



MODULE NAME:	MODULE CODE:
TAXATION	TAXN7311

ASSESSMENT TYPE:	REVISED TEST ONLY
TOTAL MARK ALLOCATION:	60 MARKS
TOTAL TIME:	The time given to students to complete this assessment will be indicated on your module in <i>Learn</i> .

By submitting this assessment, you acknowledge that you have read and understood all the rules as per the terms in the registration contract, in particular the assignment and assessment rules in The IIE Assessment Strategy and Policy (IIE009), the intellectual integrity and plagiarism rules in the Intellectual Integrity Policy (IIE023), as well as any rules and regulations published in the student portal.

INSTRUCTIONS:

1. Please **adhere to all instructions**. These instructions are different from what is normally present, so take time to go through these carefully.
2. **Independent work is required**. Students are not allowed to work together on this assessment. Any contraventions of this will be handled as per disciplinary procedures in The IIE policy.
3. **No material may be copied from original sources, even if referenced correctly, unless it is a direct quote indicated with quotation marks.**
4. This is an open-book assessment.
5. Assessments must be submitted in a format as detailed below.
6. **Ensure that you save a copy of your responses.**
 - a. The document name must be your **name.student number.Module Code**.
7. Once completed the assessment, upload your document under the **submission link** in the correct module in *Learn*.

Additional instructions:

- Calculators are allowed
- Answer All Questions Choose an item.
- Show all calculations, where applicable (marks may be awarded for this).
- Tax Tables have been included as Annexure A
- Instructions for assessments including numerical calculations
- You will only be able to submit scanned/photo of handwritten document or Microsoft word or excel documents.
- You may use Excel. If Excel is used, then all calculations must be shown in order to receive method marks.
- If you are using a Word Document:
 - Use the following to reflect your calculations:
 - Multiply x – small letter x or $*$
 - Division / forward slash
 - Addition and subtraction + and -

- *Square roots and equations – using the function insert - equation.*
- *Tables – using the function insert - table*
- *Working with tables – use merge and split cell functions through right click function.*
- *Fitting tables to pages – Autofit to window/content through right click function.*
- *Layout of table – Section breaks and landscape orientation through layout – breaks and layout orientation in the ribbon.*
- *If you are not familiar with all the functions in word it is recommended that you rather do a hardcopy if possible.*

If you are completing in a hardcopy/ by hand:

- *Ensure that all your pages are numbered on the top right- hand side of the page – e.g. 1 of 12*
- *Perform your calculations as you normally would. Please work neatly so that you do not lose marks because your lecturer cannot read your writing.*
- *Either (i) Scan your pages OR (ii) photograph your pages. Ensure that the pages are in the correct order.*
- *Label your photographs as follows: **name.student number.Module Code.Page 1; (for each page***
- *Once completed the assessment, upload your document under the **submission link** in the correct module in Learn.*

Question 1 **(Marks: 20)**

Hillary Duff (aged 23) received the following income during the year of assessment ended 28 February 2021:

Description	R
Dividends from a South African company	27 500
Dividends from a Russian company (Hillary holds 1% of the total equity shares)	14 000
Interest received on an investment in South Africa	10 000
Interest received on an investment in the UK	2 400
Royalties for the use of its patent in South Africa (the patent was developed outside the Republic and payment took place on 1 June 2020)	95 000
Rent received from an apartment in South Africa	30 000
Consultation work rendered for the South African Embassy in Russia (the Republic was not visited for the consultation work)	48 000

- Q.1.1** Motivate (with the use of calculations) whether the tax liability of Hillary Duff for the 28 February 2021 year of assessment will be less, if Hillary is registered as a South African tax resident versus a non-resident. You may assume that Hillary Duff was not physically present in South Africa for more than 183 days during the 12 month period prior to the receipt of any of the income listed above. (20)
- Hint:** Two calculations and a conclusion with a reason will be required to obtain the marks.

Question 2 **(Marks: 30)**

Mr. Khumalo is the financial manager of Hello Group Ltd. He started working at the company on 1 April 2020, after being retrenched six months earlier. He is currently 42 years old and unmarried. The following information relates to his income and expenditure for the year of assessment ended 28 February 2021:

- Mr Khumalo received a monthly basic salary of R23 500 and a monthly entertainment allowance of R2 500.
- Mr Khumalo was granted the right of use of a company car for the period 1 April 2020 until 31 August 2020. The determined value of the car at that date was R540 000 and the car was

subject to a maintenance plan. Mr. Khumalo had to bear the cost of all fuel used for private purposes, and the cost of insuring the vehicle. During this time, he travelled 25 200 kilometres in total, of which 11 400 kilometres related to business travel. The fuel cost amounted to R18 000 and the insurance cost amounted to R6 000.

3. The company provided Mr Khumalo with the option to buy the car at its retail value less 10% discount on 1 September 2020. The retail value of the car was R480 000 on 1 September 2020. Mr Khumalo exercised this right and paid the company the agreed purchase price of R432 000. This is currently the only car that he owns.
4. From 1 September 2020, he received a travel allowance of R20 000 a month. Mr Khumalo does not keep accurate records of actual costs incurred. He kept a logbook and travelled 17 500 business kilometres during the period. The odometer reading of the car was 32 400 km on 1 September 2020, and 56 900 km on 28 February 2021.
5. His employer provided him with a laptop of R18 000 to be used for business purposes.
6. Mr. Khumalo contributed to a medical aid fund from the date he was employed. He and his daughter are the only members on the medical aid fund.

Q.2.1	Calculate Mr Khumalo's net tax due/(refundable) for the year of assessment ending 28 February 2021. Round your answers to two decimal places. Show all amounts even if the effect is zero as marks will be allocated for these items.	(30)
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Question 3**(Marks: 10)**

InnoHub (Pty) Ltd invests in trademarks and patents. It grants the right of use of these intangible assets to universities in exchange for royalties. InnoHub (Pty) Ltd also has a department that specialises in scientific research and development to generate intangible assets for its use. The current financial year ends on 31 March 2021.

The following information relates to InnoHub's activities for the current financial year:

1. Gross income amounts to R1 740 000, before taking the following information into account.
2. InnoHub's employees belong to the company's pension fund and medical aid fund. The company contributes to these funds on behalf of the employees. During the year, contributions on behalf of the employees to the pension fund amounted to R210 000 and to the medical aid fund R165 000.
3. The financial manager, Mr Butcher, resigned on 31 July 2020. To prohibit him from trading in direct competition to InnoHub, the company paid him an amount of R550 000 as compensation for his restraint of trade for the following five years. The full amount was included in Mr. Butcher's income on his 2021 income tax return.
4. The debtors clerk indicated that the doubtful debts amounted to R25 000 at the end of the year. The company does not apply IFRS 9. The detailed age analysis showed R12 000 was outstanding 30 to 60 days and R13 000 outstanding more than 120 days. The Commissioner will allow a doubtful debt allowance as prescribed by section 11(j) in the current year. The doubtful debt allowance claimed in the 2020 year of assessment amounted to R4 900.
5. Bad debts written off consist of the following:

Loan to director	80 000
Trade debtors	12 000

6. The following prepaid expenditure was incurred: Rental of the switchboard system for head office for the period 1 February 2021 to 31 January 2022 amounting to R 40 000.
7. One of its trademarks (Breathing techniques during exams) was purchased for use over a four-year period during the 2016 year of assessment for R180 000. The registration of this trademark was renewed on 1 January 2021 for four years at a cost of R48 000.

8. It incurred qualifying research and development costs in accordance with section 11D amounting to R351 440, relating to a project where the necessary approval was obtained from the Minister of Science and Technology before the commencement of the project. SARS allows all qualifying businesses to deduct 150% of the research and development costs in the tax period the costs were incurred.

Q.3.1	Calculate InnoHub (Pty) Ltd.'s <u>allowable deductions</u> for the year of assessment ended 31 March 2021.	(10)
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ANNEXURE A

Deemed rate per kilometre schedule for the 2020/2021 year of assessment			
Value of the vehicle (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
R0 – R95 000	31 332	105.8	37.4
R95 001 – R190 000	55 894	118.1	46.8
R190 001 – R285 000	80 539	128.3	51.6
R285 001 – R380 000	102 211	138.0	56.4
R380 001 – R475 000	123 955	147.7	66.2
R475 001 – R570 000	146 753	169.4	77.8
R570 001 – R665 000	169 552	175.1	96.6
R665 001 and above	169 552	175.1	96.6

Rates applicable to individuals and special trusts for the 2020/2021 year of assessment	
Taxable income (R)	Rates of tax (R)
R1 – R205 900	18% of taxable income
R205 901 – R321 600	R37 062 + 26% of taxable income above R205 900
R321 601 – R445 100	R67 144 + 31% of taxable income above R321 600
R445 101 – R584 200	R105 429 + 36% of taxable income above R445 100
R584 201 – R744 800	R155 505 + 39% of taxable income above R584 200
R744 801 – R1 577 300	R218 139 + 41% of taxable income above R744 800
R1 577 301 and above	R559 464 + 45% of taxable income above R1 577 300

Retirement fund lump sum withdrawal benefit for the 2021 tax year	
Taxable income (R)	Rate of tax (R)
R1 – R25 000	0%
R25 001 - R660 000	18% of taxable income above R25 000
R660 001 - R990 000	R114 300 + 27% of taxable income above R660 000
R990 001 and above	R203 400 + 36% of taxable income above R990 000

Retirement and Death Benefits or Severance Benefits for the 2021 tax year	
Taxable income (R)	Rate of tax (R)
R1 – R500 000	0% of taxable income
R500 001 - R700 000	18% of taxable income above R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 and above	R130 500 + 36% of taxable income above R1 050 000

Tax thresholds applicable to individuals and special trusts	
Under 65	R83 100
65 and older	R128 650
75 and older	R143 850
Trusts other than Special Trusts	
Rate of tax	45%
Tax rebates	
Primary (persons younger than 65)	R14 958
Secondary (persons 65 and older)	R8 199
Tertiary (persons 75 and older)	R2 736

END OF PAPER