES AND ALLOWANCES

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

Year ended 28 February 2017/31 March 2017

<table>
<thead>
<tr>
<th>Rebates</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary rebate</td>
<td>R13,500</td>
</tr>
<tr>
<td>Secondary rebate (over 65)</td>
<td>R7,407</td>
</tr>
<tr>
<td>Tertiary rebate (over 75)</td>
<td>R2,466</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest exemption</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 65</td>
<td>R23,800</td>
</tr>
<tr>
<td>Over 65</td>
<td>R34,500</td>
</tr>
</tbody>
</table>

Foreign dividend exemptions
Fully exempt where 10% or more of the equity shares and voting rights are held.
Fully exempt where received by a company from a foreign company resident in the same country as the recipient.
To the extent of any controlled foreign company inclusions (net of applicable foreign tax)
To the extent that the foreign dividend is from a company listed on the JSE
To the extent that the above do not apply:
  For individuals 26/41sts of the dividend is exempt
  For companies 13/28ths of the dividend is exempt

Medical aid contribution tax rebate rates
Single member                   R286
Member plus one dependant       R572
Each subsequent dependant       R192

Additional medical expenses tax rebate
Persons 65 or older or persons younger than 65 if that person, his or her spouse or his or her child is a person with a disability:

\[((\text{Medical contributions} - (\text{medical aid contribution tax rebate} \times 3) + \text{other qualifying medical expenses}) \times 33\cdot3\% \]

Persons younger than 65:

\[((\text{Medical contributions} - (\text{medical aid contribution tax rebate} \times 4) + \text{other qualifying medical expenses}) \text{ as exceeds } 7\cdot5\% \text{ of taxable income} \times 25\% \]

<table>
<thead>
<tr>
<th>Trusts (other than a special trust)</th>
<th>41%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends tax</td>
<td>15%</td>
</tr>
<tr>
<td>Companies</td>
<td></td>
</tr>
<tr>
<td>Normal tax rate</td>
<td>28%</td>
</tr>
<tr>
<td>Donations tax</td>
<td>20%</td>
</tr>
<tr>
<td>Estate duty</td>
<td>20%</td>
</tr>
<tr>
<td>Official rate of interest (assumed)</td>
<td>8%</td>
</tr>
</tbody>
</table>
Rates of normal tax payable by persons (other than companies) for the year of assessment ended 28 February 2017

Where taxable income:
- does not exceed R188,000: 18% of each R1 of the taxable income
- exceeds R188,000 but does not exceed R293,600: R33,840 plus 26% of the amount over R188,000
- exceeds R293,600 but does not exceed R406,400: R61,269 plus 31% of the amount over R293,600
- exceeds R406,400 but does not exceed R550,100: R96,264 plus 36% of the amount over R406,400
- exceeds R550,100 but does not exceed R701,300: R147,996 plus 39% of the amount over R550,100
- exceeds R701,300: R206,964 plus 41% of the amount over R701,300

Tax rates for small business corporations for the year of assessment ended 31 March 2017

Where taxable income:
- does not exceed R75,000: Nil
- exceeds R75,000 but does not exceed R365,000: 7% of the amount over R75,000
- exceeds R365,000 but does not exceed R550,000: R20,300 plus 21% of the amount over R365,000
- exceeds R550,000: R59,150 plus 28% of the amount over R550,000

Turnover tax rates for micro businesses for the year of assessment ended 28 February 2017

Where taxable turnover:
- does not exceed R335,000: Nil
- exceeds R335,000 but does not exceed R500,000: 1% of the amount over R335,000
- exceeds R500,000 but does not exceed R750,000: R1,650 plus 2% of the amount over R500,000
- exceeds R750,000 but does not exceed R1,000,000: R6,650 plus 3% of the amount over R750,000

Car allowance
- Maximum vehicle cost for actual expenses: R560,000

Fringe benefit (company car)
- Benefit percentage (where no maintenance plan exists): 3.5%
- Benefit percentage (where a maintenance plan exists): 3.25%
- General business reduction: Benefit value x business kms/total kms (as per logbook)
- Private fuel reduction: Private fuel (R) x private kms/total kms (as per logbook)
- Private maintenance reduction: Private maintenance (R) x private kms/total kms (as per logbook)

Subsistence allowances
- Deemed expenditure for meals and incidental costs (per Government regulation): R372 per day (local travel)
- Deemed expenditure for incidental costs only (per Government regulation): R115 per day (local travel)
- Deemed expenditure for meals and incidental costs (foreign travel) – (per published tables) will be supplied in the question where relevant
Common capital allowances

New and unused manufacturing plant and equipment 40%/20%/20%/20%
Used or leased manufacturing plant and equipment 20% each year for five tax years
New or unused plant or machinery used for research and development (where it does not qualify for the research and development accelerated allowance) 50%/30%/20%
Small business corporation manufacturing plant and equipment 100%
Small business corporation (other assets) – unless wear and tear provides a greater deduction 50%/30%/20%

Wear and tear (based on Binding General Ruling 7) will be supplied in the question where relevant

Manufacturing building allowance (unless seller’s rate supplied) 5%
New or unused commercial building (not a manufacturing building) 5%
– No deduction where another section of the Act applies to the building
– Where part of a building is acquired, 55% of the acquisition price is ‘cost’
– Where an improvement to the building is acquired, 30% of the acquisition price of the improvement is ‘cost’

Research and development (R&D) expenditure 150%

Costs related to immovable property, machinery, plant, implements, utensils or articles (excluding any prototype or pilot plant created solely for the purpose of the process of research and development) are not claimed as research and development expenditure. Financing, and administrative or compliance costs may not be claimed as research and development expenditure.

Capital gains tax

Annual exclusion (while alive) R40,000
Annual exclusion (in year of death) R300,000
Primary residence exclusion R2,000,000
(where proceeds are R2 million or less, the full gain is excluded for the portion of the property used for domestic purposes as a primary residence)
Inclusion rate (natural persons) 40%
Inclusion rate (non-natural persons) 80%

Time apportioned base cost formulae:

\[ Y = B + \frac{1}{T + N} \times (P - B) \]

\[ P = R \times B/(B + A) \]

Where deductible enhancement expenditure has been incurred after the valuation date, the time apportioned base cost formulae change to:

\[ Y = B + \frac{1}{T + N} \times (P_1 - B_1) \]

\[ P_1 = R_1 \times B_1/(A_1 + B_1) \]
**Travel allowance table**

for years of assessment commencing on or after 1 March 2016

<table>
<thead>
<tr>
<th>Value of the vehicle (including value added tax (VAT) but excluding finance charges or interest)</th>
<th>Fixed cost</th>
<th>Fuel cost</th>
<th>Maintenance cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>R p.a.</td>
<td>c/km</td>
<td>c/km</td>
<td></td>
</tr>
<tr>
<td>0 – 80,000</td>
<td>26,675</td>
<td>82·4</td>
<td>30·8</td>
</tr>
<tr>
<td>80,001 – 160,000</td>
<td>47,644</td>
<td>92·0</td>
<td>38·6</td>
</tr>
<tr>
<td>160,001 – 240,000</td>
<td>68,684</td>
<td>100·0</td>
<td>42·5</td>
</tr>
<tr>
<td>240,001 – 320,000</td>
<td>87,223</td>
<td>107·5</td>
<td>46·4</td>
</tr>
<tr>
<td>320,001 – 400,000</td>
<td>105,822</td>
<td>115·0</td>
<td>54·5</td>
</tr>
<tr>
<td>400,001 – 480,000</td>
<td>125,303</td>
<td>132·0</td>
<td>64·0</td>
</tr>
<tr>
<td>480,001 – 560,000</td>
<td>144,784</td>
<td>136·5</td>
<td>79·5</td>
</tr>
<tr>
<td>Exceeds 560,000</td>
<td>144,784</td>
<td>136·5</td>
<td>79·5</td>
</tr>
</tbody>
</table>

Note: Where reimbursement is based on actual business kilometres travelled and no other compensation is paid to such employees and the kilometres travelled for business does not exceed 8,000, the prescribed rate is R3·29 per kilometre.

**Tax rates of normal tax retirement lump sum benefits**

in respect of the year of assessment ended 28 February 2017

<table>
<thead>
<tr>
<th>Where taxable portion of lump sum:</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>does not exceed R500,000</td>
<td>Nil</td>
</tr>
<tr>
<td>exceeds R500,000 but does not exceed R700,000</td>
<td>18% of the amount over R500,000</td>
</tr>
<tr>
<td>exceeds R700,000 but does not exceed R1,050,000</td>
<td>R36,000 plus 27% of the amount over R700,000</td>
</tr>
<tr>
<td>exceeds R1,050,000</td>
<td>R130,500 plus 36% of the amount over R1,050,000</td>
</tr>
</tbody>
</table>

**Tax rates of normal tax withdrawal lump sum benefits**

in respect of the year of assessment ended 28 February 2017

<table>
<thead>
<tr>
<th>Where taxable portion of lump sum:</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>does not exceed R25,000</td>
<td>Nil</td>
</tr>
<tr>
<td>exceeds R25,000 but does not exceed R660,000</td>
<td>18% of the amount over R25,000</td>
</tr>
<tr>
<td>exceeds R660,000 but does not exceed R990,000</td>
<td>R114,300 plus 27% of the amount over R660,000</td>
</tr>
<tr>
<td>exceeds R990,000</td>
<td>R203,400 plus 36% of the amount over R990,000</td>
</tr>
</tbody>
</table>
You work for a firm of tax advisers. Your client, Braams Abrahams, is a high net worth individual, resident in South Africa. He and three of his wealthy South African resident friends each own 25% of the equity shares in three foreign companies, Co A, Co B and Co C, all of which were acquired on 1 March 2016. All three companies have February year ends and none are effectively managed in South Africa. These foreign companies in turn invest in other companies and investments and so are not classified by the South African Revenue Service (SARS) as ‘foreign business establishments’.

Details concerning the three companies are shown below. All amounts have been correctly converted to South African Rand.

<table>
<thead>
<tr>
<th></th>
<th>Co A (R)</th>
<th>Co B (R)</th>
<th>Co C (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income to 28 February 2017</td>
<td>2,000,000</td>
<td>3,000,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Tax levied in foreign jurisdictions to 28 February 2017</td>
<td>(200,000)</td>
<td>(900,000)</td>
<td>(75,000)</td>
</tr>
<tr>
<td>Dividends declared to 28 February 2017</td>
<td>500,000</td>
<td>750,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Foreign withholding taxes on dividends to 28 February 2017</td>
<td>(50,000)</td>
<td>(112,500)</td>
<td>0</td>
</tr>
<tr>
<td>Base cost of assets at 1 January 2018 (forecast)</td>
<td>12,000,000</td>
<td>15,000,000</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Market value of assets at 1 January 2018 (forecast)</td>
<td>30,000,000</td>
<td>20,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Net income to 31 December 2017 (forecast)</td>
<td>1,750,000</td>
<td>3,200,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Taxes to be levied in foreign jurisdictions to 31 December 2017 (forecast)</td>
<td>(175,000)</td>
<td>(960,000)</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Dividends declared to 31 December 2017 (forecast)</td>
<td>100,000</td>
<td>1,000,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Foreign withholding taxes on dividends to 31 December 2017 (forecast)</td>
<td>(10,000)</td>
<td>(150,000)</td>
<td>0</td>
</tr>
<tr>
<td>Cost of the shares to Braams on 1 March 2016</td>
<td>7,000,000</td>
<td>5,000,000</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Market value of the shares on 1 January 2018 (forecast)</td>
<td>8,000,000</td>
<td>5,750,000</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

Braams and his fellow shareholders are considering transferring their shareholdings into a South African resident company (NewCo) with effect from 1 January 2018 and, immediately after the transfer, declaring NewCo to be a headquarter company, but are unsure of the tax consequences of such a decision.

You received an email from your manager on 5 December 2017 asking you to address the following issues:

(a) Explain, with supporting calculations, the impact of the above information in relation to Co A, Co B and Co C on the taxable income and tax payable by Braams Abrahams for the year of assessment ended 28 February 2017. (10 marks)

(b) Explain the income tax consequences for Braams of the NewCo proposal. Your explanation should address:

(i) The income tax consequences for Braams of transferring his existing shareholdings in Co A, Co B and Co C to NewCo. (5 marks)

(ii) Whether NewCo qualifies as a headquarter company, addressing each of the qualifying criteria. (5 marks)

(iii) The income tax consequences, with supporting calculations, for Braams and NewCo if NewCo is declared a headquarter company with effect from 1 January 2018 after the transfer of the shareholdings from Braams and his fellow shareholders. (11 marks)

Required:

Draft an email in which you address the questions raised by your manager.

Note: The split of the mark allocation is shown against each of the questions raised.

Professional marks will be awarded in question 1 for the format and presentation of the email and for the effectiveness of communication. (4 marks)
Aka Boro has been employed as a linguistic editor of PUBLISH Ltd (PUBLISH), a large publishing company, for a number of years. His wife, Noxolo, also works as a linguistic editor for PUBLISH.

Until 31 May 2016, Aka was employed on a full-time basis for R450,000 per annum. He decided to reduce his employment at PUBLISH to a 70% part-time post with effect from 1 June 2016 to give him more time to work on Project X (see below). There are no fringe benefits attaching to Aka’s employment contract with PUBLISH.

Aka’s employment contract with PUBLISH permits him to offer freelance services where these do not conflict with his work commitments or the publishing agenda of PUBLISH. In this regard, Aka has entered into freelance agreements with several South African universities as a freelance linguistic editor for the research submissions of their staff and students. Aka earns on average R400,000 per annum from this linguistic editing freelance work. All the freelance contracts specify that Aka is responsible for any taxes which are required to be levied. The freelance contracts are payable in 12 equal monthly instalments as work is completed and invoiced. Aka registered for value added tax (VAT) with effect from 1 December 2016.

**Internet expenses**

On 1 March 2016, Aka upgraded his and Noxolo’s home internet connection to fibre for a monthly fee of R1,800 to increase the download and upload speed.

**Home renovation**

By the end of May 2016, just before the start of Project X (see below), Aka had added a room onto the family home to be used as an office for all freelance work. He used their mortgage bond facility to fund the construction of the office and the acquisition of office furniture and supplies.

The construction of the office cost R350,000 and the office comprises 10% of the total property size. The interest on the mortgage relating to the construction amounts to R2,900 per month. Rates and taxes are R2,000 per month, electricity is R700 per month and water is R500 per month.

To equip the office, Aka acquired office furniture for R100,000, and computers and printers for R80,000. Insurance on the office equipment costs R3,000 per month.

On 1 December 2016, the office furniture had a market value of R75,000 and the computer and printers had a market value of R65,000.

The Commissioner permits office furniture to be written off over six years and computers and printers over three years.

**Project X**

Project X is a new and large research project from one of the universities which has required extensive use of Aka’s services since its commencement on 1 June 2016. The Project X contract amounts to R550,000 per annum, the terms of this contract being similar to those of his existing freelance contracts.

By November 2016, the workload was proving to be too much for Aka and he decided to use the services of Noxolo to assist him with Project X. Noxolo provides services to Aka as a freelance contractor (i.e. not an employee) at a rate of R750 per hour worked. By the end of February 2017, Noxolo had worked 260 hours.

**Project X add-on**

Aka was given the option to accept additional work for Project X, increasing the contract value by a further R60,000 per annum. He accepted this option and the additional work began on 1 January 2017.

Required:

(a) **Explain the implications for Aka Boro of registering for VAT with effect from 1 December 2016.**

   Note: Your answer should include a calculation of the VAT payable by Aka for the period 1 December 2016 to 28 February 2017.  
   (8 marks)

(b) **Calculate the income tax payable by Aka for the year of assessment ended 28 February 2017.**  
   (12 marks)

(c) **Advise Aka of the income tax implications if he had terminated his other freelance work and transferred the Project X contract into a corporate entity.**

   Note: You should ignore any VAT implications.  
   (5 marks)

   (25 marks)
Joan, aged 55 and resident in South Africa, was retrenched from her job on 31 October 2016. At the time, her friend Jess, who had been running a successful business as a sole trader, was looking to expand her business. On 1 December 2016, Joan joined Jess, forming a partnership.

Joan's severance package:
Joan had been employed by Quantum Ltd for many years, earning a salary of R550,000 per annum. As a result of a cost-cutting exercise, Joan was retrenched by Quantum Ltd on 31 October 2016, receiving a severance package of R1,100,000. She immediately transferred the whole of her pension accumulation account to a pension preservation fund. The amount transferred amounted to R2,500,000.

Jess and Joan partnership:
Jess had been trading as a sole trader prior to the formation of the partnership. As the business was independently valued at R6,000,000, Joan contributed R750,000 as a capital contribution and a further R750,000 as a loan for a 25% share of the partnership. The capital contribution and loan were funded from the after-tax cash from her severance package, with the balance being borrowed from a local bank. The bank charges Joan 10% per annum on the loan. Joan will charge the partnership 12% per annum.

Joan operates as the business manager of the partnership, receiving a salary of R30,000 per month. The profit share percentage in the partnership agreement provides for the profits and losses of the partnership to be allocated 25% to Joan and 75% to Jess. Joan has no other sources of income.

The partnership earned profit before interest and capital allowances of R375,000 for the period 1 December 2016 to 28 February 2017. The assets transferred by Jess in forming the partnership included the following (all amounts exclude value added tax (VAT), where applicable):

(i) Computers: First acquired on 1 May 2015 for R255,000 and valued at R100,000 on 30 November 2016.
(ii) Trading stock: Cost of stock on hand at 30 November 2016 was R1,800,000 and the market value was R3,500,000.
(iii) Motor vehicle: First acquired on 1 April 2016 for R350,000 and valued at R280,000 on 30 November 2016.
(iv) The balance of the value of the business (R2,120,000) was goodwill.

Jess is registered for VAT and the partnership is also registered for VAT. The Commissioner allows computers to be written off over three years and motor vehicles over four years.

Required:

(a) Explain, with supporting calculations, the implications of the severance package and the pension fund transfer on Joan's taxable income and income tax payable for the year of assessment ended 28 February 2017.

(4 marks)

(b) Explain, with supporting calculations, the income tax deductibility of the interest on the bank loan for Joan for the period ended 28 February 2017.

(6 marks)

(c) Explain, with supporting calculations, the income tax consequences for Jess of the transfer of assets on the formation of the partnership.

(10 marks)
You work for a firm of tax consultants and have received an email dated 5 December 2017 from your manager with respect to IT Solutions (Pty) Ltd.

Extracts from the email

IT Solutions (Pty) Ltd develops and maintains customised payment platforms for various companies within and outside South Africa. The company has developed a core code (in South Africa) for the development of payment platforms from which customised solutions are created for clients. Much of the development of the payment platform occurs in South Africa, but the installation on the client servers and site testing both occur at the client's premises.

The development projects are broken down into phases. On the completion of a phase, the client is billed for that phase. A development fee is charged for the development of the customised code, installation on the client servers and site testing. Once the platform is functional, ownership of the customised code is transferred to the client for a capital fee. The capital fee covers a warranty period of three months after installation, after which the service contract comes into effect and the client is billed per visit for the maintenance or further development of the platform. All service contract work occurs at the client's premises.

IT Solutions (Pty) Ltd also provides technical training to client staff for an additional fee. All training is conducted at the client's premises.

IT Solutions (Pty) Ltd is also paid a fee for the licensing of the core development code (the base of the customised code sold to the client). The core development code is registered as a patent.

As the development work is intensive, IT Solutions (Pty) Ltd only takes on one development client while concluding the service contracts for the previous client and obtaining a contract to start the development for a new client. Currently, IT Solutions (Pty) Ltd is mid-way through the development for a company in Angola and is operating a service contract and training for a company in the Ivory Coast. IT Solutions (Pty) Ltd will start a new development for a South African company in the next tax year.

South Africa does not have a double tax treaty with Angola or the Ivory Coast. Angola and the Ivory Coast levy 20% withholding tax on all payments from the client companies to IT Solutions (Pty) Ltd.

Required:

(a) Advise as to the classification and country of source of each of the following fees for South African income tax purposes:
   (i) Development fees for the development of the customised code (including installation and site testing);
   (ii) Capital fee for the transfer of ownership of the customised code;
   (iii) Licence fees for the use of the core code;
   (iv) Training fees for training client staff;
   (v) Service fees for subsequent maintenance.  

(b) Explain what relief is available for any double tax incurred by IT Solutions (Pty) Ltd and how the relief will be applied.

(c) Explain the value added tax (VAT) implications of IT Solutions (Pty) Ltd's business model for the development of IT platforms both in South Africa and outside South Africa.
Asha has contacted you following the death of her husband, Folami. As the appointed executor of Folami’s estate, she requires advice on the tax implications of his death.

Folami died suddenly on 1 August 2016. He was and had always been a resident of South Africa. Folami is survived by his wife Asha and their minor daughter, Zoya. Folami and Asha had been married out of community of property and excluding the accrual system.

**Books Ltd employment**
Folami had been a director of Books Ltd for which he received director’s fees and a salary amounting in total to R1,100,000 per annum. In addition, Folami had received share options for shares in Book Ltd. On 1 April 2016, he became entitled to exercise some of these options and exercised options for 100,000 Book Ltd shares. Folami had not paid for the options, but on exercise he was required to pay R5 per share. The market value of the shares at 1 April 2016 was R8 per share. Once exercised, Folami was not permitted to trade in the shares for one year. Folami retained options for a further 100,000 Book Ltd shares which were to be exercised in April 2017, also at a price of R5 per share. The share scheme rules provide that all restrictions on shares acquired are to be lifted on death in service. In addition, any unexercised options may be exercised by the estate of the deceased director and all restrictions on existing shares or options on shares are to be lifted immediately. On 1 August 2016, the share price of Book Ltd shares had increased to R9 per share.

After Folami’s death, the directors of Book Ltd decided to award a sum of R400,000 to Asha in recognition of the past efforts of Folami in growing the business.

**Mauritius property**
On 1 March 2016, on the occasion of Asha’s birthday, Folami donated a property in Mauritius to Asha. He had purchased the property from an American citizen for US$100,000 three years before. On donation to Asha, the property was valued at MUR3,500,000 (Mauritian Rupee).

**The Family Trust**
Folami had created an *inter vivos* trust (The Family Trust) in 2014. On its creation, Folami donated a rental property in Hermanus, South Africa to the trust. The trust is discretionary as regards income and capital. The beneficiaries of the trust are Asha and Zoya.

The trust earned net rental income of R180,000 for the period 1 March 2016 to 31 July 2016. The trust had not made any distributions in the period 1 March 2016 to 31 July 2016. Interest earned on the retained rentals amounted to R6,750 for the same period.

For the period 1 August 2016 to 28 February 2017, the trust earned net rental income of R230,000. The trustees exercised their discretion in February 2017 and made a distribution from the rental income of R250,000 to Asha and R100,000 to Zoya (to cover her school fees for the coming academic year). Further interest earned by the trust amounted to R7,685 on the undistributed rentals.

**The estate**
Folami’s estate received the proceeds from two insurance policies on his life. Folami’s will provided that the beneficiary of one policy of R3,500,000 was to be a new trust (The Zoya Trust) to be set up exclusively to provide for Zoya. The proceeds from the second policy of R10,000,000 was left to Asha.

The only other assets held by Folami at the date of his death were as follows:
- The family home with a base cost of R5,600,000 and market value at 1 August 2016 of R11,000,000.
- Motor vehicles with a base cost of R650,000 and market value at 1 August 2016 of R430,000.
- Cash of R750,000.
- Shares in other listed companies with a base cost of R7,000,000 and a market value at 1 August 2016 of R15,000,000.

Apart from the life insurance policy in favour of The Zoya Trust, the residue of the estate was left to Asha.
Required:
Advise Asha, with supporting calculations where applicable, of the tax implications arising as a result of Folami’s death for each of the following parties:
(a) Folami; (8 marks)
(b) The estate; (3 marks)
(c) The Family Trust; (4 marks)
(d) The Zoya Trust; (2 marks)
(e) Asha. (3 marks)

(20 marks)

End of Question Paper