Specimen Exam

Exam Name: Taxation (E1 ZAF)
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

Jacob became resident under the physical presence test in South Africa in the 2025 year of assessment. On 5 January 2026, Jacob left South Africa permanently. He has not returned since that date.

Note: On 6 April 2026, 91 days have passed since his departure. On 7 July 2026, 183 days have passed since his departure, and on 1 December 2026, 330 days have passed since his departure.

Which TWO of the following statements regarding Jacob's residence status are correct?

A He will be taxed as a resident for a year of assessment starting 1 March 2025 until 5 January 2026 and as a non-resident for a second year of assessment starting 6 January 2026 and ending 28 February 2026

B As he was present in South Africa for more than 183 days of the 2026 year of assessment, he will be treated a resident for the full year

C His period of being taxed as a non-resident starts on 6 January 2026 only once he has been absent from South Africa for more than 330 days

D Since passing the physical presence test, Jacob has become ordinarily resident and so can only cease to be resident from the date that he can prove he ceased to be resident, which is a facts and circumstances test

Question 2

Juniper (Pty) Ltd incurred some legal expenses during the 2026 year of assessment:

- R140,000 defending a tax dispute and related penalties. Juniper (Pty) Ltd lost the case and the additional tax and penalties were payable
- R30,000 for some amendments to the incorporation documents
- R90,000 for bad debt collection cases
- R20,000 to register a patent over the outcome of some scientific research

Calculate the amount of legal expenses incurred which may be claimed by Juniper (Pty) Ltd as deductible.

R ☐

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Question 3

Boney (Pty) Ltd is a registered value-added tax (VAT) vendor. During the VAT period ending 28 February 2026, the following occurred:

Description	Amount (R)
Sales of musical instrument inventory	800,000
Purchase of equipment	450,000
Sale of office premises (original cost was R5,000,000)	7,000,000
Purchase of new office premises	8,600,000

All transactions are concluded in the VAT period in accordance with the time of supply rules. All amounts are inclusive of VAT where applicable.

All purchases are acquired from registered VAT vendors.

What is the net VAT payable / refundable for the current VAT period ending 28 February 2026?

A R254,348 payable
B R45,652 payable
C R163,043 refundable
D R815,217 refundable

Question 4

Bold Ltd is a large company with many employees. During the 2026 year of assessment, the company had employed an international consultant. Due to incorrect advice received, the company did not withhold any employees' tax on payments made to the international consultant.

The consultant has since left South Africa. During the subsequent PAYE audit of Bold Ltd by the South African Revenue Service (SARS), the error was identified.

Which TWO of the following statements regarding the outstanding employees' tax are correct?

A SARS will collect the employees' tax from the employee. Bold Ltd is not liable
B SARS may collect the amount from Bold Ltd, and Bold Ltd may recover the amount from the employee
C Bold Ltd must issue the employees' tax certificate even if the money is collected later
D Bold Ltd is liable for the employees' tax and can recover the employees' tax from the employee but may not claim the paid employees' tax as a deduction for income tax purposes

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Question 5

Goldie owns a house on a large estate. He subdivided the land equally into two parts, with one part retaining the house. The original cost of the total land and house on 1 November 2019 was R4,000,000 (with the land valued at R3,000,000 and the house at R1,000,000).

Goldie sold the vacant part of the sub-divided land for R5,000,000. This was his only disposal in the 2026 year of assessment.

What is the taxable capital gain arising on the disposal of the vacant land?

A R384,000
B R1,400,000
C R1,184,000
D R1,384,000

Question 6

Estate duty is levied on the death of a person.

Which TWO of the following statements concerning the property forming part of the estate are correct?

A An estate includes all property of persons who are ordinarily resident in South Africa at the date of their death
B An estate includes all property of persons who are resident in South Africa at the date of their death
C An estate includes moveable or immovable property in South Africa of persons who are not resident in South Africa at the date of their death
D An estate includes only South African immovable property or assets of a permanent establishment of persons who are not resident in South Africa at the date of their death

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Question 7

The 8th Schedule to the Income Tax Act concerns capital gains tax. It has a number of definitions.

Which of the following definitions of an "asset" for the purposes of the capital gains tax provisions in the Income Tax Act is correct?

A Plant, machinery, land and other capital assets and coins of gold or platinum
B All assets, including coins of gold or platinum, but not currency
C All assets, including currency and coins of gold or platinum
D All assets other than inventory, as that is included in gross income, but including currency and coins of gold or platinum

Question 8

After determining the net value of an estate, the abatement may be applied.

Which TWO statements concerning the application of the abatement to the net value of the estate are correct?

A Any unused abatement (where the abatement is in excess of the net value of the estate) of the first dying spouse rolls over automatically to the surviving spouse
B Any rollover of the unused abatement can only be used in the second dying spouse's estate if evidence is supplied, to the satisfaction of the Commissioner, as to the amount available
C After re-marriage, any rollover of the unused abatement from a previously deceased spouse may still be used
D Where there is more than one surviving spouse, the unused abatement cannot be rolled over

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Question 9

Tina runs a piano tuning and restoration business. During the last 12 months, she earned R940,000. She had regular expenses of R250,000. For the next 12 months she will increase her prices by 6% and may get some new business, but this is not certain, and no contracts have been signed.

Tina is not currently registered for value-added tax (VAT).

Which of the following statements regarding Tina's business VAT registration is correct?

A Tina must register for VAT as her taxable supplies for the next 12 months are likely to exceed R1 million
B Tina must register for VAT because with VAT added to the R940,000 turnover, her taxable supplies would be above R1 million
C Tina may, but is not required, to register for VAT as her taxable supplies are below R1 million and the taxable supplies for the next 12-months are not confirmed by written contracts.
D Tina may not register for VAT as her taxable supplies are less than R1 million.

Question 10

Note Ltd is a company with a year end of 30 June each year. The company was a provisional taxpayer for the 2026 year of assessment.

Which of the following options show the dates by which Note Ltd must pay provisional tax (assuming the company also makes a third top up payment)?

Option	First payment	Second payment	Third payment
1	31 December 2025	30 June 2026	31 December 2026
2	31 December 2025	30 June 2026	31 January 2027
3	1 January 2026	1 July 2026	1 January 2027
4	31 August 2025	28 February 2026	30 September 2026

A Option 1
B Option 2
C Option 3
D Option 4

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Question 11

Quaver (Pty) Ltd is a registered small business corporation. During the 2026 year of assessment ended 31 March 2026, the company acquired the following assets:

(1)	A new machine used in the process of manufacture – R1,000,000 – acquired on 1 May 2025
(2)	A new printer for one of the offices – R6,500 – acquired on 1 August 2025
(3)	A tool set for the maintenance team (general maintenance) – each tool costs R250, and the set came to R9,000 – acquired on 1 February 2026

Outside of any statutory allowances for assets, the Commissioner allows the other qualifying assets to be written off over four years on a straight-line basis.

What amount may be claimed by Quaver (Pty) Ltd in respect of the above assets for the year ended 31 March 2026?

A R406,875
B R1,006,875
C R1,011,000
D R1,015,500

Question 12

Jane is not a South African resident for tax purposes. She has some small investments in South African interest-bearing bonds and South African companies.

During the 2026 year of assessment, Jane earned the following gross amounts from these investments:

	R
South African dividends	40,000
South African interest	90,000

Calculate how much tax would be withheld on the amounts to be paid to Jane by the South African paying entities (assuming no tax treaties are applicable).

R ☐

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Question 13

Vibro (Pty) Ltd buys and sells new and second-hand musical instruments. During the current value added tax (VAT) period, the company has the following transactions:

Description	Amount (R)
Second-hand instruments purchased from non-vendors	90,000
New instruments purchased from vendors	300,000
Consumables for repairs purchased from vendors	50,000
Fuel for delivery van	12,000

All amounts are inclusive of VAT where applicable.

Calculate how much input VAT may be claimed by Vibro (Pty) Ltd for the current VAT period.

R ☐

Question 14

Gerri is a 44-year-old widow who makes medical contributions for herself and her disabled son aged 17 years. During the 2026 year of assessment, Gerri had taxable income of R500,000. She has also paid R40,000 for a new wheelchair for her disabled child. Her medical aid contributions amounted to R84,000 for the year.

What amount may be claimed by Gerri as an additional medical credit?

A R8,736
B R12,889
C R22,264
D R32,565

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Question 15

Punch Ltd performed a repurchase of its own shares which were listed on the Johannesburg Stock Exchange. The company paid market value, which was R50 per share at the time, to acquire 1,000,000 shares. The shares represent 10% of the equity shares of the company. Before the repurchase, the company had a pool of contributed tax capital of R500,000. The policy of the directors is always to minimise the dividends tax to be withheld.

What amount of dividends tax must be withheld for this repurchase of shares by Punch Ltd?

A R9,909,000
B R0
C R500,000
D R9,990,000

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Section B

Question 16

The following scenario relates to two requirements.

Gentri (Pty) Ltd is a company specialising in soundproofing rooms. The company is a registered value added tax (VAT) vendor.

Do-it-yourself (DIY) customers buy some company products. They usually pay cash. The company issues a document similar to the one below:

CASH
Supplier name: Gentri (Pty) Ltd
Amount: R10,000
Products: Materials

The company made a number of sales and incurred a number of expenses in the VAT period ended 30 November 2026 (all with VAT vendors). These include the following (the amounts include VAT where applicable):

Description	Amount (R)
Sales of soundproofing kits from inventory	7,000,000
International flight for the managing director to visit a trade show	50,000
Year-end party for the staff	200,000
Purchases of materials to be processed	3,300,000
Independent consultant on latest soundproofing materials	150,000
Wages and salaries	1,900,000

Requirements:

(a) Analyse the information which needs to be included on the document issued by Gentri (Pty) Ltd to its DIY customers.

(6 marks)

(b) Assess the net VAT payable by Gentri (Pty) Ltd for the VAT period ended 30 November 2026, including the due date(s) for the VAT return and payment.

Note: Your answer should include all the items listed in the scenario and indicate by the use of a zero (0) any transactions relating to sales or expenses which have no VAT impact.

(4 marks)

(10 marks)

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Question 17

The following scenario relates to two requirements.

Genius Music Ltd (Genius) is a large company operating in the music and musical instrument industry. It is headquartered in South Africa but is expanding into other countries by setting up subsidiaries. All companies in the group have year ends of 31 March each year and are connected persons as defined in the Income Tax Act. All value added tax (VAT) effects have been correctly addressed and need no consideration. Some specific issues have arisen:

Sales to foreign subsidiaries

Hip (Pty) Ltd (Hip)
Genius sold some musical merchandise to Hip, which is based in Islandia, on 15 June 2025. The goods were sold for R500,000, but have a market value of R750,000. Islandia has a low corporate tax rate. There are no tax treaties between the countries. The transaction was based in Rands.

Jazz (Pty) Ltd (Jazz)
Genius also sold some musical merchandise to Jazz (Pty) Ltd, based in the country of Farlandia, for EUR 100,000 on 15 March 2026. The price was at market value, and Jazz had to pay Genius by 15 May 2026. Exchange rates were as follows:

Date	Exchange rate
15 March 2026	1 EUR = R20
31 March 2026	1 EUR = R19.30
15 May 2026	1 EUR = R20.50

Repair contract

Genius entered into a contract with a charitable person for Genius to repair several donated second-hand instruments for reuse in public schools. The contract was paid in advance for the amount of R1,000,000 on 30 March 2026. Genius estimates that it will incur expenditure of R800,000 to repair the instruments (but this will only be incurred in the 2027 year of assessment).

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Requirements:

(a) Calculate the income (and withholding) tax effects for Genius Music Ltd's transactions with its foreign subsidiaries, Hip (Pty) Ltd and Jazz (Pty) Ltd, for the year ended 31 March 2026.

Note: For the transaction with Jazz (Pty) Ltd, also indicate any remaining income tax effect for the 2027 year of assessment.

(6 marks)

(b) Assuming that Genius Music Ltd's (Genius's) expenditure estimate is correct, apply the future expenditure deferral provision to calculate the income tax effects of the repair contract for Genius.

Note: Your answer should address the income tax effects for both the 2026 and 2027 years of assessment.

(4 marks)

(10 marks)

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Question 18

The following scenario relates to four requirements.

Jessie, aged 45, is an independent sales representative. She is also a provisional taxpayer. As the end of the 2027 year of assessment is approaching, Jessie wants to be sure to use the correct value to minimise her provisional tax payment without exposing her to penalties.

She has the following information:

(1) 2025: The assessment for the 2025 year of assessment was issued on 19 July 2025 and reflects taxable income of R820,000, which included taxable capital gains of R20,000.

(2) 2026: She has not yet been assessed for the 2026 year of assessment but expects the taxable income to be R780,000. There were no taxable capital gains in this year.

(3) 2027: For the 2027 year of assessment, Jessie estimates that her taxable income will be R800,000, to which an estimate of R190,000 of taxable capital gains must be added.

Note: You should assume that the tax rates in force in the 2026 year of assessment remain the same in future years.

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Requirements:

(a) Assess the lowest amount on which Jessie's first provisional payment for the 2027 year of assessment should have been based, assuming there are no special circumstances, and calculate this first provisional payment.

(2 marks)

(b) Assess the lowest amount on which the second provisional payment may be based to avoid any under-estimate penalty and whether your answer would differ if the assessment for the 2026 year of assessment is issued on 31 January 2027.

(3 marks)

(c) Assuming the estimated capital gains for the 2027 year of assessment were R210,000 rather than R190,000:

(i) Calculate the amount on which the second provisional payment should be based to avoid penalties, justifying your answer.

(2 marks)

(ii) Calculate the under-estimate penalty which would apply if Jessie had used an estimate of R700,000 for the second provisional payment.

(3 marks)

(10 marks)

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Question 19

The following scenario relates to three requirements.

Ned had the following capital gains tax transactions during the 2026 year of assessment:

Ned had bought a holiday home on 1 November 2020 for R1,200,000 (including all transfer costs). However, the developer had not built it correctly and went into liquidation after the transfer had gone through. The building is now in disrepair and is only worth R700,000. Ned sold it to his son, who has a construction company, on 1 April 2025 for R600,000.

As he is about to retire, Ned is selling his primary residence. He bought it on 1 September 2000 for R1,800,000. He sold it for R5,000,000 on 1 November 2025 He had made improvements to his home in 2024 to the value of R1,000,000. The selling agent earns a commission of 4% of the selling price. He did not have the home valued on 1 October 2001.

Requirements:

(a) Assess the capital loss arising from the sale of Ned's holiday home and how this loss may be used in the future.

(3 marks)

(b) Calculate the capital gain, after the primary residence exclusion, which arises from the sale of Ned's primary residence and his taxable capital gain for the 2026 year of assessment.

(7 marks)

(10 marks)

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Question 20

The following scenario relates to one requirement.

Tracy is 59 years old. She is employed as a manager of a large retail company, but she also owns and runs a boutique hotel with her husband Kevin, aged 61.

Her information for the 2025 year of assessment is as follows:

Employment

Tracy earned a cash salary of R650,000. The retail company contributes the equivalent of 10% of her cash salary to the company pension fund. Tracy also contributes R7,500 per month to the medical aid scheme covering her and her husband as her sole dependent. Employees' tax of R144,896 was withheld by her employer.

Boutique hotel partnership

Tracy and Kevin run a boutique musical-themed hotel in equal partnership. Airstream camper trailers have been permanently fixed (with decking and full bathrooms added) on a large plot of land in the grounds of their hotel and converted into music themed accommodation (such as classical, hard rock, punk, pop etc.).

The land originally cost R750,000 on 1 December 2002. Over the past two decades they have built up the hotel one camper at a time and now have five. The total cost of the campsite development was R4,000,000.

During a heavy flood in the area on 1 May 2025, three of the fixed camper trailer accommodations were washed away and the mudslide created a dangerous environment. All guests had to be evacuated, and all future guest bookings were cancelled. Their insurance policy only paid out R2,500,000 for all the damage, but the mudslide revealed minerals in the ground, so a mining company bought the land and the remaining camper trailer accommodations for R20,000,000 on 1 June 2025.

Until the date of the flood, Tracy and Kevin had earned R440,000 in income from running the hotel against which costs of R550,000 had been incurred.

Personal investments

Tracy and Kevin each invested half the proceeds from the sale of the hotel land and camper trailer accommodation.

Tracy's investments in collective investment schemes yielded the following returns as certified in the tax certificates issued by the collective investment schemes:

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(1) South African dividends – R55,000
(2) South African interest – R60,000
(3) Foreign dividends – R120,000
(4) Real Estate Investment Trusts (REITs) – R13,000

From the foreign dividends, the equivalent of R6,000 was withheld in the other countries.

Requirement:

Calculate the normal tax payable by Tracy for the 2026 year of assessment.

(15 marks)

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Question 21

The following scenario relates to one requirement.

Woodworks (Pty) Ltd (Woodworks) is a company that specialises in making wood furniture. The process of manufacturing furniture has been classified by the Commissioner as a process of manufacture. All amounts below are already net of any relevant VAT.

During the year ended 31 March 2026, the following occurred:

1. Woodworks earned revenue of R25,000,000; this includes client deposits of R5,500,000 for work in progress at the end of the year to be delivered in the first four months of the next year.

2. Inventory at 1 April 2025 comprised of the following:

	R
Work in progress	4,000,000
Raw materials	3,000,000
Consumables (screws, glues etc)	600,000

3. Spare parts for the machines were purchased during the year at a cost of R60,000. One part costing R5,500 was used to repair one machine during the year.

4. Wood costing R4,000,000 was purchased during the year. An additional shipment, which cost R500,000, was found to have beetles inside and had to be destroyed. The remaining wood in the store was treated for beetles at a further cost of R100,000.

5. Inventory at 31 March 2026 comprised of the following:

	R
Work in progress	6,000,000
Raw materials	1,300,000
Consumables (screws, glues etc)	340,000

6. Woodworks has existing woodworking machinery that was acquired on 1 March 2024 for R5,000,000.

7. Separately, another machine that had cost R1,240,000 on 1 December 2023 was damaged when a forklift drove into it on 1 September 2025. The machine could not be repaired and was sold for scrap for R50,000 and R600,000 insurance money was paid out. A new machine was purchased for R1,520,000 on 28 February 2026.

8. Woodworks was fined R50,000 when some wood from endangered trees was found in its store.

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9. Wages and salaries amounted to R5,000,000.

10. Year-end staff party cost R110,000.

Requirement:

Calculate the taxable income for Woodworks (Pty) Ltd (Woodworks) for the 2026 year of assessment.

Note: You should list all items referred to in the question, indicating by the use of a zero (0) any item which does not result in taxable income or a tax deduction.

(15 marks)

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