Suggested solution

Section A

1 B

P27,166 (P27,166 x 100%).

The maximum penalty where the error is due to neglect or carelessness is 100% of tax lost.

2 D

P1,065,530 (P828,301 + P37,229 + P200,000).

All items are taxable except the samples. This is because the samples had no consideration and therefore the value of supply was nil.

3 P158,952

P250,000 – P30,000 – P8,064 = P211,936

P211,936 – 25% moveable property allowance = P158,952

The original cost of the shares as well as any selling costs should be deducted from the proceeds before the 25% moveable property allowance is applied.

4 P435,000

Maximum deduction for technical advice: P12,000 / 15% x 100% = P80,000
Maximum deduction for royalties: P15,750 / 15% x 100% = P105,000
Total deduction therefore: P200,000 + P50,000 + P80,000 + P105,000 = P435,000.

The deductions of P80,000 and P105,000 are the restricted deductions calculated by reference to withholding tax (WHT) paid. Although there is WHT on brokerage fees, the non-payment does not affect the deductibility.

5 B

Neither 1 nor 2.

An individual not carrying on a business is not required to retain either of the named documents (being salary slips and ITW8).

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6 A

P98,969 (P61,083 + P37,886).

Provisions for leave pay and specific bad debts are deductible. A future loss on a contract and the cost of future expenditure are NOT allowable deductions.

7 B and C

The following months for accounting for output value added tax (VAT) in this situation are correct:

- January 2026
- March 2026

The deposit of P40,000 is accounted for in January 2026 when it was paid, with the remainder accounted for at the date of the invoice in March 2026.

February 2026 is the delivery date which is not relevant for accounting for output VAT.

April 2026 is the second payment date however, as the invoice date came before the second payment and therefore the second payment date is irrelevant.

8 P3,200

P3,200 (P32,000 x 10%).

Withholding tax (WHT) is only payable on commission to residents. WHT is not payable on the rent of moveable property such as machines. No WHT is payable on marketing fees to residents and insurance premiums to non-residents.

9 D

P170,263.

Only the trading debts can be claimed. A deduction has already been claimed for the provision and therefore cannot be claimed again. Staff loans and purchased debts are not allowable bad debts.

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10 A and C

The following statements are requirements for claiming rollover relief on the transaction outlined:

- The taxpayer must make an application to the Commissioner General within 12 months of the sale.
- The reinvestment must be in immoveable property purchased for use in the taxpayer's business.

The reinvestment does not need to be in shares on the Botswana Stock Exchange (BSE), nor does the taxpayer need to receive tax clearance.

11 B

P772,500 (P660,000 + P52,500 + P60,000).

Salary, school fees, and the rent allowance are all taxable income sources. Only medical aid is not taxable.

12 A

P700,000.

This is calculated as the lower of:
- Allowances claimed: P262,500 + P437,500
- Selling price: P2,000,000

The recoupment of capital allowances previously claimed is limited to the selling price.

13 A and C

The following purchases can be claimed as an input tax credit in the scenario outlined:

- Goods received and tax invoice received.
- Tax invoice received but goods not yet received.

A claim can only be made where an invoice has been received.

14 A and B

The following types of income are a final charge to tax for individuals for the purposes of withholding tax and therefore no further credit is available:

- Dividends.
- Interest received from a bank.

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15 A

An arbitration award is standard rated for VAT purposes.

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Section B

16

Kabelo

(a) Taxable net disposal gain or loss for the 2025/26 tax year

		P	P
1	**Shares and loan account in Dawn Surveyors (Pty) Ltd**		
	Sale price	2,000,000	
	Less: loan account	(736,024)	
	Less: cost of shares	(428,000)	
		835,976	
	Less: 25% moveable property allowance	(208,994)	**626,982**
2	**Patent**		
	Sale price	350,000	
	Less: cost of patent	(700,000)	**(350,000)**
3	**Shares listed on BSE**		**0**
4	**Shares in Masego Printers (Pty) Ltd**		
	Sale price for 1,000 shares	500,000	
	Less: cost of 1,000 shares @ P236 per share (working 1)	(236,000)	
		264,000	
	Less: 25% moveable property allowance	(66,000)	**198,000**
	Net disposal gain		**474,982**

Working 1:

		P
Original cost price	1,000 shares	220,000
Rights issue	250 shares @ P300	75,000
	1,250	**295,000**
Cost per share of 1,250 shares (P295,000 / 1,250)		236

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(b) Assets are donated instead of sold

	P
Chargeable disposals	
1. Shares and loan account in Dawn Surveyors (Pty) Ltd	2,000,000
2. Patent	350,000
3. Shares listed on BSE	825,000
4. Shares in Masego Printers (Pty) Ltd	500,000
Allowance	0
Aggregate taxable value	**3,675,000**
Capital transfer tax (CTT) payable:	
P16,000 + ((P3,675,000 – P500,000) x 5%)	174,750

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17

Sigma Bakeries (Pty) Ltd – Value added tax (VAT) for the tax period ended 31 March 2026

	P
Income	
Sales – local (P2,792,063 + P250,000)	3,042,063
Sales – exports	0
Residential rent received	0
Interest received	0
Credit notes for purchase returns	58,526
Bad debt recovered	20,000
	3,120,589
Expenses	
Purchases - local	260,273
Purchases - imports	1,362,637
Commercial rent	85,000
Repairs to residential properties	0
Purchase of shares listed on the Botswana Stock Exchange (BSE)	0
Purchase of single cab bakkie	650,000
Payroll and associated costs	0
Financial lease instalment	0
Motor vehicle repairs	20,681
Technical fees paid to non-resident	0
Water and electricity	27,082
Donation to charity	0
	2,405,673
Excess of outputs over inputs	714,916
VAT at 14%	100,088

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18

Forrest Engineering (Pty) Ltd

(a) Correct withholding tax (WHT)

	Expense	WHT
	P	P
Residents		
Engineering drawing fees	26,792	0
Interest paid to bank	78,214	0
Interest paid to shareholder	58,030	5,803
Dividends	200,000	20,000
Residential rent	72,000	3,600
Rent of engineering equipment	48,000	0
Commission	16,480	1,648
Subcontractor consultant fees for drawings	89,474	0
Non-residents		
Consulting fees	79,460	11,919
Subscription to an engineering society	5,684	0
Royalty for use of name	142,860	21,429
Technical journal subscription fee	7,026	0
Advertising for staff	10,473	0
Attendance at conference	27,508	0
		64,399

(b) Revised taxable income

	P
Taxable income before adjustment	620,731
Add: consulting fees	79,460
Add: royalty for use of name	142,860
Revised taxable income	**843,051**

The latest date to pay over tax withheld from any payment is the 15th of the month following payment of the expense.

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19

Apla (Pty) Ltd

(a) General deduction formula and specific deductions

Deductions are claimed under one of two areas of the Income Tax Act:

- The general deduction formula requires that the expense is actually incurred and is wholly, exclusively and necessarily incurred in the production of assessable income and not be of a capital nature.
- The specific deduction formula relates to specific expenditure or allowances that are often of a capital nature but a deduction is allowed.

(b) Tax benefits for manufacturing companies

- A 15% tax rate is available instead of the usual 22%.
- A 25% initial allowance is available on the construction of a factory building.

(c) Tax credits

Tax credits are available for the following:

- Any overpayments brought forward from the prior year plus current year self-assessment tax (SAT) payments.
- Withholding tax deducted from local receipts of construction, interest, commission or rent.

(d) Tax consequences and reliefs

- On the sale of the machinery there will be a balancing charge or allowance which is calculated by taking the selling price minus the tax value.
- A balancing charge can be deducted from the cost of new machinery via rollover relief.
- This effectively means that tax on the balancing charge is deferred until the sale of the second asset.

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Thusa Fabrications (Pty) Ltd

(a)

	P	P
Accounting profit on sale of trucks		
Sale proceeds		250,000
Less:		
Cost price	600,000	
Less: depreciation	(485,924)	
		(114,076)
Profit on sale of trucks		**135,924**
Balancing charge on sale of trucks		
Sale proceeds		250,000
Less:		
Cost price	600,000	
Less: capital allowances	(507,820)	
		(92,180)
Balancing charge		**157,820**
Rollover relief		(157,820)
		0
Capital allowances		
15% on opening cost (P2,830,662 - P600,000)		334,599
Additions	885,000	
Less: rollover relief	(157,820)	
	727,180	
15% x P727,180		109,077
Total capital allowances		**443,676**

(b) Taxable income

	P	P
Net profit		228,549
Add:		
Normal operating expenses	0	
Depreciation	320,518	
Purchase of new trucks	885,000	
Impairment of investment	36,500	
Compensation for lost deliveries	0	
Marketing fees paid to non-resident	275,000	
Loan to associated company	400,000	1,917,018

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Less:		
Capital allowances (from part (a))	443,676	
Sales	0	
Proceeds from sale of trucks	250,000	
Insurance receipts on lost deliveries	0	
Commission received	0	
Interest received	0	
Rent received	0	
Dividends received	15,790	(709,466)
Taxable income		**1,436,101**

Tutorial note: Although a profit on the sale of the trucks of P135,924 was calculated in part (a), as this was not included in the original income and expense deductions, there is no adjustment required for this amount in coming to the taxable income.

(c) Withholding tax credits

	P
Commission	5,244
Interest	3,672
Rent	3,000
Dividends	0
	11,916

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21

Nomsa

(a) Chargeable income from Spectrum Partners

	P	P
Excess of receipts over payments		186,106
Add:		
Purchases and administrative expenses	0	
Purchase of industrial sewing machine	200,000	
Donation to a political party	10,000	
Rates on personal property Lobatse (Botswana)	12,754	
Interest on business loan	0	
Residential rent for Nomsa	72,000	
Deposit on a new machine	50,000	
Increase in stock	156,208	500,962
Less:		
Capital allowances (W1)	109,080	
Sales	0	
Medical aid receipts	14,803	
Loan repayment from son	25,000	
Proceeds sale of shares	267,850	
Purchases omitted from accounts	196,803	(613,536)
Chargeable income from business		**73,532**

Working 1 - capital allowances

	P
Cost at 30 June 2025	527,200
Additions	200,000
Cost at 30 June 2026	**727,200**
Capital allowances @ 15%	109,080

Tutorial note: capital allowances cannot be claimed on the deposit on the machine. Capital allowances can only be claimed once the asset has been brought into use.

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(b) Chargeable income from cattle farm

	P
Excess of payments over receipts	(329,375)
Add: increase in stock ((928 - 867) x P430))	26,230
Add: personal consumption (5 x P800)	4,000
Less: death of two cattle	0
Chargeable loss from farming	**(299,145)**

Tutorial note: personal consumption is valued at market value and not standard value. The death of two head of cattle is accounted for in the opening and closing stock and so no adjustment.

(c) Taxable income from all sources

	P
Chargeable income from Spectrum Partners (part (a))	73,532
Pension	379,628
Total chargeable income	**453,160**
Chargeable loss from farming	0
Taxable income	**453,160**

Tutorial note: a loss from farming cannot be set off against other chargeable income.

Tax payable

	P
Tax on the first P156,000	13,050
Tax on the next P297,160 @ 25%	74,290
Tax charge	**87,340**
Less: PAYE	(75,926)
Tax payable	**11,414**

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Mark scheme

Section A

Question 1 – 15 (all questions worth two marks)

Maximum 30 marks

Section B

Question 16

a	Taxable net disposal gain or loss for the 2025/26 tax year: Shares and loan account in Dawn Surveyors (Pty) Ltd) - Sales price - Less loan account - Less cost of chares - Less 25% moveable property allowance Patent - Sales price - Less cost of patent Shares listed on BSE Shares in Masego Printers (Pty) Ltd - Sales price - Less cost of shares (W1 – see below) - Less 25% moveable property allowance W1 – cost per share - Original cost - Rights issue - Cost per share	 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5
Maximum 6 marks		
b	Assets are donated instead of sold: Calculation of aggregate taxable value - Shares and loan account in Dawn Surveyors (Pty) Ltd - Patent - Shares listed on BSE - Shares in Masego Printers (Pty) Ltd - Allowance Calculation of CTT payable	 0.5 0.5 1 0.5 0.5 1
Maximum 4 marks		
Total 10 marks		

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Question 17

	Value added tax (VAT) for the tax period ended 31 March 2026:	
	Income	
	- Sales – local	1
	- Sales – exports	0.5
	- Residential rent received	0.5
	- Interest received	0.5
	- Credit notes for purchase returns	0.5
	- Bad debt recovered	0.5
	Expenses	
	- Purchases – local	0.5
	- Purchases – imports	0.5
	- Commercial rent	0.5
	- Repairs to residential properties	0.5
	- Purchase of shares listed on the BSE	0.5
	- Purchase of single cab bakkies	0.5
	- Payroll and associated costs	0.5
	- Finance lease instalments	0.5
	- Motor vehicle repairs	0.5
	- Technical fees paid to non-resident	0.5
	- Water and electricity	0.5
	- Donations to charity	0.5
	VAT at 14%	0.5
Maximum 10 marks		
Total 10 marks		

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Question 18

a	Correct withholding tax: Residents - Engineering drawing fees - Interest paid to bank - Interest paid to shareholder - Dividends - Residential rent - Rent of engineering equipment - Commission - Subcontractor consultant fees for drawings Non-residents - Consulting fees - Subscription to an engineering society - Royality for use of name - Technical journal subscription fee - Advertising staff - Attendance at conference	 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5
Maximum 7 marks		
b	Revised taxable income - Add consultant fees - Add royalty for use of name - Latest date to pay over tax withheld	 1 1 1
Maximum 3 marks		
Total 10 marks		

Question 19

a	General deduction formula and specific deductions: - General deduction - Specific deduction	 2 1
Maximum 3 marks		
b	Tax benefits for manufacturing companies: - Reduced tax rate - Initial allowances	 1 1
Maximum 2 marks		
c	Tax credits: - Overpayments brought forward - WHT deducted for certain expenses	 1 1
Maximum 2 marks		
d	Balance charge or allowance and rollover relief: - Balancing charge - Rollover relief	 1 2
Maximum 3 marks		
Total 10 marks		

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Question 20

a	Accounting profit, balancing charge, and capital allowances:	
	Accounting profit on sale of trucks	
	- Sale proceeds	0.5
	- Cost price	0.5
	- Depreciation	0.5
	Balancing charge on sale of trucks	
	- Sales price	0.5
	- Cost price less capital allowances	0.5
	- Rollover relief	0.5
	Capital allowances	
	- 15% on opening costs	0.5
	- Additions	0.5
	- Rollover relief	0.5
	- 15% on balance	0.5
Maximum 5 marks		
b	Taxable income:	
	Additions to net profit	
	- Normal operating expenses	0.5
	- Depreciation	0.5
	- Purchase of new trucks	0.5
	- Impairment of investment	0.5
	- Compensation for lost deliveries	0.5
	- Marketing fees [aid to non-resident	0.5
	- Loan to associated company	1
	Deductions from net profit	
	- Capital allowances (from part (a))	
	- Sales	0.5
	- Proceeds from sale of trucks	0.5
	- Insurance receipts on lost deliveries	0.5
	- Commission received	0.5
	- Interest received	0.5
	- Rent received	0.5
	- Dividend received	0.5
		0.5
Maximum 8 marks		
c	Withholding tax credits:	
	- Commission	0.5
	- Interest	0.5
	- Rent	0.5
	- Dividends	0.5
Maximum 2 marks		
Total 15 marks		

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Question 21

a	Chargeable income from Spectrum Partners:	
	Additions to excess of receipts over payments	0.5
	- Purchases and administrative expenses	0.5
	- Purchase of industrial sewing machine	0.5
	- Donation to a political party	0.5
	- Rates on personal property	0.5
	- Interest on business loan	0.5
	- Residential rent	0.5
	- Deposit on new machine	1
	- Increase in stock	
	Deductions from excess of receipts over payments	
	- Capital allowances (W1 – see below)	
	- Sales	0.5
	- Medical aid receipts	0.5
	- Loan repayment from son	0.5
	- Proceeds sale of shares	0.5
	- Purchases omitted from accounts	1
	W1 – capital allowances	
	- Cost at 30 June 2025	0.5
	- Additions	0.5
	- Capital allowances at 15%	0.5
Maximum 9 marks		
b	Chargeable income from cattle farm	
	- Increase in stock	1
	- Personal consumption	1
	- Death of two cattle	1
Maximum 3 marks		
c	Taxable income from all sources:	
	Taxable income	
	- Chargeable income from Spectrum Partners (part (a))	0.5
	- Pension	0.5
	- Loss from farming	0.5
	Tax payable	
	- Tax charge	1
	- Less PAYE	0.5
Maximum 3 marks		
Total 15 marks		

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