Specimen Exam

Exam Name: Taxation (E1 BWA)
Time Allowed: 3 hours
Pass Mark: 50%

This exam contains 2 sections:

Section A:
15 questions, each worth 2 marks
30 marks in total

Section B:
4 questions, each worth 10 marks
2 questions, each worth 15 marks
70 marks in total

Note: This specimen examination has been prepared based on legislation passed by 30 September 2025 (to be updated).

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Section A

Question 1

Tebogo, an individual, submitted an incorrect tax return for the 2025/26 tax year and understated his chargeable income by an amount of P108,664. This resulted in an underpayment of tax of P27,166.

The understatement was due to neglect and carelessness.

What is the maximum penalty that can be charged to Tebogo?

A P13,583
B P27,166
C P54,332
D P108,664

Question 2

Tuli Investments (Pty) Ltd is a company registered for value added tax (VAT) in Botswana. In the tax period ended 31 March 2026, the company recorded the following transactions:

	P
Local sales	828,301
Purchase returns	37,229
Samples given to customers	0
Cash advance received	200,000

The market value of the samples given to customers was P15,000.

What is the value of the outputs which Tuli Investments (Pty) Ltd should declare in its VAT return for the period ended 31 March 2026?

A P843,301
B P865,530
C P1,043,301
D P1,065,530

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Question 3

Amantle, a Botswana resident, sold shares in Wayside Stores (Pty) Ltd for P250,000 during the 2025/26 tax year.

The original cost was P30,000 in August 2016.

Selling costs amounted to P8,064.

Calculate the net disposal gain Amantle should declare in her tax return for the 2025/26 tax year.

P ☐

Question 4

Cavince Logistics (Pty) Ltd, a Botswana resident company, made the following payments during the 2025/26 tax year and deducted the corresponding withholding tax (WHT):

	Amount	WHT
	P	P
Management fees - resident	200,000	0
Brokerage - non-resident	50,000	0
Technical advice - non-resident	85,000	12,000
Royalties - non-resident	125,000	15,750

Calculate the amount which Cavince Logistics (Pty) Ltd can claim as a deduction in its 2025/26 income tax return.

P ☐

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Question 5

Yondela is an employee and a taxpayer.

Which of the following documents should Yondela retain for tax purposes for a period of at least eight years?

(1) Salary slips
(2) ITW8 - certificate of income and PAYE

A Both 1 and 2
B Neither 1 nor 2
C 2 only
D 1 only

Question 6

Trigon Construction (Pty) Ltd calculated a taxable income for the 2025/26 tax year of P792,082 before inclusion of the following provisions:

	P
Provision for leave pay	61,083
Provision for future expenditure	150,000
Provision for specific bad debts	37,886
Provision for future loss on a contract	66,358

What amount is deductible in respect of the provisions by Trigon Construction (Pty) Ltd in calculating its taxable income for the 2025/26 tax year?

A P98,969
B P127,441
C P187,886
D P216,358

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Question 7

Bluebell Distributors (Pty) Ltd (BD) delivered goods to Lobatse Retailers (Pty) Ltd (LR) in February 2026 after LR had paid a deposit of P40,000 in January 2026.

BD issued a tax invoice for P120,000 in March 2026.

In April 2026, LR paid the balance outstanding of P80,000.

Which TWO of the following months should Bluebell Distributors (Pty) Ltd account for the output value added tax (VAT) in respect of the goods sold to Lobatse Retailers on its VAT return?

A February 2026
B March 2026
C January 2026
D April 2026

Question 8

Carnation Technologies (Pty) Ltd made the following payments during March 2026:

	P
Marketing fees to a resident	50,000
Insurance premium to a non-resident	120,000
Commission to a resident salesperson	32,000
Rent of machine to a non-resident	14,000

Calculate the amount of withholding tax which Carnation Technologies (Pty) Ltd should deduct from the payments in March 2026.

P ☐

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Question 9

Lotus Paints (Pty) Ltd, a Botswana company, wrote off the following bad debts for the year ended 30 April 2026:

	P
Staff loans	37,298
Trading debts	170,263
Purchased debts	22,008
Provision previously claimed	30,000
	259,569

What is the total amount of bad debts which Lotus Paints (Pty) Ltd can claim as a tax deduction for the 2025/26 tax year?

A P89,306
B P200,263
C P229,569
D P170,263

Question 10

Morula Studio (Pty) Ltd intends to sell an empty plot of land and use the proceeds to purchase shares on the Botswana Stock Exchange (BSE).

Which TWO of the following are requirements for claiming rollover relief on this transaction?

A The taxpayer must make an application to the Commissioner General within 12 months of the sale
B The reinvestment must be in shares on the BSE
C The reinvestment must be in immoveable property purchased for use in the taxpayer's business
D The taxpayer must receive tax clearance

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Question 11

Wangu is an employee of Databyte Computers (Pty) Ltd. His employment package for the 2025/26 tax year was:

	P
Salary	660,000
Medical aid paid by company	36,000
School fees	52,500
Rent allowance	60,000

What is the amount of Wangu's taxable income for the 2025/26 tax year?

A P712,500
B P772,500
C P720,000
D P748,500

Question 12

During the 2025/26 tax year, Tsaone, a Botswana individual, sold industrial land and a building for P2 million. The original cost of the land and building was P1,700,000.

Tsaone has previously claimed the following capital allowances:

	P
Annual allowances	262,500
Initial allowance	437,500

What is the balancing charge which Tsaone should include in his 2025/26 tax return?

A P700,000
B P262,500
C P300,000
D P437,500

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Question 13

Sexton Publishers (Pty) Ltd is registered for value added tax (VAT).

In the tax period ended 31 March 2026 the company made a number of purchases (exclusive of VAT).

Which TWO of the following purchases can Sexton Publishers (Pty) Ltd claim as an input tax credit for the tax period ended 31 March 2026?

A Goods received and tax invoice received
B Goods received but tax invoice not yet received
C Tax invoice received but goods not yet received
D Prepayment but goods and tax invoice not yet received

Question 14

Which TWO of the following types of income are a final charge to tax for individuals for withholding tax purposes?

A Dividends
B Interest received from a bank
C Commission
D Rent

Question 15

Bobonong Contractors (Pty) Ltd is registered for value added tax (VAT).

The company received a payment of P1 million in relation to an arbitration award, in respect of a construction claim for work carried out but not previously invoiced.

Which of the following is the type of supply of the arbitration award for VAT purposes?

A Standard rated
B Zero-rated
C Exempt
D Out of scope

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Section B

Question 16

The following scenario relates to two requirements.

Kabelo, a Botswana individual, disposed of the following investments in the 2025/26 tax year:

1. Shares and loan account in Dawn Surveyors (Pty) Ltd for a sum of P2 million. The original cost of each was:

	P
Shares - purchased August 2009	428,000
Value of loan account	736,024

2. A registered patent for P350,000. The original cost was P700,000 in September 2018.

3. Shares in a company listed on the Botswana Stock Exchange (BSE) for P825,000. The original cost was P186,500 in June 2014.

4. 1,000 shares in Masego Printers (Pty) Ltd, an unlisted company, for P500,000. Kabelo originally purchased 1,000 shares in March 2015 for P220,000. In December 2021, he then participated in a 1 for 4 rights issue at P300 per share.

Requirements:

(a) Calculate Kabelo's taxable net disposal gain or loss for the 2025/26 tax year.

Note: You should list all items referred to in notes (1) to (4), indicating by the use of zero (0) any item which does not impact the calculation

(6 marks)

(b) On the assumption that Kabelo donated the investments instead of selling them, calculate how much capital transfer tax is payable by the donee.

(4 marks)

(10 marks)

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Question 17

The following scenario relates to one requirement.

Sigma Bakeries (Pty) Ltd is registered for value added tax (VAT). The company accounts for the tax period ended 31 March 2026 reflected the following transactions (exclusive of VAT):

	Notes	P
Income		
Sales - local	2	2,792,063
Sales - exports		386,338
Residential rent received		60,000
Interest received		16,295
Credit notes for purchase returns		58,526
Bad debt recovered	1	20,000
		3,333,222
Expenses		
Purchases - local		260,273
Purchases - imports		1,362,637
Commercial rent		85,000
Repairs to residential properties		16,930
Purchase of shares listed on the Botswana Stock Exchange (BSE)		243,769
Purchase of single cab bakkie		650,000
Payroll and associated costs		936,104
Financial lease instalment		32,784
Motor vehicle repairs		20,681
Technical fees paid to non-resident		100,000
Water and electricity		27,082
Donation to charity		10,000
		3,745,260

Notes:

1. In respect of the bad debt recovered, an input tax credit had been claimed when the debt was reported as bad.

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2. A deposit of P250,000 had been received in respect of a sale. The goods have been delivered but the sale has been invoiced in the next tax period (30 April 2026) and is therefore not included in the local sales figure.

Requirement:

Calculate the amount of value added tax (VAT) payable by, or refundable to, Sigma Bakeries (Pty) Ltd for the tax period ended 31 March 2026.

Note: You should list all items referred to in the question, indicating by the use of zero (0) any item which does not require adjustment.

(10 marks)

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Question 18

The following scenario relates to three requirements.

Forrest Engineering (Pty) Ltd (Forrest) made the following payments in the 2025/26 tax year:

	P
Residents	
Engineering drawing fees	26,792
Interest paid to bank	78,214
Interest paid to shareholder	58,030
Dividends	200,000
Residential rent	72,000
Rent of engineering equipment	48,000
Commission	16,480
Subcontractor consultant fees for drawings	89,474
Non-residents	
Consulting fees	79,460
Subscription to an engineering society	5,684
Royalty for use of name	142,860
Technical journal subscription fee	7,026
Advertising for staff	10,473
Attendance at conference	27,508

Notes:

1. Forrest has not deducted or paid over any withholding tax.

2. The taxable income of Forrest is P620,731 before any adjustments that might be made for withholding tax. All of the above expenses have been treated as fully deductible.

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Requirements:

(a) Calculate the tax which should have been withheld on the payments made by Forrest Engineering (Pty) Ltd in the 2025/26 tax year.

Note: Your answer should list all items referred to in the question, indicating by the use of zero (0) any item which does not require adjustment.

(7 marks)

(b) Assess the revised taxable income, including the latest date by which tax deducted must be paid over to the tax authority, for Forrest Engineering (Pty) Ltd in the 2025/26 tax year.

Note: Your computation should start with the taxable income of P620,731.

(3 marks)

(10 marks)

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Question 19

The following scenario relates to four requirements.

You are approached by a foreign manufacturing group which is considering investing in a manufacturing facility in Botswana. A local company, Apla (Pty) Ltd (Apla), would be incorporated to carry out the manufacturing activities and your advice is requested on the following matters:

1. Apla will be required to compute its tax liability and requests advice on how deductions are calculated.

2. The intention is that Apla will construct a factory building and purchase machinery to be used in the manufacturing process.

3. Apla wishes to ensure that its corporate tax is fully paid up at all times, while claiming all available tax credits.

4. Apla is expected to start operations with second hand machinery but it will sell this and purchase new machinery that will come onto the market in due course.

Requirements:

(a) Analyse the general deduction formula and specific deductions.

(3 marks)

(b) Summarise the tax benefits and reliefs which are available to a company that is engaged in manufacturing.

(2 marks)

(c) Summarise the tax credits which can be claimed against a taxpayer's liability.

(2 marks)

(d) Assess the tax consequences of the sale of the machinery and any reliefs available on the purchase of new machinery.

(3 marks)

(10 marks)

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Question 20

The following scenario relates to three requirements.

Thusa Fabrications (Pty) Ltd provided you with the following results for the year ended 31 March 2026:

	Notes	P
Income		
Sales		5,382,278
Proceeds from sale of trucks	1	250,000
Insurance receipts on lost deliveries		82,562
Commission received		52,440
Interest received		36,720
Rent received		60,000
Dividends received		15,790
		5,879,790
Expenses		
Normal operating expenses - all deductible		3,659,701
Depreciation of assets	1	320,518
Purchase of new trucks	1	885,000
Impairment of investment		36,500
Compensation for lost deliveries		74,522
Marketing fees paid to non-resident	2	275,000
Loan to an associated company		400,000
		5,651,241
Net profit		**228,549**

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Notes:

1. The movements on the fixed assets were as follows:

	P
Opening cost	2,830,662
Additions	885,000
Disposals of trucks	(600,000)
Closing cost	**3,115,662**
Opening accumulated depreciation	1,883,960
Current year charge	320,518
Relating to disposals	(485,924)
Closing accumulated depreciation	**1,718,554**
Net book value	**1,397,108**

Capital allowances on the trucks sold amounted to P507,820.

2. No withholding tax was deducted from marketing fees.

3. The following amounts of withholding tax were deducted from income by the payers:

	P
Commission	5,244
Interest	3,672
Rent	3,000
Dividends	1,579
	13,495

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Requirements:

In respect of Thusa Fabrications (Pty) Ltd for the 2025/26 tax year:

(a) Calculate:

- **the accounting profit or loss on the sale of the trucks;**
- **the balancing charge or allowance on the sale of the trucks claiming all reliefs available; and**
- **the capital allowances for all assets.**

(5 marks)

(b) Calculate the taxable income.

Note: Your answer should start with the net profit of P228,549 and should list all items referred to in the question and notes (1) and (2), indicating by the use of a zero (0) any item which does not require adjustment.

(8 marks)

(c) Calculate the withholding tax credits which can be claimed as a deduction for corporate income tax purposes.

(2 marks)

(15 marks)

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Question 21

The following scenario relates to three requirements.

Nomsa is a retired civil servant who owns a business called Spectrum Partners and also owns a cattle farm. Nomsa has provided the following information regarding her income for the 2025/26 tax year:

Spectrum Partners

The books and records of Spectrum Partners revealed the following transactions for the year ended 30 June 2026:

	P
Receipts	
Sales	1,973,926
Medical aid receipts	14,803
Repayment of loan given to son	25,000
Sale proceeds of shares listed on the Botswana Stock Exchange (BSE)	267,850
	2,281,579
Payments	
Purchases	932,074
Administrative expenses - all deductible	792,603
Purchase of industrial sewing machine	200,000
Donation to a political party	10,000
Rates on Nomsa's home in Lobatse (Botswana)	12,754
Interest on business loan	26,042
Residential rent for Nomsa	72,000
Deposit on a new machine	50,000
	2,095,473
Excess of receipts over payments	**186,106**

Notes:

1. The value of stock at Spectrum Partners at the end of the year increased by P156,208 compared to the beginning of the year.

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2. Spectrum Partners owes P196,803 to suppliers in respect of purchases at 30 June 2026 which have not been included in the figures above.

3. At 30 June 2025 Spectrum Partners owned plant and machinery qualifying for capital allowances which had cost P527,200.

4. The new machine was only delivered after the year end.

Cattle Farm

The books of the cattle farm for the year ended 30 June 2026 resulted in an excess of payments over receipts of P329,375.

The following points were not taken into account when calculating this loss:

5. As at 30 June 2025, the number of cattle was 867 head and as at 30 June 2026 it was 928.

6. Two head of cattle died during the year.

7. Nomsa took five head of cattle for personal consumption. The current market price is P800 per head.

Additional information

Nomsa received a pension amounting to P379,628 for the year and PAYE of P75,926 was deducted.

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Requirements:

In respect of Nomsa for the year ended 30 June 2026:

(a) Prepare a computation of chargeable income or loss from Spectrum Partners:

Notes:

1. Your computation should start with the excess of receipts over payments figure of P186,106 and should list all items referred to in the question and notes (1) to (4), indicating by the use of zero (0) any item which does not require adjustment.

2. Capital allowances should be calculated at a rate of 15%.

(9 marks)

(b) Prepare a computation of chargeable income or loss from the cattle farming business.

Notes:

1. Your computation should start with the excess of payments over receipts figure of (P329,375) and should list all items referred to in the question and notes (5) to (7), indicating by the use of zero (0) any item which does not require adjustment.

2. A standard value of P430 per head should be used.

(3 marks)

(c) Calculate the taxable income from all sources and the tax payable or refundable for the 2025/26 tax year.

(3 marks)

(15 marks)

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