Specimen Exam

Exam Name: Taxation Advisory Professional (STA ZAF)
Time Allowed: 3 hours 15 minutes
Pass Mark: 50%

This examination contains 2 sections:

Section A:
1 question, worth 50 marks

Section B:
2 questions, each worth 25 marks

Total 100 marks

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

You should assume that today's date is 1 December 2026.

You are an ACCA student working for a firm of professional accountants. Your manager has asked you to carry out some work in respect of the Evante Holdings Group Ltd (Evante). They require advice on various potential acquisitions and disposals both within and outside the group and issues related to the import and export of goods.

The following **exhibits** provide information relevant to the question:

1. Evante Holdings Group Ltd: memorandum from your manager regarding the Evante corporate group
2. Transfer pricing manual: email from Evante's tax manager concerning the creation of a transfer pricing manual
3. Work to be carried out – email from your manager

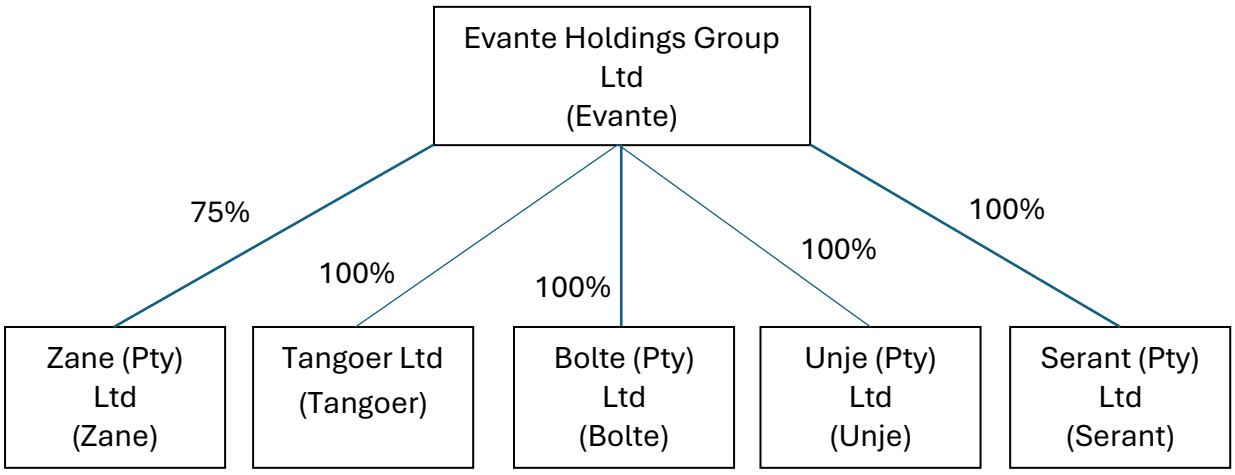
1 Evante Holdings Group Ltd

Extract from a memorandum from your manager (dated 1 December 2026)

This memorandum records the matters discussed in a conference call with the directors of the Evante Holdings Group Ltd (Evante), a client of our firm. The meeting concerned several matters relating to the client's corporate group.

Evante, which is resident in South Africa, is the holding company of the group; the group structure is set out below.

Group Structure



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All the companies in the group have a year end of 31 March each year. With the exception of Tangoer, which is a foreign subsidiary, they are all resident in South Africa. The South African resident companies are also all value added tax (VAT) vendors. The nature of the subsidiaries' businesses varies significantly and spans several different business sectors. Some of the South African resident subsidiaries operate foreign branches.

Note that as each director has chairmanship of one of the subsidiary companies, all will have access to the advice we provide, and the directors have confirmed that our advice is to be shared across the group. As such, any working notes can refer to all the companies, and there is no need for you to consider any possible confidentiality issues between them.

Zane (Pty) Ltd (Zane) and Bolte (Pty) Ltd (Bolte)

On 1 April 2026 Zane transferred one capital asset (for which no allowances could be claimed) and some inventory to Bolte. We have been supplied with the following values:

	Cost to Zane	**Market value at transfer to Bolte**	**Disposal value if disposed of by Bolte after transfer at a profit**
	R	**R**	**R**
Capital asset	1,000,000	1,500,000	1,700,000
Inventory	2,000,000	3,600,000	4,000,000

Evante does not intend to reduce its 75% shareholding in Bolte.

Serant (Pty) Ltd (Serant)

One of the subsidiaries, Serant, has been losing money for the past three years. To boost tax efficiency in the group and utilise the losses within Serant, Evante has suggested that Serant acquires the going-concern business from a third-party company, Duniper (Pty) Ltd. A loan from Evante would be made available for this purpose with no interest being charged and no specific repayment terms. This highly profitable business would further develop the group's business diversification aims.

Unje (Pty) Ltd (Unje)

Unje is a commercial property rental subsidiary. It manages the group's properties and rents to third-party customers. In June 2026, Unje acquired a large residential estate home for R15 million, which it has subdivided and converted into mixed-use properties, with the lower floors (30% of the building) supporting commercial business (conversion and sub-division costs amounting to R10 million) and the upper floors (70% of the building) being used as residential apartments (subdivision and conversion costs

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amounting to R4 million). General project management costs of R500,000 were also incurred for the entire conversion project.

Tangoer Ltd (Tangoer)

Tangoer is a foreign subsidiary which has developed an online selling platform. The platform links sellers of Tangoer equipment to buyers of Tangoer equipment. It arranges the collection and delivery of the Tangoer equipment for a percentage of the sales price and the seller covers the cost of shipment. Thus, through its platform, Tangoer provides an electronic service. Customers benefit from heavily discounted delivery fees because of the scale of the operations. Tangoer also plans to facilitate goods entering and exiting South Africa via sales on its platform. Tangoer is registered and is resident in Islandia, a country with which South Africa does not have a double tax agreement.

2 Transfer pricing manual

Extract from an email from the tax manager of Evante Holdings Group Ltd (Evante) (dated 1 December 2026)

Thank you for all your current work for the group.

The group is considering the acquisition of a foreign subsidiary (conveniently located in a low tax jurisdiction with access to substantial markets). We want to take advantage of the opportunity to push products from our South African subsidiaries to this new subsidiary but maximise profit in the subsidiary. There is no issue of tax residence as the structure will certainly maintain all necessary standards to ensure residence remains in the foreign company and there are no controlled foreign company (CFC) issues. However, we need a transfer pricing manual.

Please can you prepare a transfer pricing manual that “pushes the limits” of acceptable benchmarking ranges so that a greater share of profit is reported in the subsidiary. The director of the group and I believe that this is definitely technically defensible.

If you are not up to the challenge, we will employ another firm to get the job done.

Evante In-house Tax Manager

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3 Work to be carried out

Extract from an email from your manager (dated 1 December 2026)

Please prepare a memorandum for the client file, which addresses the following matters.

(a) In relation to the transfer of the capital asset and inventory from Zane (Pty) Ltd (Zane) to Bolte (Pty) Ltd (Bolte):

- **Justify why the intra-group corporate rule will apply and advise on the associated tax treatment of each transfer;**

- **Evaluate the income tax implications for Bolte if it sells the capital asset and all of the inventory within 12 months of the original transfer; and**

- **Evaluate whether any tax consequence will arise if the holding of equity shares in Zane is reduced to 45%, after the corporate rule has been applied.**

(18 marks)

(b) Acquisition of business by Serant (Pty) Ltd (Serant) using a loan

Assess the South African income tax and value added tax (VAT) implications, if any, of the interest-free loan from Evante Holdings Group Ltd (Evante) to Serant and the introduction of new business into Serant, including whether any anti-avoidance rules would be applicable to the new business.

Note: You do not need to consider tax implications for Duniper (Pty) Ltd.

(7 marks)

(c) In relation to Unje (Pty) Ltd (Unje) and Tangoer Ltd (Tangoer):

- **Evaluate, including calculations, the VAT implications arising from the acquisition, conversion and subsequent use of the estate home as a mixed-use property by Unje; and**

- **Assess the VAT obligations which could arise for Tangoer from its South African transactions and whether the use of a sub-contracted South African company to ship the goods from South Africa would have any impact on these obligations.**

(10 marks)

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(d) Ethical considerations

Evaluate the ethical considerations in respect of the request to prepare the transfer pricing manual.

(5 marks)

Requirements:

You should assume that today's date is 1 December 2026.

Prepare a memorandum for the client file, which addresses the issues raised.

Note: the split of the mark allocation is shown in Exhibit 3 – Work to be carried out.

(40 marks)

Professional marks will be awarded for the demonstration of skill in communication, analysis and evaluation, scepticism and commercial acumen in your answer.

(10 marks)

(50 marks)

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Section B

Question 2

You should assume that today's date is 1 December 2026.

You have received queries to address, in respect of a client, Esme, from your manager.

The following **exhibit** provides information relevant to the question:

1. Esme: background and queries from Esme concerning various issues pertaining to her possible emigration to South Africa.

1 Esme

Esme: Background and queries

Esme is 49 years old. She has built up significant assets and would like to shield them from South African tax as much as possible. She is currently resident in the country of Farlandia, which has no personal income tax. Esme will become resident in South Africa in the near future. There are a number of South African tax issues which she requires advice on, including the effects of suggested tax planning structures. No tax treaties are in force between any of the foreign countries and South Africa.

Substantial shareholding in, and loan to, a South African company

She holds 24% of the equity shares in a South African resident company, Estripar (Pty) Ltd. All the other shareholders are South African. The company has a full board of directors. Esme is neither a director nor manager of the company.
Esme loaned the company an amount of EUR 1 million on 1 April 2025. No interest is charged on this loan. A loan from a third-party bank would have resulted in interest at 5% per annum.

Other investment assets and possible creation of a fully discretionary foreign trust

Esme has a substantial investment portfolio which is all in collective investment schemes (CIS). The investment portfolio is mainly held in foreign CISs. To protect the investments from South African tax, Esme has been advised to transfer the investments into a foreign trust through an interest-free loan before becoming resident. This will be assumed to have been successfully completed before she would become a South African resident.
The investments yield foreign dividends (general), foreign interest, South African dividends and South African interest. Esme draws an income on which to live from this investment income.

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Purchase of house in South Africa

Esme would also need to acquire a house as a primary residence, some furniture, and a motor car in South Africa. She would like to understand whether it would be in her interest to allow the foreign trust (if created) to acquire the house (on interest-free loan account) and let her live in it rent free. She would keep the furniture and motor car in her own name.

Requirements:

You should assume that today's date is 1 December 2026.

(a) Evaluate the current South African income tax implications for both Estripar (Pty) Ltd and Esme of the interest-free loan provided by Esme while she is non-resident, and assess whether these implications would change if Esme becomes a resident of South Africa.

(9 marks)

(b) Advise as to the South African income tax implications which may arise, as and when the trustees declare a distribution to Esme as the beneficiary of the trust, once she is South African resident.

(5 marks)

(c) Evaluate the South African capital gains tax implications if Esme acquires the South African house directly and then sells it or if it is acquired and later sold by the foreign trust, including whether any income tax issues arise as a result of the rent-free use of the house.

Note: You should assume that if Esme acquires the house directly, the acquisition takes place after Esme becomes tax resident in South Africa.

(6 marks)

Professional marks will be awarded for the demonstration of skill in analysis and evaluation and commercial acumen in your answer.

(5 marks)

(25 marks)

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Question 3

You should assume that today's date is 1 December 2026.

Charan has requested some personal tax advice concerning various matters.

The following **exhibit** provides information relevant to the question:

1. Charan: notes from manager about employment issues, capital gains tax, estate planning and pension outcome.

1 Charan

Notes from manager

Charan is 63 years of age and an employee of Smalltown Ltd (Smalltown). Smalltown is a company resident in South Africa, but with branches and subsidiaries outside of South Africa. Smalltown has asked Charan to accept a secondment appointment in the country of Islandia.

There is no double tax treaty between South Africa and Islandia. The secondment will be for a period of three years from 1 March 2027 until 28 February 2030, after which Charan is likely to return to South Africa. He is set to retire after the secondment ends.

Secondment

Charan has been offered the following with respect to his secondment to Islandia:

As well as his cash salary (R1,500,000 per annum), employer pension contribution of R300,000 per annum, and medical contribution of R120,000 per annum which he currently receives, the employer will provide the following benefits (in cash or in kind):

- A furnished apartment with five rooms, which the employer will rent. The costs borne by the employer will be the rent and all utilities, estimated to be R1,000,000 per year.
- Reimbursement of public transport expenses, estimated at R10,000 per year.
- An additional cost-of-living allowance of R20,000 per month.
- An annual flight for Charan and his wife back to South Africa for three weeks' holiday for each year of the secondment, valued at R60,000 per trip.
- Continuation of the share benefit scheme. Charan received 10,000 shares in Smalltown Ltd on 1 March 2024. Charan may not sell the shares until 1 March 2029. This will be during the secondment. The shares were acquired for R5 per share (the par value). They are anticipated to have a value of R35 per share (the market value) by 1 March 2029.

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Possible sale of family home

While he is seconded, Charan plans to rent out the family home. When he and his wife return on holiday, they will stay with family or in hotels to allow the rental term to be longer. Charan would like to understand the South African income tax implications (and any other additional factors which may impact the decision) should he sell the family home either:

- within one year of returning to South Africa or
- any time after one year of returning to South Africa.

The family home was acquired in July 2015 for R4,800,000 and would be worth R9,000,000 at the date of sale. R1,500,000 has been spent on improvements and selling costs would amount to R450,000.

Possible emigration and estate duty effects

Charan has always enjoyed Islandia as a holiday destination. He is considering the possibility of retiring in Islandia immediately after the secondment, rather than returning to South Africa. He would therefore like to understand the implications which emigration at this point might have for South African tax purposes. Apart from his family home, he has personal assets (valued at R1,500,000), his pension, and some separate foreign investments (with a base cost of R1,400,000 and a current market value of R3,000,000). He also has cash of R400,000.

Pension options

Charan's accumulated pension is estimated to be worth R10,000,000 by the time of his retirement. He would like to know the South African tax implications of either taking an annuity based on the full value or taking the maximum tax-free amount (having never previously withdrawn or retired from any fund) to reinvest and then converting the remaining portion to an annuity. If he converts the entire accumulated fund, he will receive a life annuity of R63,500 per month. If he converts the accumulated funds less the tax-free portion, he will receive a life annuity of R60,000 per month. By investing the tax-free amount into shares and bonds, he can expect to receive R28,000 per year in South African dividends and R12,000 in South African interest.

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Requirements:

You should assume that today's date is 1 December 2026.

(a) Advise Charan of the South African tax implications, including any exemptions available, in respect of his secondment package.

(7 marks)

(b) In respect of Charan's sale of the family home:

- **Advise Charan regarding the matters he has raised regarding selling the family home, within one year of returning to South Africa from secondment or beyond one year after returning, assuming he returns on 1 March 2030; and**

- **Assess the South African income tax effects of Charan ceasing to be a resident if he sells the family home, emigrating and retiring in Islandia, and evaluate his estate duty position before and after he ceases to be a resident.**

(7 marks)

(c) Advise Charan, with supporting calculations, whether it is better to convert the entire accumulated pension fund to an annuity on retirement, or to take the tax-free amount and convert the rest to an annuity.

(6 marks)

Professional marks will be awarded for the demonstration of skill in analysis and evaluation, and commercial acumen in your answer.

(5 marks)

(25 marks)

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