Tutorial Letter 101/3/2018

TAXATION OF INDIVIDUALS

TAX3702

Semesters 1 and 2

Department of Taxation

This tutorial letter contains important information regarding this module.
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1 INTRODUCTION AND WELCOME

We have pleasure in welcoming you as a student to the module, TAXATION OF INDIVIDUALS. We hope that you will find your studies interesting and rewarding and that you will be successful in the examination.

Please read this tutorial letter carefully to orientate yourself with the requirements for this module.

This module is practical and therefore you will have to learn rules and how to apply them. This means that you will have to start with your studies immediately as the semester is approximately 13 weeks long, and you will need to give yourself time to practice what you learn. For your convenience, we include a proposed study programme indicating the MINIMUM time you will have to put aside for each learning unit as well as the specific outcomes and assessment standards for the module. The specific outcomes and assessment standards for the module will be provided again in every learning unit.

There are several lecturers in the Department of Taxation’s undergraduate section who will be assisting you, but your primary lecturers are Mr Ari Swanepoel and Mr Mark van Dyk.

How to get started on myUnisa

It is important that you use myUnisa regularly. This technological resource makes it easier to communicate with the University, your lecturers and fellow students about your studies. By using myUnisa, you will be able to submit your assignments electronically, access the library resources, get your assignment marks and take part in activities, tasks and discussions relating to the contents of this module. Register TODAY and visit it regularly.

In addition to registering on myUnisa, it is crucial that you activate your myLife e-mail address, as all your official correspondence regarding this module will be sent to your myLife address and not your private e-mail address. Please consult the Study @ Unisa guide on myUnisa for more information on the activation of your myLife e-mail address as well as obtaining access to the myUnisa module website.

All study material is available online. You will receive some printed materials as a back-up. HOWEVER, DO NOT WAIT FOR PRINTED MATERIALS BEFORE YOU START STUDYING.

2 PURPOSE AND OUTCOMES

2.1 PURPOSE

The aim of this module is to provide learners with a sound knowledge of the Income Tax Act, applicable to individuals (natural persons) as well as the application of the principles governing individuals in order to determine the income tax liability. The module encompasses the calculation of income tax liability including the calculation of fringe benefits, retirement benefits, investment income and capital gains tax. Students will also learn to calculate pre-paid taxes, both employees’ tax and provisional tax. The taxation of non-residents also forms part of the content of the module. You will also deal with donations tax and estate duty.
2.2 SPECIFIC OUTCOMES AND ASSESSMENT CRITERIA

We will assess whether you are competent in the taxation of individuals by means of case studies (real-life situations). You will be required to apply a thorough theoretical knowledge to the calculation of the tax liability of natural persons, both resident and non-resident correctly in terms of the South African Income Tax Act. You will also be required to apply a thorough theoretical knowledge to the calculation of donations tax and estate duty correctly.

The assessment will be conducted in terms of the following specific outcomes:

**SPECIFIC OUTCOME 1:**

Students must be able to demonstrate a well-rounded and systematic knowledge base in determining the total net tax liability in terms of the Income Tax Act as it applies to an individual resident in South Africa.

**Assessment Criteria**

Students are competent if evidence shows that they are able to:

1.1 discuss and calculate the gross income and special inclusions of an individual
1.2 identify and apply exempt or partially exempt income
1.3 identify, calculate and apply the general, specific and prohibited deductions
1.4 calculate and apply the taxable capital gain/loss of an individual
1.5 calculate the net normal tax liability
1.6 calculate the tax liability in respect of lump sums
1.7 identify the tax status of insolvent persons

**SPECIFIC OUTCOME 2:**

Students must be able to demonstrate an understanding and knowledge of the total net tax liability, in terms of the Income Tax Act, as it applies to an individual who is considered a non-resident in South Africa for taxation purposes, as well as an ability to evaluate and apply this knowledge.

**Assessment Criteria**

Students are competent if evidence shows that they are able to:

2.1 apply the source rules for different types of income
2.2 apply exemptions applicable for different types of income
2.3 calculate net normal tax liability and withholding taxes

**SPECIFIC OUTCOME 3:**

Students must be able to demonstrate an ability to gather, process and apply information in the context of employees’ tax and provisional tax in terms of the Income Tax Act.

**Assessment Criteria**

Students are competent if evidence shows that they are able to:

3.1 calculate employees’ tax
3.2 calculate provisional tax
3.3 apply penalties and interest in respect of provisional tax
SPECIFIC OUTCOME 4:

Students must be able to demonstrate integrated knowledge of donations tax liability in terms of the Income Tax Act as it applies to an individual.

Assessment Criteria

Students are competent if evidence shows that they are able to:

4.1 discuss, apply and reflect critically on the disposal of property, which constitutes a donation or deemed donation with reference to relevant legislation
4.2 identify and explain donations, which are exempt from donations tax
4.3 calculate the donations tax payable on a donation

SPECIFIC OUTCOME 5:

Students must be able to demonstrate the ability to communicate how the estate duty liability in a deceased estate is calculated in accordance with the Administration of Estates Act 66 of 1965, using appropriate professional discourse.

Range: Students will be required to calculate the estate duty payable in a deceased estate and identify the person(s) responsible for the payment thereof.

Assessment Criteria

Students are competent if evidence shows that they are able to:

5.1 identify property and deemed property in a deceased estate
5.2 determine and communicate the value to be used for estate duty purposes of all property and deemed property in a deceased estate, including limited interests
5.3 identify and apply the various deductions and rebates allowed for estate duty purposes according to current legislation
5.4 calculate and apportion the estate duty liability of a deceased estate

3 LECTURERS AND CONTACT DETAILS

3.1 ADMINISTRATIVE QUERIES

For any contact with the University concerning administrative matters, please consult the Study @ Unisa guide on myUnisa. Enquiries in connection with administrative matters must be addressed to the relevant administration department to which the problem applies and NOT to the lecturers.

Administrative enquiries should be directed to:

<table>
<thead>
<tr>
<th>E-mail addresses</th>
<th>SMS /Tel numbers</th>
<th>Use to enquire about:</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASenquiries-undergraduate</td>
<td>Call: (012) 429-4211</td>
<td>CAS-related enquiries</td>
</tr>
<tr>
<td>@unisa.ac.za</td>
<td>/2233/2982</td>
<td>Administrative enquiries</td>
</tr>
<tr>
<td><a href="mailto:econ@unisa.ac.za">econ@unisa.ac.za</a></td>
<td>n/a</td>
<td>Registration and credit/exemption</td>
</tr>
<tr>
<td><a href="mailto:study-info@unisa.ac.za">study-info@unisa.ac.za</a></td>
<td>43578</td>
<td>Applications and registrations</td>
</tr>
<tr>
<td><a href="mailto:assign@unisa.ac.za">assign@unisa.ac.za</a></td>
<td>43584</td>
<td>Assignments (not for submission purposes)</td>
</tr>
</tbody>
</table>
E-mail addresses | SMS /Tel numbers | Use to enquire about:
--- | --- | ---
exams@unisa.ac.za | 43584 | Examinations

despatch@unisa.ac.za | 43579 | Study material

finan@unisa.ac.za | 31954 | Student accounts

gaudemus@unisa.ac.za | n/a | Graduation ceremonies

myUnisaHelp@unisa.ac.za | 43582 | myUnisa

myLifeHelp@unisa.ac.za | 43582 | myLife e-mail

Link to Unisa website relating contact details for student enquiries:
http://www.unisa.ac.za/sites/corporate/default/Contact-us/Student-enquiries

When corresponding with the University in writing, always supply:
- your student number,
- module code and
- a telephone number where we can contact you.

3.2 MODULE CONTENT-RELATED QUERIES

Ensure that you have the right module code on hand when you contact the lecturers.

Available lecturers:
The lecturers who are available to assist you are:
- Mr A Swanepoel 012 429 4313
- Mr M van Dyk 012 429 4918
- Ms M Bernard 012 429 8992
- Ms C Stedall 012 429 4301
- Ms MSI Wentzel 012 429 4876
- Ms C Cass 012 429 4002
- Mr W Uys 012 429 8976
- Ms R Moosa 012 429 4752
- Ms R Matenche 012 429 4394
- Ms I Kretzschmar 012 429 4394

Departmental cellphone number: 079 365 1124 (Please do not send text messages, make missed calls or send “please call me” messages to this number, it will not be responded to.)

E-mail contact with lecturers:
- TAX3702–18–S1@unisa.ac.za (Semester 1)
- TAX3702–18–S2@unisa.ac.za (Semester 2)
Course contact tab on myUnisa

3.3 ACADEMIC ADMINISTRATIVE QUERIES

Ms S Brecher (Departmental Secretary) 012 429 4494
## RESOURCES

### 4.1 STUDY MATERIAL

All the following tutorial letters for this module are available on myUnisa, at [https://my.unisa.ac.za](https://my.unisa.ac.za):

**PLEASE NOTE:** Tutorial Letters 201, 202 and 203 will not be provided to you in printed format. You must download it yourself from myUnisa under 'official study material'.

<table>
<thead>
<tr>
<th>Tutorial Letter</th>
<th>Content</th>
<th>Learning units to be covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>Contains very important information regarding the module. Keep it at hand, as you will have to refer to it regularly. <strong>NB:</strong> Contains the compulsory Assignment 1 that counts as part of the year mark, for both semesters. Contains Assignment 2 that counts as part of the year mark, for both semesters.</td>
<td>1 to 5 1 to 7</td>
</tr>
<tr>
<td>102</td>
<td>Contains the first of two study guides you will use for this module.</td>
<td>1 to 6</td>
</tr>
<tr>
<td>103</td>
<td>Contains the second study guide you will use for this module.</td>
<td>7 to 13</td>
</tr>
<tr>
<td>201</td>
<td>Contains: Assignment 3 – Mock exam paper. The solutions to Assignment 3.</td>
<td>1 to 13</td>
</tr>
<tr>
<td>202</td>
<td>Contains the solution to Assignment 1.</td>
<td></td>
</tr>
<tr>
<td>203</td>
<td>Contains the solution to Assignment 2.</td>
<td></td>
</tr>
</tbody>
</table>

**Further tutorial letters**

Further tutorial letters may be published on myUnisa during the year as the need arises. Tutorial letters are all sequentially numbered.

**Additional study material**

The above study material is the only study material, which the University provides to you. The lecturers believe that this is sufficient for you to complete your studies successfully.

Each year the Income Tax Act is amended. We expect you to update yourself on the latest tax amendments, but you will not be issued with any new study material. You can visit the SARS website at [www.sars.gov.za](http://www.sars.gov.za) for relevant updates/changes. Work through the study material that you have at your disposal together with updates/changes. Remember that if you become a tax practitioner, you will need to update your knowledge continually.

### 4.2 PRESCRIBED BOOK

It is essential that you obtain the following prescribed textbook:


You must obtain the prescribed textbook as soon as possible in the semester. Note that the library does not provide for this book specifically and that copies of the book may not always be readily available in the library.
Please refer to the list of official booksellers and their addresses in the Study @ Unisa guide on myUnisa.

4.3 E-RESERVES/RECOMMENDED BOOKS AND READING LISTS

There are no e-reserves, recommended books or reading lists for this module.

4.4 POCKET CALCULATORS

Candidates may only use silent, electronic, battery-driven pocket calculators subject to the following conditions:

- calculators must be cordless, and may not have print-out facilities or alpha keys;
- any financial calculator will be allowed, as the following tables will not be provided:
  - tables of present value factors for various discount rates for varying periods; and
  - tables of future value factors for various interest rates for varying periods;
- the calculator function on mobile telephones or any electronic device (i.e. laptops and/or any Smart Phone) may not be used; and
- candidates may not share a calculator with another candidate in the examination room.

5 STUDENT SUPPORT SERVICES

5.1 myUnisa

To go to the myUnisa website, start at the main Unisa website, http://www.unisa.ac.za, and then click on the “Login to myUnisa” link on the right-hand side of the screen. It should take you to the myUnisa website. You can also go there directly by typing in https://my.unisa.ac.za.

Please consult the Study @ Unisa guide on myUnisa for more information.

PLEASE ACTIVATE YOUR MYLIFE E-MAIL ACCOUNT SO THAT WE CAN COMMUNICATE WITH YOU!

For this module, we will make use of the following using myUnisa:

- “Official study material” – all tutorial letters that you will need for this module
- “Course contact” – module e-mail for technical questions
- “Additional resources” – podcasts will be uploaded here
- “Schedule” – you will be provided with a weekly study schedule
- “Announcements” – announcements will be made when required
- “Discussion forum” – please take part in meaningful content-related discussions
- “FAQ” – please read this
- “Self-assessment” – short questions at the end of learning units

Please arrange to visit myUnisa from time to time to make use of these valuable resources.

5.2 VIDEO CLIP

We will be sending out a video clip via a link for this module. The video clip is a discussion of a mock exam paper. The video clip is a revision tool and will therefore only be available towards the end of the module. The video clip is not a replacement for doing the work it is merely a tool to assist you to revise for the exam.
5.3 TUTORS

Please be informed that, with effect from 2013, Unisa offers online tutorials (e-tutoring) to students registered for modules at NQF level 5, 6 and 7 which means qualifying first year, second year and third year modules.

Once you have been registered for a qualifying module, you will be allocated to a group of students with whom you will be interacting during the tuition period as well as an e-tutor who will be your tutorial facilitator. Thereafter you will receive an SMS informing you about your group, the name of your e-tutor and instructions on how to log onto myUnisa to receive further information on the e-tutoring process.

Online tutorials are conducted by qualified e-tutors who are appointed by Unisa and are offered free of charge. All you need, to be able to participate in e-tutoring, is a computer with internet connection. If you live close to a Unisa regional centre or a telecentre contracted with Unisa, please feel free to visit any of these to access the internet. E-tutoring takes place on myUnisa where you are expected to connect with other students in your allocated group. It is the role of the e-tutor to guide you through your study material during this interaction process. For you to get the most out of online tutoring, you need to participate in the online discussions that the e-tutor will be facilitating.

There are modules which students have been found to repeatedly fail, these modules are allocated face-to-face tutors and tutorials for these modules take place at the Unisa regional centres. These tutorials are also offered free of charge, however, it is important for you to register at your nearest Unisa regional centre to secure attendance at these classes.

5.4 FREE COMPUTER AND INTERNET ACCESS

Unisa has entered into partnerships with establishments (referred to as telecentres) in various locations across South Africa to enable you (as a Unisa student) free access to computers and the internet. This access enables you to conduct the following academic related activities: registration; online submission of assignments; engaging in e-tutoring activities and signature courses etc. Please note that any other activity outside of these is for your own costing e.g. printing, photocopying etc. For more information on the telecentre nearest to you, please visit www.unisa.ac.za/telecentres.

6 STUDY PLAN

Below is a proposed weekly plan for TAX3702 – based on a minimum time spent on the module of 12 hours per week. Please keep in mind that you have 13 weeks of study from registration to start of exams. Semester 1 commences 22 January 2018 and Semester 2 commences 2 July 2018. If you start later, you need to realise that you will have to catch up the time that you have missed.

<table>
<thead>
<tr>
<th>Study week</th>
<th>S1</th>
<th>S2</th>
<th>Topic</th>
<th>Minimum time needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>22/1</td>
<td>2/7</td>
<td>Learning unit 1: Introduction to Taxation</td>
<td>6 hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Learning unit 2: Gross income and special inclusions</td>
<td>6 hours</td>
</tr>
<tr>
<td>2</td>
<td>29/1</td>
<td>9/7</td>
<td>Learning unit 2: Gross income and special inclusions</td>
<td>6 hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Learning unit 3: Fringe benefits and allowances</td>
<td>6 hours</td>
</tr>
<tr>
<td>3</td>
<td>5/2</td>
<td>16/7</td>
<td>Learning unit 3: Fringe benefits and allowances</td>
<td>12 hours</td>
</tr>
<tr>
<td>4</td>
<td>12/2</td>
<td>23/7</td>
<td>Learning unit 4: Exempt income</td>
<td>6 hours</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Learning unit 5: Deductions</td>
<td>6 hours</td>
</tr>
<tr>
<td>5</td>
<td>19/2</td>
<td>30/7</td>
<td>Learning unit 5: Deductions</td>
<td>12 hours</td>
</tr>
<tr>
<td>Study week</td>
<td>S1</td>
<td>S2</td>
<td>Topic</td>
<td>Minimum time needed</td>
</tr>
<tr>
<td>------------</td>
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<td>-----</td>
<td>----------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
</tbody>
</table>
| 6          | 26/2| 6/8 | Assignment 1 due next week – 2nd semester  
|            |     |     | Do Assignment 1 (Tutorial Letter 101)  
|            |     |     | (Semester 2: due 13 August 2018)  
|            |     |     | Learning unit 6: Capital gains tax  
|            |     |     | Learning unit 7: Lump sum benefits | 2 hours |
| 7          | 5/3 | 13/8| Submit Assignment 1  
|            |     |     | (13 August 2018 2nd semester)  
|            |     |     | Assignment 1 due next week – 1st semester  
|            |     |     | Do Assignment 1 (Tutorial Letter 101)  
|            |     |     | (Semester 1: due 12 March 2018)  
|            |     |     | Learning unit 6: Capital gains tax  
|            |     |     | Learning unit 9: Prepaid taxes | 12 hours |
| 8          | 12/3| 20/8| Submit Assignment 1  
|            |     |     | (12 March 2018 1st semester)  
|            |     |     | Assignment 2 due next week – 2nd semester  
|            |     |     | Do Assignment 2 (Tutorial Letter 101)  
|            |     |     | (Semester 2: due 27 August 2018)  
|            |     |     | Learning unit 8: Non-residents  
|            |     |     | Learning unit 9: Prepaid taxes | 6 hours |
| 9          | 19/3| 27/8| Assignment 2 due next week – 1st semester  
|            |     |     | Do Assignment 2 (Tutorial Letter 101)  
|            |     |     | (Semester 1: due 26 March 2018)  
|            |     |     | Submit Assignment 2  
|            |     |     | (27 August 2018 2nd semester)  
|            |     |     | Learning unit 9: Prepaid taxes | 1.5 hours |
| 10         | 26/3| 3/9 | Submit Assignment 2  
|            |     |     | (26 March 2018 1st semester)  
|            |     |     | Learning unit 10: Donations tax  
|            |     |     | Learning unit 11: Estate duty | 6 hours |
| 11         | 2/4 | 10/9| Learning unit 11: Estate duty  
|            |     |     | Learning unit 12: Farming income | 6 hours |
| 12         | 9/4 | 17/9| Learning unit 12: Farming income  
|            |     |     | Do Assignment 3 (Tutorial Letter 201) under exam conditions and mark  
|            |     |     | Revision for exam | 6 hours |
| 13         | 16/4| 24/9| Revision for exam | 12 hours |

### 7 ASSESSMENT

- **Assignment 1**: Compulsory for exam admission  
  25% of year mark
- **Assignment 2**: 75% of year mark
- **Assignment 3**: Self-assessment does not count
- **Exam**: Sub-minimum of 40%

20% of final mark

80% of final mark
7.1 ASSIGNMENTS

There are three assignments per semester. Assignments 1 and 2 are in tutorial letter 101/3/2018 and Assignment 3 is in Tutorial Letter 201/1/2018 (1st semester) and Tutorial Letter 201/2/2018 (2nd semester).

As a Unisa student, you do not write tests and therefore you need to use the assignments as a substitute. It is part of your learning process to receive feedback in the form of an assignment solution. The completion of your assignment will also help you, as you will only obtain a total understanding of this module through practice by working out questions.

You MUST keep a copy of your completed compulsory assignment, so that in the event that the assignment is lost, before it can be assessed, you will have a copy that we can mark.

Submission of assignments

Assignments, both written and mark-reading sheets, can be submitted by post or electronically via myUnisa. See the Study @ Unisa guide on myUnisa for the different ways in which assignments can be submitted. Assignments may not be faxed or e-mailed.

A mark-reading sheet is required for answering Assignment 1. Before completing the mark-reading sheet please see the instructions contained in the Study @ Unisa brochure on myUnisa. Read these instructions carefully and follow them exactly to avoid mistakes and delays.

PLEASE NOTE: Written assignments that are submitted electronically/online for this module must be in PDF format. Please do not write-protect the PDF document.

For detailed information on assignments, please refer to the Study @ Unisa guide on myUnisa.

PLEASE NOTE: Information about assignments, (e.g. whether the university has received your assignment or the date on which an assignment was returned to you) can be obtained on myUnisa.

Marking of assignments

Assignment 1 will be marked electronically.

Assignment 2 will be marked by hand.

Assignment 3 is a self-assessment assignment, which means that you do not submit it to Unisa and you mark it yourself.

You will receive the correct answers automatically for multiple-choice questions. The solutions to all assignments will only be available on myUnisa to all students registered for this module. The tutorial letter numbers will be 201, 202 and 203. Feedback regarding assignments will be "announced" on myUnisa. The assignments and the feedback on these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination.

The feedback on the self-assessment assignment is included in Tutorial Letter 201. This will enable you to mark your assignment as soon as you have completed it.
Due dates

The due dates for the assignments are as follows:

<table>
<thead>
<tr>
<th>FIRST SEMESTER</th>
<th>DUE DATE</th>
<th>UNIQUE NUMBER</th>
</tr>
</thead>
<tbody>
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<td>832637</td>
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<tr>
<td>2 (contributes toward year mark)</td>
<td>26 March 2018</td>
<td>700856</td>
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<tr>
<td>3 (self-assessment)</td>
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<table>
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<tr>
<th>SECOND SEMESTER</th>
<th>DUE DATE</th>
<th>UNIQUE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
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<td>724136</td>
</tr>
<tr>
<td>2 (contributes toward year mark)</td>
<td>27 August 2018</td>
<td>690506</td>
</tr>
<tr>
<td>3 (self-assessment)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Finality of due dates

Please remember that Assignment 1 is marked by the computer and these marks are finalised on a given date, therefore NO extensions can be granted, WHATSOEVER.

PLEASE NOTE: Assignment 1 counts 25% and Assignment 2 counts 75% of your year mark. Only Assignment 1 is compulsory, this means that you have to do Assignment 1 and submit it if you would like admission to the exam. It would be in your own interest to submit Assignment 2 as well, as it contributes 75% to your year mark.

The assignments do not cover all the essential work of the module – they are just a tool to assist you to study the material in good time. Furthermore, doing assignments is not sufficient preparation for the examination. For your own good, and in preparation for the examination, we recommend that over and above the assignments, you should do all the activities properly.

Instructions regarding electronic submission of assignments

Submit Assignment 1 using myUnisa:

- Go to www.unisa.ac.za
- Go to myUnisa
- Enter your student number and password
- Select your module from the orange strip
- Click on “Assignments”
- Find the course code in the Course column
- Find the corresponding number of the assignment, e.g. 01 or 02 in the Ass. No. column
- Click on the Submit link in the Action column next to the assignment number
- Enter the total number of questions for your assignment in the Number of Questions field
- Click on the Continue button
- The number of questions requested in the previous step will now be displayed with five answer options next to each one. Please note that each row represents a question in your assignment
- Click on the radio button [the small circle] that corresponds to your answer for that question. If you want to restart the assignment, click on Clear Form to remove all your selections and start again
- Click on the Continue button after you have completed all the questions and checked if you are happy with all your answers
- If you want to redo the answers to the assignment, click Back
Click on the Continue button to submit your assignment. If you do not click Continue, no submission action will take place.

The assignment submission report is your proof that your assignment was submitted. **You must print this page for your record purposes.**

Click on the Return to Assignment List button to go back to the Assignment overview screen.

### Submit Assignment 2 using myUnisa:

- Go to myUnisa.
- Log in with your student number and password.
- Select the module.
- Click on “Assignments”.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

**Remember that your assignment document (attachment) must be in a PDF-format only.** Do not save it as ‘read only’, otherwise we will not able to mark the assignment.

### The RESUBMIT feature for online assignments submission

If you have made a mistake while completing a multiple-choice questionnaire online or uploaded the wrong file for an assignment, this feature in the myUnisa Assignments tool allows you to replace your assignment submission without any intervention from Unisa staff. It’s called the RESUBMIT function.

Click on it ONLY to reload a file or redo the multiple-choice questions if you have to – it is **NOT** mandatory.

After you resubmitted an assignment successfully, your previous submissions will show as *Cancelled*.

### The CLOSED action link

The assignment action link will display as CLOSED under one of the following conditions:

- Your submitted assignment file or multiple-choice questions is already in the process of marking (if you submit early, this can happen before the due date and you will therefore not be allowed to replace the file).
- You have not obtained admission to the examination.
- The assignment is no longer open for submissions.

### 7.2 EXAMINATION

The examination counts 100 marks. The entire syllabus is covered in the examination and you can therefore not afford to leave out any part of it.

The mark obtained for this examination will contribute 80% towards the final mark for this module. In order to obtain admission to the examination you must submit Assignment 1 (the compulsory multiple-choice assignment) on or before the due date. Assignment 2 is not compulsory but it will count towards your year mark.

Once again, all-important information regarding the administration of the exam is contained in the *Study @ Unisa* guide on myUnisa.
Final mark

The final mark for this module is calculated as follows, an example:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Weighting</th>
<th>Mark achieved</th>
<th>Final mark (weight x actual mark)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>25% x 20% = 5%</td>
<td>80%</td>
<td>4%</td>
</tr>
<tr>
<td>2</td>
<td>75% x 20% = 15%</td>
<td>70%</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>0%</td>
<td>75%</td>
<td>0%</td>
</tr>
<tr>
<td>Examination</td>
<td>80%</td>
<td>64%</td>
<td>51%</td>
</tr>
<tr>
<td>Final mark</td>
<td></td>
<td></td>
<td>66%</td>
</tr>
</tbody>
</table>

A student must obtain a final mark of 50% or more to pass this module.

You have to achieve 40% or more in the exam before your year mark will be included to calculate a final mark.

7.3 SUPPLEMENTARY, AEGROTAT OR SPECIAL EXAMINATIONS

Supplementary, aegrotat and special examinations are allowed in this module.

You will not be required to submit assignments if you are a supplementary, aegrotat or special examination student.

Supplementary, aegrotat or special examination student – your year mark from the previous semester will be carried forward.

As a supplementary student, you will still have access to myUnisa and we encourage you to make use of all the resources.

8 OTHER ASSESSMENT METHODS

There are no other assessment methods for this module.

9 OTHER MATTERS

9.1 PLAGIARISM

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft, which involves a number of dishonest academic activities.

The Disciplinary Code for Students (2004) is given to students at registration. Students are advised to study the Code, especially Sections 2.1.13 and 2.1.14 (2004:3-4). Kindly read the University’s Policy on Copyright Infringement and Plagiarism as well.
Plagiarism declaration:

By submitting “YOUR MODULE NAME”, assignment number THE RELEVANT ASSIGNMENT NUMBER, I declare that:

- I have read the Unisa Students’ Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration, I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any assignment for “YOUR MODULE NAME”, you automatically declare that you adhere to all the above with regard to the specific assignment.

9.2 HOW DO I REDIRECT MY MYLIFE UNISA E-MAIL ADDRESS TO ANOTHER ACCOUNT?

Redirected messages appear as though they came from the original sender. Use a redirect message rule when you want replies to redirected messages to go to the original sender.

Sign into the outlook web app by doing the following:

1. Sign in on myUnisa.
2. Select the More Sites tab.
3. Under Projects, select myLife e-mail access
4. You are now in Outlook.

5. At the top of the page, select Settings ➔ Options, and then select one of the following:
6. Organize e-mail > Inbox rules > New ➔
7. OR
8. Mail > Automatic processing > Inbox rules > New ➔ Create a new rule for arriving messages
9. Type a name for your rule.
10. Under When the message arrives, select Apply to all messages.
11. Under Do the following, select Forward, redirect, or send > Redirect the message to.
12. Enter the e-mail address you want in the To box, or choose it from your list of contacts.
13. Choose OK to save your selections, and OK or Save to create the rule.

A copy of messages that you redirect or forward remains in your mailbox. If you add an action to delete the message, the message goes to your Deleted Items folder and is counted against your mailbox limit. If you exceed your mailbox limit, you may be blocked from sending or receiving new messages. Forwarding rules also may not work until you delete enough messages to bring the total below your mailbox limit.
When you create a forward or redirect rule, you can add more than one address to send to. The number of addresses you can add may be limited depending on your account settings. If you create a rule with more than one address, test it to make sure it works.

If you don’t want a forward or redirect inbox rule to apply to all messages, choose any option other than Apply to all messages.

Your administrator may have blocked the ability to use forward or redirect rules to send mail to some or all domains outside of your own. After you’ve created a redirect or forward rule, test the rule by sending a message from a third account to your account. Then check the account your rule is set to redirect or to forward messages to.

9.3 HEALTH CONDITIONS SUCH AS HIV/AIDS

If you are a student with a health-related condition such as HIV/AIDS, or have a close family member with this or another health condition, then you need to take cognisance thereof in planning your studies. It will be unwise to cram tasks as this creates enormous stress, which negatively impacts on your performance as a student, as well as your health. Planning your studies is essential so that you work consistently and make progress.

It is wise to know your health status (HIV/AIDS, blood pressure, diabetes, cholesterol etc.). If you are informed by medical tests, with the necessary medical and supportive interventions, you can prolong and improve the quality of your life and success in your studies. The URL to the Unisa student health and wellness site is included here for your convenience: Unisa online – student health and wellness.

10 FREQUENTLY ASKED QUESTIONS

1. Must I buy the prescribed textbook or can I use a previous version?

The Income Tax Act is amended (changed) each year with the budget speech. This means that old textbooks will be out of date. Please only use the current version of the textbook.

2. I think that I found a mistake in the study material, what should I do?

In spite of the care taken to ensure that the tutorial letters, assignments and solutions are comprehensible and free from errors, omissions and discrepancies may occur, as our study material must be updated annually. Should you come across such matters, or matters that are not clearly expressed, kindly let us know to enable us to make the necessary correction. As soon as we discover a mistake we will make an announcement on the myUnisa system, please ensure that you register yourself to receive e-mails from the system.

3. Please could I have the answers to the old exam papers that are available on myUnisa?

These are uploaded automatically on myUnisa. We advise you, however, not to focus on old examination papers only as the content of modules and therefore examination papers changes from year to year. You may, however, accept that the type of questions that will be asked in the examination will be similar to those asked in the activities in your study guide and in the assignments. Remember that the solutions to the previous exam papers are not made available to students, as they are out of date. Assignment 3 is a previous exam paper that has been updated with the legislative amendments and a new solution is provided for you in Tutorial Letter 201. Other exam questions have in most instances been incorporated into your study guide as additional questions to work through.
4. I received my study material too late to submit my first assignment on time. What do I do now?

You will have to prove that you indeed received your study material late and submit it with a motivated request to examadmission@unisa.ac.za.

You can also refer to the Study @ Unisa guide on myUnisa, which contains an A-Z guide of the most relevant study information.

11 CONCLUSION

We would like to take this opportunity to extend our best wishes for success in your studies and assure you that we realise that you are not studying under ideal conditions. We invite you to communicate with us on any matter concerning this module.
ANNEXURE A: ASSIGNMENT 1 FOR FIRST SEMESTER STUDENTS

SUBMISSION OF ASSIGNMENT 1 IS COMPULSORY TO OBTAIN ADMISSION TO THE EXAMINATION. ADMISSION WILL BE OBTAINED BY SUBMITTING THE ASSIGNMENT AND NOT BY THE MARKS YOU OBTAIN FOR IT. THIS ASSIGNMENT WILL COUNT A MAXIMUM OF 5% OF YOUR FINAL MARK. PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE SINCE LATE SUBMISSION WILL RESULT IN YOUR NOT BEING ADMITTED TO THE EXAMINATION. NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

IF YOU INTEND POSTING YOUR ASSIGNMENT, MAKE A COPY OF IT BEFORE YOU POST IT TO UNISA, IN CASE YOUR ASSIGNMENT IS LOST IN THE POST. WE ADVISE YOU, IF POSSIBLE, TO SUBMIT YOUR ASSIGNMENT ELECTRONICALLY.

Note:

(1) Questions can be answered on a mark-reading sheet or submitted electronically via the myUnisa online system.
(2) Before completing the mark-reading sheet, study the instructions in the Study @ Unisa guide on myUnisa. Read these instructions carefully and follow them exactly to avoid mistakes.
(3) Do your calculations on a separate piece of paper before you complete the mark-reading sheet.

IMPORTANT INFORMATION ON MULTIPLE-CHOICE ASSIGNMENTS

REMEMBER

- There is only one correct answer to each question.
- All questions are equal in value.
- Only the mark-reading sheets provided may be used.
- Colour in the correct block with an HB pencil.
- Fill in your student number correctly.
- Fill in the assignment number correctly.
- Fill in the unique assignment number for the specific semester and the module you are registered for correctly. Every assignment marked by the computer has a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 612166, it "knows" that it is Assignment 1 for that specific module.
- Send only your mark-reading sheet to the Assignment Section in the appropriate envelope.
- Make sure that you have enough mark-reading sheets.

DO NOT

- Make more than one mark per question.
- Tear or fold the mark-reading sheet.
- Staple the mark-reading sheet to another piece of paper.
- Colour outside the block.
- Colour in the block with a pen.
- Make corrections with correction fluid.
- Try to repair a torn mark-reading sheet with sticky tape – use another mark-reading sheet.
ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment, you will need to have achieved the learning outcomes set out in learning units 1 to 5, as contained in Tutorial Letter 102/3/2018. This assignment will assess you on being able to select the appropriate alternative that best reflects the quantitative/qualitative answer to a problem.

REQUIRED:

Select the number ((1) – (5)) that represents the correct answer to the question.

QUESTION 1

Fellow students made the following statements:

(i) Net normal tax less employees’ tax less provisional tax equals tax liability.

(ii) Gross income less exempt income less allowable deductions less rebates less tax credits equals taxable income.

(iii) Normal tax add taxable capital gain less rebates less tax credits equals net normal tax.

(iv) Gross income less exempt income less allowable deductions add taxable capital gain equals taxable income.

(v) Net normal tax less rebates less tax credits less employees’ tax less provisional tax equals net normal tax liability.

Which of the above statements are correct?

(1) (i), (ii), (iii), (iv) and (v)
(2) (i), (iv) and (v)
(3) (i), (ii) and (iv)
(4) (iv) and (v)
(5) (i) and (iv)
QUESTION 2

Laura (54 years old and single) receives a monthly salary of R135 000 for the 2018 year of assessment. Laura received a dividend of R100 000 on her local investments during the current year.

Allowable deductions amounted to R70 000 and employees’ tax of R500 000 was deducted from Laura’s salary for the year. Calculate Laura’s taxable income for the current year of assessment.

(1) R1 550 000  \[ (R135 \,000 \times 12) + R100 \,000 – R100 \,000 – R70 \,000 \]
(2) R1 050 000  \[ (R135 \,000 \times 12) + R100 \,000 – R100 \,000 – R70 \,000 – R500 \,000 \]
(3) R1 650 000  \[ (R135 \,000 \times 12) + R100 \,000 – R70 \,000 \]
(4) R1 620 000  \[ (R135 \,000 \times 12) + R100 \,000 – R100 \,000 \]
(5) R1 150 000  \[ (R135 \,000 \times 12) + R100 \,000 – R70 \,000 – R500 \,000 \]

QUESTION 3

Driki is 63 years old and married. Assume that her taxable income for the 2018 year of assessment is R1 588 000. She made provisional tax payments of R357 000 for the 2018 year of assessment. What is her normal tax?

(1) R559 590  \[ R533 \,625 + (45\% \times (R1 \,588 \,000 – R1 \,500 \,000)) – R13 \,635 \]
(2) R573 225  \[ R533 \,625 + (45\% \times (R1 \,588 \,000 – R1 \,500 \,000)) \]
(3) R216 225  \[ R533 \,625 + (45\% \times (R1 \,588 \,000 – R1 \,500 \,000)) – R357 \,000 \]
(4) R202 590  \[ R533 \,625 + (45\% \times (R1 \,588 \,000 – R1 \,500 \,000)) – R13 \,635 – R357 \,000 \]
(5) R552 111  \[ R533 \,625 + (45\% \times (R1 \,588 \,000 – R1 \,500 \,000)) – R21 \,114 \]

QUESTION 4

Maureen’s normal tax (per the tax tables) based on her taxable income for the 2018 year of assessment is R54 600. Employees’ tax of R30 000 was deducted from Maureen’s salary for the period. Maureen (69 years old) passed away on 11 April 2017. What is her net normal tax?

(1) R22 170  \[ R54 \,600 – ((R13 \,635 + R7 \,479) \times 42/365) – R30 \,000 \]
(2) R401  \[ (R54 \,600 – R13 \,635 – R7 \,479 – R30 \,000) \times 42/365 \]
(3) R35 916  \[ (R54 \,600 – ((R13 \,635 + R7 \,479) \times 323/365)) \]
(4) R52 170  \[ (R54 \,600 – ((R13 \,635 + R7 \,479) \times 42/365)) \]
(5) R33 486  \[ R54 \,600 – R13 \,635 – R7 \,479 \]
ASSIGNMENT 1: 1st SEMESTER 2018 (continued)

QUESTION 5

Adele is 76 years old. Her net normal tax for the current year of assessment is R107 000. Adele is registered as a provisional taxpayer. Her provisional tax payments for the 2018 year of assessment amounted to R57 000. Her employer deducted R41 000 employees’ tax during the year.

Her net normal tax liability or refund for the current year is …

(1) R66 000 liability \[R107 000 – R41 000]\]
(2) R83 393 liability \[R107 000 – R13 635 – R7 479 – R2 493]\]
(3) R9 000 liability \[R107 000 – R57 000 – R41 000]\]
(4) R14 607 refund \[R107 000 – R13 635 – R7 479 – R2 493 – R57 000 – R41 000]\]
(5) R50 000 liability \[R107 000 – R57 000]\]

QUESTION 6

Consider the following statements:

(i) The mere fact that a taxpayer owned an asset for a long period before selling it, renders the proceeds capital in nature.
(ii) Where a taxpayer had dual intentions with the purchase of an asset, the proceeds will always be of a revenue nature when it is sold.
(iii) Where a taxpayer states his intention is of a revenue nature, the objective factors must be considered.
(iv) Where an amount is received as compensation for damages, the amount is always capital in nature.
(v) The proceeds with the disposal of Kruger Rands will always be of a revenue nature.

Which of the above statements are incorrect?

(1) (i), (ii), (iv) and (v)
(2) (i), (ii), (iii) and (v)
(3) (ii), (iii), (iv) and (v)
(4) (i), (ii), (iii), (iv) and (v)
(5) (i), (ii), (iii) and (iv)
QUESTION 7

Thandi (48 years old) is married and has two daughters. Her one daughter is 17 years old and goes to school. Her other daughter is 25 years old, a full-time student and earns no income. Thandi contributes to a medical aid fund and her husband and two daughters are dependants. None of them has a disability as defined. Her husband passed away on 31 July 2017. How much will Thandi’s medical scheme fees tax credit be for the 2018 year of assessment?

(1) R12 168 \[ (R303 + R303 + R204 + R204) \times 12 \]
(2) R9 720 \[ (R303 + R303 + R204) \times 12 \]
(3) R10 740 \[ ((R303 + R303 + R204) \times 12) + (R204 \times 5) \]
(4) R10 047 \[ ((R303 + R204 + R204) \times 12) + (R303 \times 5) \]
(5) R11 148 \[ ((R303 + R303 + R204) \times 12) + (R204 \times 7) \]

QUESTION 8

Andrew (35 years old and married) purchased an old vintage car in March 2016. In his free time he restored it to its original condition. The restoration was completed in October 2016. Andrew mainly uses the vintage car on Sundays and on occasion it is displayed at vintage car shows. It is his pride and joy and he wants to possess it for as long as possible.

Andrew’s vintage car drew a lot of attention and he was regularly made offers to purchase it. He has never accepted any of the offers. However, during February 2017, Andrew decided to put the vintage car up for sale at an auction. He knew that there would be greater competition that would maximise the selling price of the vintage car. The vintage car was sold and Andrew estimates that he realised a profit of around R300 000. Andrew wanted to purchase another more expensive old vintage car with the proceeds. He will also be restoring this old vintage car during his free time. He is undecided whether he will sell it again, after it has been restored.

What is the principal reason for excluding from, or including in, Andrew’s gross income the profit on sale of the vintage car for the 2018 year of assessment?

(1) Included in gross income because Andrew had mixed intentions and the dominant intention was to sell the vintage car for a profit.

(2) Included in gross income, however, Andrew’s initial intention was not to sell the vintage car and realise a profit, he had a change in intention when he realised he could sell it for a substantial profit. He had started a scheme of profit making.

(3) Included in gross income because Andrew held the asset for less than a year therefore indicative of a speculative motive.

(4) Excluded from gross income because Andrew did not “cross the rubicon” and did not start a scheme of profit making. He was merely realising his capital asset to his best advantage.

(5) Excluded from gross income due to capital nature because Andrew replaced the vintage car with another vintage car to “fill the hole of a capital asset”.

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ASSIGNMENT 1: 1st SEMESTER 2018 (continued)

QUESTION 9

a) Taxpayer A: cedes R15 000 of his profit share to his elderly father on 22 February 2018.

b) Taxpayer B: receives an advance payment of R30 000 on 15 February 2018 for services that must be provided on 15 March 2018.

c) Taxpayer C: entered into a 5-year lease agreement for the rental of his property on 1 September 2017. He receives a monthly rental income of R10 000 per month. On 28 February 2018, the rent was paid 2 months in advance.

d) Taxpayer D: entered into a 3-year lease agreement for the rental of his property on 1 March 2017. He receives a monthly rental income of R8 000 per month. On 28 February 2018, the rent was 3 months in arrears.

Which of the above receipts and accruals will be included in the various persons’ gross income, for the year of assessment ended 28 February 2018?

1) Taxpayer A includes R15 000; taxpayer B includes R30 000; taxpayer C includes R80 000; taxpayer D includes R96 000.

2) Taxpayer A includes R15 000; taxpayer B includes R30 000; taxpayer C includes R60 000; taxpayer D includes R72 000.

3) Taxpayer A excludes R15 000; taxpayer B excludes R30 000; taxpayer C includes R80 000; taxpayer D includes R96 000.

4) Taxpayer A includes R15 000; taxpayer B excludes R30 000; taxpayer C includes R80 000; taxpayer D includes R96 000.

5) Taxpayer A excludes R15 000; taxpayer B includes R30 000; taxpayer C includes R80 000; taxpayer D includes R96 000.

QUESTION 10

Which of the following statements is correct?

a) Where a taxpayer uses his own funds to buy property, it is likely that it is a revenue transaction and not an investment.

b) When a football player wins a prize as “player of the match”, it will not be taxed.
QUESTION 10  (continued)

c) The receipt of payment for goodwill with the sale of a business will always be of a capital nature.

d) A taxpayer acquired an asset as a long-term investment. However, the asset was sold for a profit within a year, as the taxpayer needed funds to pay for his spouse’s medical expenses. The transaction will likely be of a capital nature.

(1)  b only
(2)  d only
(3)  a, b and c
(4)  b and d
(5)  b, c and d

QUESTION 11

A garage that sells fuel, pays royalties to its holding company in terms of a license agreement. What would the correct reason be for this expense being deductible or not deductible in terms of the general deduction formula?

(1)  Capital in nature: the royalty payments relate to fixed capital.
(2)  Capital in nature: the expense will create an enduring benefit.
(3)  Revenue in nature: the expense is not incurred in the production of income.
(4)  Capital in nature: the royalties is the tree and the revenue generated from fuel sales will be the fruit.
(5)  Revenue in nature: closely related to income earning operations.

QUESTION 12

Which of the following receipts would be “special inclusions” in gross income in terms of paragraphs (a) to (n) of the gross income definition?

a) A person pays a friend to install his electronic entertainment centre at his house.

b) Colleagues give a fellow employee a gift voucher as a birthday present.
c) The capital portion payable by way of an annuity under an annuity contract in terms of section 10A.

d) A restraint-of-trade payment to an employee.

(1) a, b, c & d
(2) a, c & d
(3) a, b & d
(4) a & d
(5) b, c & d

QUESTION 13

In which one of the following cases would a natural person, not ordinarily resident in the Republic of South Africa, be a resident due to the physical presence test?

(1) Days in South Africa during the current (2018) year of assessment – 92 days; days in South Africa during the five previous years of assessment: 94 days (2017); 93 days (2016); 100 days (2015); 97 days (2014); 133 days (2013)

(2) Days in South Africa during the current (2018) year of assessment – 99 days; days in South Africa during the five previous years of assessment: 103 days (2017); 91 days (2016); 97 days (2015); 107 days (2014); 95 days (2013)

(3) Days in South Africa during the current (2018) year of assessment – 222 days; days in South Africa during the five previous years of assessment: 277 days (2017); 265 days (2016); 190 days (2015); 92 days (2014); 260 days (2013)

(4) Days in South Africa during the current (2018) year of assessment – 91 days; days in South Africa during the five previous years of assessment: 188 days (2017); 293 days (2016); 92 days (2015); 253 days (2014); 237 days (2013)

(5) Days in South Africa during the current (2018) year of assessment – 173 days; days in South Africa during the five previous years of assessment: 159 days (2017); 133 days (2016); 198 days (2015); 247 days (2014); 178 days (2013)
QUESTION 14

Janine, a South African resident, is 75 years old and single. She received South African dividends of R152 000 and South African interest of R87 000 for the 2018 year of assessment. She also received foreign interest of R4 500 and foreign dividends from a collective investment scheme (unit trust) of R9 000. None of Janine’s investment income was because of a tax-free investment. How much of Janine’s investment income will be included in her taxable income?

(1) R61 000  \[\left(\text{R}152\ 000 - \text{R}152\ 000\right) + \left(\text{R}87\ 000 - \text{R}34\ 500\right) + \text{R}4\ 500 + \left(\text{R}9\ 000 - \left(\text{R}9\ 000 \times \frac{25}{45}\right)\right)\]

(2) R62 000  \[\left(\text{R}152\ 000 - \text{R}152\ 000\right) + \left(\text{R}87\ 000 - \text{R}34\ 500\right) + \text{R}4\ 500 + \left(\text{R}9\ 000 - \left(\text{R}9\ 000 \times \frac{20}{45}\right)\right)\]

(3) R57 000  \[\left(\text{R}152\ 000 - \text{R}152\ 000\right) + \left(\text{R}87\ 000 - \text{R}34\ 500\right) + \text{R}4\ 500 + \left(\text{R}9\ 000 - \text{R}9\ 000\right)\]

(4) R58 500  \[\left(\text{R}152\ 000 - \text{R}152\ 000\right) + \left(\text{R}87\ 000 - \text{R}34\ 500\right) + \left((\text{R}4\ 500 + \text{R}9\ 000) - \left(\text{R}4\ 500 + \text{R}9\ 000\right) \times \frac{25}{45}\right)\]

(5) R71 700  \[\left(\text{R}152\ 000 - \text{R}152\ 000\right) + \left(\text{R}87\ 000 - \text{R}23\ 800\right) + \text{R}4\ 500 + \left(\text{R}9\ 000 - \left(\text{R}9\ 000 \times \frac{25}{45}\right)\right)\]

QUESTION 15

Theuns, aged 64 years, is married in community of property to Dee, aged 65 years. Theuns received a salary of R720 000, foreign dividends from a collective investment scheme (unit trust) of R18 000 and foreign interest of R3 000 for the 2018 year of assessment. Dee only received South African interest of R98 000. None of the investment income was due to a tax-free investment. How much of these amounts will be included in Dee’s taxable income?

(1) R20 000  \[\text{Rnil} + \left(\text{R}18\ 000 \times \frac{50}{100}\right) - \left(\text{R}18\ 000 \times \frac{50}{100} \times \frac{25}{45}\right) + \left(\text{R}3\ 000 \times \frac{50}{100}\right) + \left((\text{R}98\ 000 \times \frac{50}{100}) - \text{R}34\ 500\right)\]

(2) R42 600  \[\text{Rnil} + \left(\text{R}18\ 000 \times \frac{50}{100}\right) - \left(\text{R}18\ 000 \times \frac{50}{100} \times \frac{25}{45}\right) + \left(\text{R}3\ 000 \times \frac{50}{100}\right) + \left((\text{R}98\ 000 \times \frac{50}{100}) - \left(\text{R}3\ 000 \times \frac{50}{100}\right) \times \frac{20}{45}\right)\]

(3) R31 033  \[\text{Rnil} + \left(\text{R}18\ 000 \times \frac{50}{100}\right) - \left(\text{R}18\ 000 \times \frac{50}{100} \times \frac{20}{45}\right) + \left(\text{R}3\ 000 \times \frac{50}{100}\right) - \left(\text{R}3\ 000 \times \frac{50}{100} \times \frac{20}{45}\right) + \left((\text{R}98\ 000 \times \frac{50}{100}) - \text{R}23\ 800\right)\]

(4) R30 700  \[\text{Rnil} + \left(\text{R}18\ 000 \times \frac{50}{100}\right) - \left(\text{R}18\ 000 \times \frac{50}{100} \times \frac{25}{45}\right) + \left(\text{R}3\ 000 \times \frac{50}{100}\right) + \left((\text{R}98\ 000 \times \frac{50}{100}) - \text{R}23\ 800\right)\]

(5) R380 000  \[\left(\text{R}720\ 000 \times \frac{50}{100}\right) + \left(\text{R}18\ 000 \times \frac{50}{100}\right) - \left(\text{R}18\ 000 \times \frac{50}{100} \times \frac{25}{45}\right) + \left(\text{R}3\ 000 \times \frac{50}{100}\right) + \left((\text{R}98\ 000 \times \frac{50}{100}) - \text{R}34\ 500\right)\]
ASSIGNMENT 1: 1st SEMESTER 2018 (continued)

QUESTION 16

Gerda, 37 years old, had the following receipts during the 2018 year of assessment:

R

a) A gift from her grandmother  
   10 000
b) Policy disability payment  
   5 000
c) Commission income  
   180 000
d) Taxable capital gain  
   40 000

Gerda’s **taxable income** for the current year of assessment is …

1. R235 000  
   \[R10 000 + R5 000 + R180 000 + R40 000]\n
2. R225 000  
   \[Rnil + R5 000 + R180 000 + R40 000\]

3. R180 000  
   \[Rnil + Rnil + R180 000 + (R40 000 – R40 000)\]

4. R220 000  
   \[Rnil + Rnil + R180 000 + R40 000\]

5. R230 000  
   \[R10 000 + Rnil + R180 000 + R40 000\]

QUESTION 17

Which one of the following benefits, received by an employee from his employer or a company associated with the employer, is a taxable fringe benefit in terms of the Seventh Schedule of the Income Tax Act?

1. Payment for an employee’s distinct uniform that has to be worn during working hours.
2. Transport of an employee’s household possessions from his previous residence to his new residence.
3. An unreserved flight ticket granted by a transporter of passengers to an employee’s minor son, to enable him to visit his grandfather in India.
4. A bursary of R20 000 granted by an employer to an employee with an annual remuneration of R600 000, to enable his child to enrol at a secondary school.
5. A loan of R10 000 to an employee on which interest is charged at the repurchase (REPO) rate.
QUESTION 18

For which of the following will there be no taxable fringe benefit?

(i) A long-term interest-free loan of R2 500 to an employee.

(ii) An employee purchases groceries that have exceeded its due date for use, from his employer that trades as a supermarket, for R3 400. The cost of the groceries to the employer is R4 000 and its market value is R3 500.

(iii) Payment by the employer of insurance premiums that indemnify an employee solely against claims arising from negligent acts or omissions on the part of the employee in rendering services to the employer.

(iv) An employer pays medical expenses in respect of a deceased employee’s spouse.

There is no taxable benefit for:

(1) (iii) and (iv)
(2) (i), (ii) and (iii)
(3) (ii), (iii) and (iv)
(4) (i), (iii) and (iv)
(5) (i), (ii) and (iv)

Use the following information to answer questions 19 to 22.

Jonathan received the use of a company vehicle from 1 May 2017. The vehicle cost R490 000 excluding VAT, on 1 April 2016. The vehicle is not subject to a maintenance plan. He travelled a total of 32 000 km up to 28 February 2018, of which 8 000 km was for private purposes. Jonathan has to pay all the fuel costs for private purposes, which amounted to R34 000.

QUESTION 19

The determined value of the vehicle is:

(1) R490 000 x 1.14 x 85% x 85%
(2) R490 000 x 1.14 x 85%
(3) R490 000
(4) R490 000 x 85% x 85%
(5) R490 000 x 85%
ASSIGNMENT 1: 1st SEMESTER 2018 (continued)

QUESTION 20

Assume the determined value of the company vehicle is R500 000. What is the cash equivalent of the use of the company vehicle before any reductions?

1. R500 000 x 3.5% x 10/12
2. R500 000 x 3.5% x 12
3. R500 000 x 3.5% x 10
4. R500 000 x 3.25% x 10
5. R500 000 x 3.25% x 10/12

QUESTION 21

Assume the cash equivalent of the use of the company vehicle before any reductions is R120 000. How much will it be reduced to, due to Jonathan having kept a logbook?

1. R120 000 x 85% x 85%
2. R120 000 – (R120 000 x 8 000km/32 000km)
3. R120 000 x 24 000km/32 000km
4. R120 000 – (R120 000 x 24 000km/32 000km)
5. R120 000

QUESTION 22

Assume the determined value of the company vehicle is R500 000. By how much may the cash equivalent be reduced due to Jonathan having paid for the private fuel cost?

1. R34 000
2. 32 000 km x R1.46
3. 24 000 km x R1.46
4. 8 000km/32 000km x R34 000
5. 8 000 km x R1.46

QUESTION 23

Gerald is married to Felicity in community of property and he received a monthly salary of R150 000 for the full 2018 year of assessment. He also received an annual bonus of R60 000 for the year. His salary is taken into account for pension fund contributions. Felicity earned net rental income of R90 000 for the year of assessment. What is Gerald’s remuneration for the year of assessment?

1. R1 950 000 [(R150 000 x 12) + R60 000 + R90 000]
2. R1 905 000 [(R150 000 x 12) + R60 000 + R90 000/2]
3. R105 000 [R60 000 + R90 000/2]
4. R1 800 000 [R150 000 x 12]
5. R1 860 000 [(R150 000 x 12) + R60 000]
QUESTION 24

Which one of the following statements, regarding the general deduction formula, is correct?

1. Expenditure has to produce income during the year in which it is incurred, in order to be deductible.

2. Where the item of expenditure in question is the subject of a bona fide dispute, the courts have held that it does not lack the degree of certainty and finality to render it “actually incurred.”

3. Floating capital expenditure is not deductible in terms of the general deduction formula.

4. Expenditure that is more closely linked to the income-earning structure of the taxpayer is capital in nature.

5. A person who is employed, and who earns a salary, is by definition “not carrying on a trade”.

QUESTION 25

Which one of the following statements, regarding the general deduction formula, is correct?

1. Interest incurred on loans that are used to produce income is not deductible.

2. A payment, subject to a resolutive condition, is not deductible.

3. For an expense to be “actually incurred” it has to be “necessarily incurred”.

4. The actual payment of an expense is essential for the deduction of that expense.

5. An expense which is incurred for the purpose of producing exempt income is deductible.

QUESTION 26

Thuli contributed R3 000 per month, and her employer contributed R1 000 per month to a pension fund, throughout the year of assessment.

How much will Thuli’s pension fund contribution fringe benefit for the full year of assessment be?

1. R12 000 \[R1\ 000 \times 12\]

2. R24 000 \[\left(R3\ 000 - R1\ 000\right) \times 12\]

3. R4 000 \[R3\ 000 + R1\ 000\]

4. R36 000 \[R3\ 000 \times 12\]

5. R48 000 \[\left(R3\ 000 + R1\ 000\right) \times 12\]
ASSIGNMENT 1: 1st SEMESTER 2018 (continued)

QUESTION 27

Jabu’s taxable income for the 2018 year of assessment amounted to R890 000. Jabu earned a total remuneration package of R750 000 during the 2018 year of assessment. The package includes a basic salary of R600 000.

Jabu’s employer made contributions to a provident fund in his name. The contributions amounted to R50 000. Jabu also contributed to the provident fund amounting to R32 000.

Jabu’s provident fund contribution deduction for the 2018 year of assessment amounts to:

1. R350 000 \[\text{[(R50 000 + R32 000) = R82 000]} \text{ limited to the greater of 27,5\% x R890 000 = R244 750 or, R350 000} \]
2. R82 000 \[\text{[(R50 000 + R32 000) = R82 000]} \text{ limited to the lesser of 27,5\% x R750 000 = R206 250 or, R350 000} \]
3. R32 000 \[\text{[R32 000]} \text{ limited to the lesser of 27,5\% x R890 000 = R244 750 or, R350 000} \]
4. R32 000 \[\text{[R32 000]} \text{ limited to the lesser of 27,5\% x R750 000 = R206 250 or, R350 000} \]
5. R82 000 \[\text{[(R50 000 + R32 000) = R82 000]} \text{ limited to the lesser of 27,5\% x R890 000 = R244 750 or, R350 000} \]

QUESTION 28

Esther (58 years old) earned a total remuneration package of R1 300 000 during the 2018 year of assessment. The package includes a basic salary of R1 000 000.

Esther’s employer made contributions to a pension fund in her name. The contributions amounted to R180 000. Esther also contributed to the pension fund amounting to R250 000.

Esther also contributed to a retirement annuity fund during the 2018 year of assessment. Those contributions amounted to R95 000.

You may assume that Esther’s taxable income, before taking the pension fund and retirement annuity fund contributions into account, amounted to R1 180 000.

What deduction, in respect of the pension fund and retirement fund contributions, will Esther be allowed to claim as a deduction for the 2018 year of assessment?

1. R324 500 \[\text{[R180 000 + R250 000 + R95 000 = R525 000]} \text{ limited to the lesser of 27,5\% x R1 300 000 = R350 000 or, R350 000} \]
2. R350 000 \[\text{[R180 000 + R250 000 + R95 000 = R525 000]} \text{ limited to the lesser of 27,5\% x R1 300 000 = R350 000 or, R350 000} \]
3. R345 000 \[\text{[R250 000 + R95 000 = R345 000]} \text{ limited to the lesser of 27,5\% x R1 300 000 = R350 000 or, R350 000} \]
4. R357 500 \[\text{[R180 000 + R250 000 + R95 000 = R525 000]} \text{ limited to the greater of 27,5\% x R1 300 000 = R350 000 or, R350 000} \]
5. R275 000 \[\text{[R250 000 + R95 000 = R345 000]} \text{ limited to the lesser of 27,5\% x R1 000 000 = R275 000 or, R350 000} \]
QUESTION 29

Wiseman earned a total remuneration package of R1 000 000 during the 2018 year of assessment. The package consists of a basic salary of R880 000. Wiseman also earned net rental income of R120 000 during the current year of assessment.

Wiseman contributed to a retirement annuity fund during the 2018 year of assessment. Those contributions amounted to R295 000. Wiseman also has disallowed contributions carried forward from the prior year amounting to R15 000.

You may assume that Wiseman’s taxable income, before taking the retirement annuity fund contributions into account, amounted to R980 000.

What deduction, in respect of the retirement annuity fund contributions, will Wiseman be allowed to claim as a deduction for the 2018 year of assessment?

(1) R275 000  \[R295 000 \text{ limited to the lesser of 27.5\%} \times R1 000 000 = R275 000 \text{ or, } R350 000\]

(2) R269 500  \[R295 000 \text{ limited to the lesser of 27.5\%} \times R980 000 = R269 500 \text{ or, } R350 000\]

(3) R275 000  \[R295 000 + R15 000 = R310 000 \text{ limited to the lesser of 27.5\%} \times R1 000 000 = R275 000 \text{ or, } R350 000\]

(4) R308 000  \[R295 000 + R15 000 = R310 000 \text{ limited to the lesser of 27.5\%} \times (R1 000 000 + R120 000) = R308 000 \text{ or, } R350 000\]

(5) R302 500  \[R295 000 + R15 000 = R310 000 \text{ limited to the lesser of 27.5\%} \times (R980 000 + R120 000) = R302 500 \text{ or, } R350 000\]

QUESTION 30

Assume that Daniel’s taxable income is R582 000, which includes his taxable capital gain. His donation to an HIV Awareness Centre (a public benefit organisation) amounted to R50 000 (for which he received a section 18A receipt). You may assume that his taxable capital gain was correctly calculated at R100 000.

What will Daniel’s income tax deduction be for the donation to the public benefit organisation?

(1) R50 000  \[R50 000, \text{ limited to 10\%} \times (R582 000 + R100 000) = R68 200\]

(2) R48 200  \[R50 000, \text{ limited to 10\%} \times (R582 000 - R100 000) = R48 200\]

(3) R29 100  \[R50 000, \text{ limited to 5\%} \times R582 000 = R29 100\]

(4) R50 000  \[R50 000, \text{ limited to 10\%} \times R582 000 = R58 200\]

(5) R24 100  \[R50 000, \text{ limited to 5\%} \times (R582 000 - R100 000) = R24 100\]
ASSIGNMENT 1: 1st SEMESTER 2018 (continued)

Use the following information to answer questions 31 to 33.

Casper (38 years old) is a member of a medical aid fund and his wife and two children (both minors) are listed as dependants on the fund. Casper contributed R5 300 per month and his employer contributed R2 500 per month to the medical aid fund, throughout the year of assessment. One of the family members has a disability, as defined.

QUESTION 31

How much will Casper’s medical fringe benefit for the 2018 year of assessment amount to?

(1) R7 800 \[R5\ 300 + R2\ 500\]
(2) R2 500
(3) R93 600 \[(R5\ 300 + R2\ 500) \times 12\]
(4) R30 000 \[R2\ 500 \times 12\]
(5) R33 600 \[(R5\ 300 – R2\ 500) \times 12\]

QUESTION 32

How much will Casper’s medical scheme fees tax credit amount to for the 2018 year of assessment?

(1) R9 720 \[R303 + R303 + R204\] \times 12
(2) R10 980 \[R303 + R204 + R204 + R204\] \times 12
(3) R12 168 \[R303 + R303 + R204 + R204\] \times 12
(4) R48 672 \[R303 + R303 + R204 + R204\] \times 12 \times 4
(5) R1 014 \[R303 + R303 + R204 + R204\]

QUESTION 33

Make the following assumptions for the 2018 year of assessment:

Casper’s taxable income amounts to R895 000. His total medical aid contribution amounts to R63 000, his medical fringe benefit amounts to R32 000 and his annual medical scheme fees tax credit amounts to R16 000. Casper also had qualifying medical expenses of R11 000 which were not covered by the medical aid fund.

Casper’s additional medical expenses tax credit amounts to:

(1) R19 314 \[(R63\ 000 + R32\ 000 - (R16\ 000 \times 3)) + R11\ 000\] \times 33,3%
(2) Rnil \[(R63\ 000 + R32\ 000 - (R16\ 000 \times 4)) + R11\ 000 - (7,5\% \times R895\ 000)]
(3) R(3 039) \[(R63\ 000 + R32\ 000 - (R16\ 000 \times 3)) + R11\ 000 - (7,5\% \times R895\ 000)] \times 33,3%
(4) R8 658 \[(R63\ 000 - (R16\ 000 \times 3)) + R11\ 000\] \times 33,3%
(5) R(6 281) \[(R63\ 000 + R32\ 000 - (R16\ 000 \times 4)) + R11\ 000 - (7,5\% \times R895\ 000)] \times 25%
Use the following information to answer questions 34 and 35.

Gertrude (60 years old) is married out of community of property. She is a member of a medical aid fund and her husband is listed as her only dependant. No member of the family has a disability as defined. Gertrude contributed to the medical aid fund, throughout the year of assessment.

Gertrude’s taxable income amounts to R320 000. You may assume that her total medical aid contribution amounts to R47 000 and her annual medical scheme fees tax credit amounts to R9 000. Her employer made no contributions to the medical aid fund on her behalf. Gertrude also had qualifying medical expenses of R38 000 which were not covered by the medical aid fund.

**QUESTION 34**

Gertrude’s additional medical expenses tax credit amounts to:

1. R85 000 \([R47 000 + R38 000]\)
2. R6 250 \([((R47 000 – (R9 000 x 4)) + R38 000 – (7,5\% x R320 000)) x 25\%]\)
3. R11 322 \([((R47 000 – (R9 000 x 3)) + R38 000 – (7,5\% x R320 000)) x 33,3\%]\)
4. R19 314 \([((R47 000 – (R9 000 x 3)) + R38 000] x 33,3\%]\)
5. R12 250 \([((R47 000 – (R9 000 x 4)) + R38 000] x 25\%]\)

**QUESTION 35**

Assume that Gertrude’s taxable income amounts to R180 000, medical scheme fees tax credit amounts to R10 000 and her additional medical expenses tax credit amounts to R8 000.

Gertrude’s net normal tax for the year of assessment ended 28 February 2018 is:

1. R765 \([R180 000 x 18\%] – R13 635 – R10 000 – R8 000\)
2. R8 765 \([R180 000 x 18\%] – R13 635 – R10 000\)
3. R14 400 \([R180 000 x 18\%] – R10 000 – R8 000\)
4. R18 765 \([R180 000 x 18\%] – R13 635\)
5. R32 400 \([R180 000 x 18\%]\)

END OF ASSIGNMENT 1
ANNEXURE B: ASSIGNMENT 2 FOR FIRST SEMESTER STUDENTS

FIRST SEMESTER
ASSIGNMENT 2 (60 marks, 108 minutes)

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<th>COURSE</th>
<th>DUE DATE</th>
<th>UNIQUE NUMBER</th>
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</thead>
<tbody>
<tr>
<td>TAX3702</td>
<td>26 March 2018</td>
<td>700856</td>
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</table>

NOTE THAT THE MARK OBTAINED FOR THIS ASSIGNMENT WILL FORM 75% OF YOUR YEAR MARK FOR THIS MODULE. YOUR YEAR MARK WILL CONTRIBUTE 20% TOWARDS YOUR FINAL MARK (CONSISTING OF 5% FOR ASSIGNMENT 1 AND 15% FOR ASSIGNMENT 2).

PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE BECAUSE LATE SUBMISSION WILL RESULT IN THE MARK OBTAINED FOR THIS ASSIGNMENT NOT FORMING PART OF YOUR YEAR MARK! NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

YOU MAY SUBMIT THIS ASSIGNMENT ELECTRONICALLY, BUT IT MUST BE IN A PDF-FORMAT.

ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment, you will need to have achieved the learning outcomes set out in learning units 1 to 7, as contained in Tutorial Letters 102/3/2018 and 103/3/2018. The references to the chapters in the prescribed book are provided in the respective learning units. This assignment will assess you on being able to answer the case study questions.

NOTE:

SHOW ALL CALCULATIONS. MARKS ARE ALLOCATED TO EACH STEP IN A CALCULATION AND WE CANNOT THEREFORE ALLOCATE MARKS IF YOU ONLY PROVIDE US WITH AN INCORRECT TOTAL FIGURE. WHERE ANY ITEM IS EXEMPT FROM TAX, OR NOT ALLOWED AS A DEDUCTION, DO NOT SIMPLY LEAVE IT OUT. SHOW THE ITEM AS A "NIL" IN THE MONEY COLUMN, GIVING A BRIEF REASON FOR THIS.
ASSIGNMENT 2: 1st SEMESTER 2018

CASE STUDY 1 (50 marks, 90 minutes)

Thumelo retired from his employment on 31 October 2017 – the date of his sixty-fifth birthday. Up to the date of his retirement, he had been employed as a regional manager at a bus transport company. Thumelo went on pension on 1 November 2017.

Thumelo is married out of community of property and has two adult children.

Details relating to Thumelo’s income and receipts, as well as his expenses and contributions, for the 2018 year of assessment are as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Income/receipts</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Salary for the period</td>
<td>1 280 000</td>
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<tr>
<td>2</td>
<td>Pension income for the period</td>
<td>620 000</td>
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<tr>
<td>3</td>
<td>Use of an employer motor vehicle</td>
<td>1 ?</td>
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<tr>
<td>4</td>
<td>Foreign dividends (received from a unit trust)</td>
<td>82 000</td>
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<td>5</td>
<td>Foreign interest</td>
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<td>6</td>
<td>Local dividends</td>
<td>11 000</td>
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<tr>
<td>7</td>
<td>Local interest</td>
<td>35 000</td>
</tr>
<tr>
<td>8</td>
<td>Travel allowance</td>
<td>2 20 000</td>
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<tr>
<td>9</td>
<td>Free bus trip</td>
<td>3 ?</td>
</tr>
<tr>
<td>10</td>
<td>Long service award</td>
<td>4 30 000</td>
</tr>
<tr>
<td>11</td>
<td>Pension fund lump sum benefit</td>
<td>5 1 400 000</td>
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</table>

<table>
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<tr>
<th>Notes</th>
<th>Expenses/contributions</th>
<th>R</th>
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<tbody>
<tr>
<td>6</td>
<td>Medical expenses</td>
<td>6 ?</td>
</tr>
<tr>
<td>7</td>
<td>Current contributions to pension fund (Employer and Thumelo)</td>
<td>7 286 000</td>
</tr>
</tbody>
</table>

Notes:

1. **Use of an employer motor vehicle**

   Thumelo received the right of use of a company-owned vehicle from the beginning of the year of assessment until the date of his retirement. The vehicle was purchased on 1 January 2015, at a cost of R410 000 (excluding VAT). Thumelo’s logbook indicated that he travelled a total of 26 000 km for the period, of which 8 000 km were travelled for private purposes. The vehicle was subject to a maintenance plan but Thumelo was required to pay for fuel costs and for the vehicle’s insurance expenses for the period. Fuel costs amounted to R18 000 and insurance amounted to R5 328.

2. **Travel allowance**

   Thumelo was paid a total travel allowance of R20 000 from 1 March 2017 up to the date of his retirement. Thumelo purchased his vehicle on 1 August 2016 at a cost of R690 000 (VAT exclusive). His logbook indicated he travelled a total of 11 000 km for the period, of which 7 800 km were travelled for private purposes. He kept no records of the vehicle’s expenses.
ASSIGNMENT 2: 1st SEMESTER 2018 (continued)

CASE STUDY 1 (continued)

3. Free bus trip

On 1 April 2017, Thumelo’s employer gave him two free return bus tickets to the Victoria Falls in Zimbabwe. Thumelo and his wife used the tickets to go on a week-long holiday to Zimbabwe. The combined market value of both tickets amounted to R6 300. The tickets’ combined cost to the employer amounted to R4 200.

4. Long service award

Thumelo received a voucher of R30 000 from his employer for uninterrupted service of 15 years. This voucher may be used at any shop in the local shopping mall, excluding restaurants, and it may not be exchanged for cash.

5. Pension fund lump sum benefit

Thumelo received a lump sum of R1 400 000 from his pension fund on the date of his retirement. He transferred R400 000 of that amount to a pension preservation fund.

Thumelo had previously received a retirement annuity fund lump sum amounting to R800 000 during the 2017 year of assessment.

6. Medical expenses

Thumelo contributed to a medical aid scheme throughout the year of assessment. His wife is the only dependant listed on the scheme. Thumelo and his wife do not have a disability as defined.

Contributions to the medical aid fund amounted to R8 000 per month for the full year of assessment. Thumelo’s employer paid 40% of the contributions during the period that he was employed. Thumelo was responsible for paying the full contribution after his retirement.

Thumelo also paid R53 000 in qualifying medical expenditure that was not reimbursed by his medical aid fund.

7. Pension fund contributions

Thumelo contributed to a pension fund up to the date of his retirement. His employer contributed R70 000 to the pension fund on his behalf.

Current pension fund contributions totalling R72 000 have been disallowed as tax deductions in the previous years of assessment.

Thumelo’s gross remuneration for the 2018 year of assessment amounted to R1 910 000.
ASSIGNMENT 2: 1st SEMESTER 2018 (continued)

CASE STUDY 1 (continued)

<table>
<thead>
<tr>
<th>REQUIRED:</th>
<th>MARKS</th>
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<tbody>
<tr>
<td>a) Calculate Thumelo’s net normal tax payable (excluding the lump sums) for the year of assessment ended 28 February 2018.</td>
<td>42</td>
</tr>
<tr>
<td>b) Calculate Thumelo’s tax payable in respect of the lump sums for the year of assessment ended 28 February 2018.</td>
<td>8</td>
</tr>
</tbody>
</table>

CASE STUDY 2 (10 marks, 18 minutes)

Dewald and Cynthia (both currently 45 years of age) are married out of community of property and bought their first property in January 2003 for a total cost of R900 000. Dewald is the registered owner of the property. The property is a piece of vacant land, less than two hectares in size.

During 2003 they had the property subdivided into two sections, one section (55% of the total property area) on which their residence will be erected for them to live in, the other section (45% of the total property area) on which another residence will be erected for purposes of renting it out. The total cost of the subdivision was R100 000.

Their primary residence’s total building cost amounted to R2 530 000. The residence for letting purposes’ total building cost amounted to R1 520 000. Dewald and Cynthia moved into their residence on 1 October 2003 and they rented the other residence out from the same date.

Dewald has always had an office at their residence for business purposes, which comprises 10% of its area.

On 1 March 2017, Dewald and Cynthia sold both their residence and the residence that was rented out, privately for R4 000 000 and R2 700 000 respectively.

<table>
<thead>
<tr>
<th>REQUIRED:</th>
<th>MARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculate Dewald’s taxable capital gain/(assessed capital loss) for the year of assessment ended 28 February 2018.</td>
<td>10</td>
</tr>
<tr>
<td>Note: do not combine the calculations for the two properties.</td>
<td></td>
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ANNEXURE C: ASSIGNMENT 1 FOR SECOND SEMESTER STUDENTS

SUBMISSION OF ASSIGNMENT 1 IS COMPULSORY TO OBTAIN ADMISSION TO THE EXAMINATION. ADMISSION WILL BE OBTAINED BY SUBMITTING THE ASSIGNMENT AND NOT BY THE MARKS YOU OBTAIN FOR IT. THIS ASSIGNMENT WILL COUNT A MAXIMUM OF 5% OF YOUR FINAL MARK. PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE BECAUSE LATE SUBMISSION WILL RESULT IN YOUR NOT BEING ADMITTED TO THE EXAMINATION. NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

IF YOU INTEND POSTING YOUR ASSIGNMENT, MAKE A COPY OF IT BEFORE YOU POST IT TO UNISA, IN CASE YOUR ASSIGNMENT IS LOST IN THE POST. WE ADVISE YOU, IF POSSIBLE, TO SUBMIT YOUR ASSIGNMENT ELECTRONICALLY.

Note:

(1) Questions can be answered on a mark-reading sheet or submitted electronically via the myUnisa online system.
(2) Before completing the mark-reading sheet, study the instructions in the Study @ Unisa guide on myUnisa. Read these instructions carefully and follow them exactly to avoid mistakes.
(3) Do your calculations on a separate piece of paper before you complete the mark-reading sheet.

IMPORTANT INFORMATION ON MULTIPLE-CHOICE ASSIGNMENTS

REMEMBER

- There is only one correct answer to each question.
- All questions are equal in value.
- Only the mark-reading sheets provided may be used.
- Colour in the correct block with an HB pencil.
- Fill in your student number correctly.
- Fill in the assignment number correctly.
- Fill in the unique assignment number for the specific semester and the module you are registered for correctly. Every assignment marked by the computer has a unique number. The number contains information on the course code and assignment number. When the computer reads the mark-reading sheet with, say, the unique number 612166, it "knows" that it is Assignment 1 for that specific module.
- Send only your mark-reading sheet in the appropriate envelope to the Assignment Section.
- Make sure that you have enough mark-reading sheets.

DO NOT

- Make more than one mark per question.
- Tear or fold the mark-reading sheet.
- Staple the mark-reading sheet to another piece of paper.
- Colour outside the block.
- Colour in the block with a pen.
- Make corrections with correction fluid.
- Try to repair a torn mark-reading sheet with sticky tape – use another mark-reading sheet.
SECOND SEMESTER
ASSIGNMENT 1 (70 marks, 126 minutes)

<table>
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<tr>
<th>COURSE</th>
<th>DUE DATE</th>
<th>UNIQUE NUMBER</th>
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<tbody>
<tr>
<td>TAX3702</td>
<td>13 August 2018</td>
<td>724136</td>
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</table>

ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment, you will need to have achieved the learning outcomes set out in learning units 1 to 5, as contained in Tutorial Letter 102/3/2018. This assignment will assess you on being able to select the appropriate alternative that best reflects the quantitative/qualitative answer to a problem.

REQUIRED:

Select the number ((1) – (5)) that represents the correct answer to the question.

QUESTION 1

Shesho is 46 years old and married. Assume that his taxable income for the 2018 year of assessment is R860 000. He sold some assets and made a total taxable capital gain of R100 000. Calculate his "normal tax":

(1) R257 590  \[\{(R860 000 – R708 310) \times 41\% \} + R209 032\] – R13 635
(2) R312 225  \[\{(R860 000 + R100 000 – R708 310) \times 41\% \} + R209 032\]
(3) R298 590  \[\{(R860 000 + R100 000 – R708 310) \times 41\% \} + R209 032\] – R13 635
(4) R371 225  \[\{(R860 000 – R708 310) \times 41\% \} + R209 032\] + R100 000
(5) R271 225  \[\{(R860 000 – R708 310) \times 41\% \} + R209 032\]

QUESTION 2

Megan is 66 years old and married in community of property. Assume that her normal tax for the 2018 year of assessment is R161 000. Her employer deducted R90 000 employees’ tax during the year. Calculate Megan’s "net normal tax":

(1) R139 886  \[R161 000 – (R13 635 + R7 479)]
(2) R137 393  \[R161 000 – (R13 635 + R7 479 + R2 493)]
(3) (R30 614) \[(R161 000 / 2) – (R13 635 + R7 479) – R90 000\]
(4) R49 886  \[(R161 000 – (R13 635 + R7 479)) – R90 000\]
(5) R59 386  \[(R161 000 / 2) – (R13 635 + R7 479)]
ASSIGNMENT 1: 2\textsuperscript{nd} SEMESTER 2018 (continued)

QUESTION 3

Nolo died on 26 January 2018 at the age of 78. Her normal tax is correctly calculated at R48 659. Provisional tax payments of R21 000 were made for the 2018 year of assessment. What is her “net normal tax” for the 2018 year of assessment?

(1) R25 052 \[ R48 \, 659 - R13 \, 635 - R7 \, 479 - R2 \, 493 \]

(2) R27 186 \[ R48 \, 659 - ((R13 \, 635 + R7 \, 479 + R2 \, 493) \times 332/365) \]

(3) R22 787 \[ (R48 \, 659 - R13 \, 635 - R7 \, 479 - R2 \, 493) \times 332/365 \]

(4) R3 686 \[ ((R48 \, 659 - R13 \, 635 - R7 \, 479 - R2 \, 493 - R21 \, 000) \times 332/365) \]

(5) R6 186 \[ R48 \, 659 - ((R13 \, 635 + R7 \, 479 + R2 \, 493) \times 332/365) - R21 \, 000 \]

QUESTION 4

Ruben (52 years old) is single and contributes to a medical aid fund. His two sons, 13 years old and 18 years old, are both dependants. His mother (86 years old) was also a dependant until her date of death on 30 September 2017. How much will Ruben’s medical scheme fees tax credit be for the 2018 year of assessment?

(1) R9 960 \[ ((R303 + R204 + R204) \times 12) + (R204 \times 7) \]

(2) R12 168 \[ ((R303 + R303 + R204 + R204) \times 12) \]

(3) R9 720 \[ ((R303 + R303 + R204) \times 12) \]

(4) R11 148 \[ ((R303 + R303 + R204) \times 12) + (R204 \times 7) \]

(5) R10 740 \[ (((R303 + R303 + R204) \times 12) + (R204 \times 5)) \]

Use the following information below to answer questions 5 to 7.

Dineo (50 years old and married out of community of property) received the following amounts during the 2018 year of assessment:

- A salary of R89 000 per month
- 50\% share of annual profits in a partnership amounting to R214 000
- Local interest amounting to R24 000 (not from a tax-free investment)
- Local dividends amounting to R32 000
- Taxable capital gain on sale of assets amounting to R190 000
- Allowable deductions amounting to R44 250

QUESTION 5

Calculate Dineo’s “gross income” for the 2018 year of assessment.

(1) R549 000 \[ R89 \, 000 + R214 \, 000 + R24 \, 000 + R32 \, 000 + R190 \, 000 \]

(2) R504 750 \[ R89 \, 000 + R214 \, 000 + R24 \, 000 + R32 \, 000 + R190 \, 000 - R44 \, 250 \]

(3) R1 338 000 \[ ((R89 \, 000 \times 12) + R214 \, 000 + R24 \, 000 + R32 \, 000) \]

(4) R1 314 000 \[ ((R89 \, 000 \times 12) + R24 \, 000 + R32 \, 000 + R190 \, 000) \]

(5) R1 306 000 \[ ((R89 \, 000 \times 12) + R214 \, 000 + R24 \, 000) \]
QUESTION 6

What is Dineo’s “income” for the 2018 year of assessment?

(1) R1 237 950 \[
((R89\ 000 \times 12) + R214\ 000 + (R24\ 000 – R23\ 800) + (R32\ 000 – R32\ 000) – R44\ 250)
\]

(2) R1 258 200 \[
((R89\ 000 \times 12) + (R24\ 000 – R23\ 800) + (R32\ 000 – R32\ 000) + R190\ 000)
\]

(3) R1 023 950 \[
((R89\ 000 \times 12) + (R24\ 000 – R23\ 800) + (R32\ 000 – R32\ 000) – R44\ 250)
\]

(4) R1 282 000 \[
((R89\ 000 \times 12) + R214\ 000 + (R24\ 000 – R24\ 000) + (R32\ 000 – R32\ 000)]
\]

(5) R1 282 200 \[
((R89\ 000 \times 12) + R214\ 000 + (R24\ 000 – R23\ 800) + (R32\ 000 – R32\ 000))
\]

QUESTION 7

What is Dineo’s “taxable income” for the 2018 year of assessment?

(1) R1 297 950 \[
((R89\ 000 \times 12) + R214\ 000 + (R24\ 000 – R23\ 800) + (R32\ 000 – R32\ 000) – R44\ 250 + ((R190\ 000 – R40\ 000) \times 40%))
\]

(2) R1 427 750 \[
((R89\ 000 \times 12) + R214\ 000 + (R24\ 000 – R24\ 000) + (R32\ 000 – R32\ 000) – R44\ 250 + R190\ 000)
\]

(3) R1 023 950 \[
((R89\ 000 \times 12) + (R24\ 000 – R23\ 800) + (R32\ 000 – R32\ 000) – R44\ 250)
\]

(4) R1 427 950 \[
((R89\ 000 \times 12) + R214\ 000 + (R24\ 000 – R23\ 800) + (R32\ 000 – R32\ 000) – R44\ 250 + R190\ 000)
\]

(5) R1 213 750 \[
((R89\ 000 \times 12) + (R24\ 000 – R24\ 000) + (R32\ 000 – R32\ 000) – R44\ 250 + R190\ 000)
\]

QUESTION 8

In which one of the following cases would a natural person, not ordinarily resident in the Republic of South Africa, be a resident due to the physical presence test?

(1) Days in South Africa during the current (2018) year of assessment – 98 days;
Days in South Africa during the five previous years of assessment: 182 days (2017); 182 days (2016); 120 days (2015); 120 days (2014); 120 days (2013)

(2) Days in South Africa during the current (2018) year of assessment – 100 days;
Days in South Africa during the five previous years of assessment: 190 days (2017); 155 days (2016); 190 days (2015); 190 days (2014); 190 days (2013)

(3) Days in South Africa during the current (2018) year of assessment – 200 days;
Days in South Africa during the five previous years of assessment: 92 days (2017); 100 days (2016); 200 days (2015); 300 days (2014); 300 days (2013)
QUESTION 8 (continued)

(4) Days in South Africa during the current (2018) year of assessment – 285 days; Days in South Africa during the five previous years of assessment: 142 days (2017); 192 days (2016); 225 days (2015); 19 days (2014); 368 days (2013)

(5) Days in South Africa during the current (2018) year of assessment – 91 days; Days in South Africa during the five previous years of assessment: 193 days (2017); 253 days (2016); 173 days (2015); 153 days (2014); 153 days (2013)

QUESTION 9

Bafana was involved in a serious motor vehicle accident during the 2018 year of assessment. He was disabled as a result of the accident and had to give up his employment. Bafana had an insurance policy, which compensated him for the loss of employment income. In terms of the insurance contract, Bafana could be compensated in the form of a one-off amount of R800 000 or, alternatively, receive R2 000 per month for the rest of his life.

Bafana decided to receive the compensation on a monthly basis. His first receipt was on 1 January 2018 and he received compensation amounting to R4 000 in total during the 2018 year of assessment.

The components of the “gross income” definition for a resident are as follows:

- the total amount
- in cash or otherwise
- received by or accrued to or in favour of
- during the year or period of assessment
- excluding receipts or accruals of a capital nature

What is the principal reason for excluding or including Bafana’s gross income the amount of R4 000 that he received as compensation for the loss of his income from employment?

(1) The R4 000 receipt will be included in gross income because it was “received by or accrued to or in favour of” Bafana.

(2) The R4 000 receipt will be included in gross income because it was “in cash or otherwise” and was received “during the year or period of assessment.”

(3) The R4 000 receipt will be a special inclusion in gross income. The amount compensates Bafana for the loss of a capital asset (his capacity to earn income from employment) but the capital status of the receipt is lost because it is received in the form of annuities.

(4) The R4 000 receipt will be excluded from gross income. The receipt is capital in nature because it compensates Bafana for the loss of a capital asset (his capacity to earn income from employment).

(5) The R4 000 receipt will be a special inclusion in gross income because it is in respect of services rendered.
ASSIGNMENT 1: 2nd SEMESTER 2018 (continued)

QUESTION 10

Which of the following receipts would be included in gross income, in terms of the general definition in section 1 of the Act, or as a special inclusion in terms of paragraphs (a) to (n) of that definition?

a) Annuity receipts of R120 000, received by a taxpayer, throughout the year of assessment, following the sale of goodwill in his business.

b) Rental income receivable subject to the fulfilment of a condition.

c) A retirement fund lump sum withdrawal benefit of R700 000, received by a taxpayer at the age of 54.

d) A “know-how” payment of R350 000 received by a taxpayer for technical knowledge given to an engineering company.

(1) a & c
(2) a, b & c
(3) a, c & d
(4) a & b
(5) a, b, c & d

QUESTION 11

Which of the following statements, regarding the capital or revenue nature of receipts and accruals, is correct?

a) If a taxpayer says his intention is of a capital nature, it is unnecessary to consider the objective factors.

b) A taxpayer’s original intention when acquiring an asset is always the decisive factor when determining whether the receipt or accrual is of a capital nature.

c) A taxpayer acquired an asset as a long-term investment. The decision to sell that asset for the best possible price is proof that the taxpayer’s intention has changed and that he is now engaged in a profit-making scheme.

d) A taxpayer may acquire an asset for mixed reasons: partly capital and partly revenue.

(1) a, b, c & d
(2) a, b & c
(3) b, c & d
(4) a
(5) d
ASSIGNMENT 1: 2nd SEMESTER 2018 (continued)

Use the following information to answer questions 12 and 13.

With effect from 1 May 2017 to 28 February 2018, Gugulethu received a travel allowance of R160 000 from her employer.

Gugulethu’s logbook indicated that she travelled a total distance of 22 000 km during the period that she received the allowance. Out of that total, 14 000 km were travelled for business purposes.

Gugulethu’s vehicle was purchased under a finance lease on 31 July 2015 at a cost of R470 000 (VAT exclusive). Finance charges amount to R70 000 for the full five-year term of the lease.

Gugulethu’s actual fuel and maintenance costs amounted to R34 000 for the period she received the allowance.

QUESTION 12

Travel allowance – Gugulethu’s deemed fixed cost per kilometre is:

(1) 921.4 cents \[\frac{R154 879}{14 000 km} \times 100 c \times 304/365 \text{ days}\]
(2) 507.4 cents \[\frac{R134 035}{22 000 km} \times 100 c \times 304/365 \text{ days}\]
(3) 117.7 cents \[\frac{R154 879}{22 000 km} \times 100 c \times 61/365 \text{ days}\]
(4) 797.4 cents \[\frac{R134 035}{14 000 km} \times 100 c \times 304/365 \text{ days}\]
(5) 586.3 cents \[\frac{R154 879}{22 000 km} \times 100 c \times 304/365 \text{ days}\]

QUESTION 13

Travel allowance – what is the total amount for Gugulethu’s actual vehicle expenses for the year of assessment?

(1) R109 411 \[(\frac{R70 000}{5} \times 304/365) + R34 000 + (\frac{(R470 000 \times 1.14)}{7} \times 304/365)\]
(2) R106 080 \[(\frac{R70 000}{7} \times 304/365) + R34 000 + (\frac{(R470 000 \times 1.14)}{7} \times 304/365)\]
(3) R134 911 \[(\frac{R70 000}{5} \times 304/365) + R34 000 + (\frac{(R470 000 \times 1.14)}{5} \times 304/365)\]
(4) R156 052 \[(\frac{R70 000}{x} \times 304/365) + R34 000 + (\frac{(R470 000 \times 1.14)}{7} \times 304/365)\]
(5) R103 729 \[(\frac{R70 000}{5} \times 304/365) + (R34 000 \times 304/365) + (\frac{(R470 000 \times 1.14)}{7} \times 304/365)\]

Use the following information to answer questions 14 to 17.

Tshoko received the right of the use of an employer-owned vehicle from 1 January 2018 until the end of the year of assessment. The vehicle was originally purchased by her employer on 1 August 2015 at a cost of R330 000 (excluding VAT).

Tshoko kept an accurate logbook of the distances she travelled in the vehicle. The logbook indicated that she travelled 3 500 km for business purposes, out of a total of 4 000 km travelled for the period. The vehicle was subject to a maintenance plan but Tshoko was obliged to pay for all fuel costs for the vehicle. Fuel amounted to R4 700 for the period.
ASSIGNMENT 1: 2nd SEMESTER 2018 (continued)

QUESTION 14

Right of use of employer vehicle – taking into account the date of the vehicle’s purchase, the reduced determined value of the vehicle is:

(1) R8 687  \[\frac{(R330 000 \times 1.14)}{7 \times 59/365}\]
(2) R231 034  \[R330 000 \times 1.14 \times 85\% \times 85\% \times 85\%\]
(3) R238 425  \[R330 000 \times 85\% \times 85\%\]
(4) R271 805  \[R330 000 \times 1.14 \times 85\% \times 85\%\]
(5) R319 770  \[R330 000 \times 1.14 \times 85\%\]

QUESTION 15

Right of use of employer vehicle – assume that the reduced determined value of the vehicle is R260 000. What is the cash equivalent of the benefit, before considering the fact that a proportion of the distance that Tshoko travelled was for business purposes?

(1) R260 000 \times 3.5\% \times 2
(2) R260 000 \times 3.25\% \times \frac{2}{12}
(3) R260 000 \times 3.5\% \times \frac{2}{12}
(4) R260 000 \times 3.25\% \times 2
(5) R260 000 \times 3.25\%

QUESTION 16

Right of use of employer vehicle – assume that the cash equivalent of the benefit was R21 200 (before considering the fact that a proportion of the distance travelled was for business purposes). Calculate the reduced cash equivalent of the benefit, because Tshoko used the vehicle partially for business purposes:

(1) R2 650  \[R21 200 – (R21 200 \times 3 \frac{500km}{4 000km})]\]
(2) R442  \[R21 200 – (R21 200 \times (3 \frac{500km}{4 000km}))\] \times \frac{2}{12}
(3) Rnil  \[R21 200 – (R21 200 \times 4 \frac{000km}{4 000km})]\]
(4) R18 171  \[R21 200 – (R21 200 \times 500km/3 \ 500km)]
(5) R18 550  \[R21 200 – (R21 200 \times 500km/4 \ 000km)]
QUESTION 17

Right of use of employer vehicle – assume that the reduced determined value of the vehicle is R342 000. Calculate the amount by which the cash equivalent of the benefit may be reduced, due to Tshoko’s payment of R4 700 for the vehicle’s fuel:

1. The benefit may be reduced by R595 \[500\text{km} \times R1.189\]
2. The benefit may be reduced by R4 162 \[3500\text{km} \times R1.189\]
3. The benefit may be reduced by R4 452 \[3500\text{km} \times R1.272\]
4. The benefit may be reduced by R636 \[500\text{km} \times R1.272\]
5. The benefit may be reduced by R588 \[500\text{km} / 4000\text{km} \times R4 700\]

QUESTION 18

Tebogo had the free use of a four-roomed, employer-owned, furnished house with effect from 1 December 2017 until the end of the year of assessment. The property’s electricity costs were paid by Tebogo.

Tebogo’s remuneration proxy for the 2017 year of assessment was R320 000. His remuneration for the 2018 year of assessment is R350 000.

Free residential accommodation – the value of the benefit will be:

1. \(R320\ 000 – R75\ 750\) \(\times 19\% \times 3/12\)
2. \(R350\ 000 – R75\ 750\) \(\times 18\% \times 3/12\)
3. \(R350\ 000 – R75\ 750\) \(\times 19\% \times 3/12\)
4. \(R320\ 000 – R75\ 750\) \(\times 18\% \times 3\)
5. \(R320\ 000 – R75\ 750\) \(\times 18\% \times 3/12\)

QUESTION 19

For which of the following will there be no taxable fringe benefit?

(i) An employer who is not engaged in the business of transporting passengers for reward provides free flight tickets to the employee and his family to Cape Town.
(ii) Fuel provided for the use in an employer’s company car.
(iii) An employer provided accommodation to an employee in Botswana, where the employee performed his duties, for 280 days during the year of assessment.
(iv) An employee pays off on a personal home loan to a bank. The employer reimburses the employee with 10% of the payments.

There is no taxable benefit for:

1. (i), (ii), (iii) and (iv)
2. (i), (ii) and (iii)
3. (ii), (iii) and (iv)
4. (ii) and (iii)
5. (i), (iii) and (iv)
**QUESTION 20**

Mandla was granted the right of use of a laptop computer with effect from 1 May 2017 until the end of the year of assessment. The laptop computer is owned by Mandla’s employer. Mandla can keep the computer at his home and he uses it partially for work purposes, but mainly for private purposes. The original cost of the computer was R9 000 and its market value (on 1 May 2017) was R7 000.

The amount to be included as a taxable fringe benefit in Mandla’s taxable income is:

1. **Rnil**  \[\text{used partially for work purposes – no taxable benefit}\]
2. **R875**  \[15\% \times R7\ 000 \times \frac{10}{12}\]
3. **R10\ 500**  \[15\% \times R7\ 000 \times 10\]
4. **R1\ 125**  \[15\% \times R9\ 000 \times \frac{10}{12}\]
5. **R13\ 500**  \[15\% \times R9\ 000 \times 10\]

**QUESTION 21**

On 21 February 2018, Anastasia received a R400 000 bank loan to enable her to purchase her own house. Anastasia was only required to pay 8% per annum interest on the loan. The interest rate was low because Anastasia’s employer compensated the bank for loss of interest on the difference between 8% and the rate of 11% that it normally charges its clients.

Assume the REPO rate of interest is 9% per annum.

The amount to be included as a fringe benefit in Anastasia’s taxable income is:

1. **R88**  \[R400\ 000 \times (9\% - 8\%) \times \frac{8}{365}\]
2. **R88**  \[R400\ 000 \times (11\% - (9\% + 1\%)) \times \frac{8}{365}\]
3. **R263**  \[R400\ 000 \times (11\% - 8\%) \times \frac{8}{365}\]
4. **R175**  \[R400\ 000 \times ((9\% + 1\%) - 8\%) \times \frac{8}{365}\]
5. **R701**  \[R400\ 000 \times 8\% \times \frac{8}{365}\]

**QUESTION 22**

Which one of the following receipts is exempt from South African normal income tax?

1. A bursary of R30 000, for high school education, is granted by an employer to the child of an employee. The employee’s total remuneration amounts to R600 000.
2. A non-resident earns pension income from South Africa, which relates to his employment in South Africa before he immigrated to the United Kingdom.
3. A South African resident receives a foreign dividend from a company in which she holds 9% of the equity shares and voting rights.
ASSIGNMENT 1: 2nd SEMESTER 2018 (continued)

QUESTION 22 (continued)

(4) An employee had to relocate to a different city as a result of his new employment. The relocated employee receives a benefit of R50 000 from his new employer. The benefit is in respect of reimbursing the employee for the installation of an electric fence incurred in respect of the purchase of the new residence.

(5) Accommodation temporarily provided to an employee away from his usual place of residence in South Africa for the performance of his duties.

QUESTION 23

Mark is 78 years old and married out of community of property. He received foreign interest of R3 000 and South African interest of R56 000 for the 2018 year of assessment. Mark also received foreign dividends of R14 400 and South African dividends of R30 000. Mark does not have a tax-free investment.

How much of Mark’s earnings from his investments will be included in his “income”?

(1) R44 500 \[ (R3 000 - R3 000) + (R56 000 - R34 500) + (R14 400 - (R14 400 \times 20/45)) + R15 000 \]

(2) R41 600 \[ R3 000 + (R56 000 - R23 800) + (R14 400 - (R14 400 \times 25/45)) + (R30 000 - R30 000) \]

(3) R65 400 \[ R3 000 + R56 000 + (R14 400 - (R14 400 \times 25/45)) + (R30 000 - R30 000) \]

(4) R30 900 \[ R3 000 + (R56 000 - R34 500) + (R14 400 - (R14 400 \times 25/45)) + (R30 000 - R30 000) \]

(5) R30 833 \[ R3 000 - (R3 000 \times 25/45)) + (R56 000 - R34 500) + (R14 400 \times 25/45) + (R30 000 - R30 000) \]

QUESTION 24

Which one of the following statements, regarding the general deduction formula, is correct?

(1) A builder accepts a pool table in lieu of payment for repairs he did at a gaming business. The cost of the pool table given as payment is not deductible for tax purposes by the gaming business.

(2) Expenditure that cannot be quantified with precision, qualifies as a deduction.

(3) Expenditure that is more closely linked to the maintenance of the income-earning structure of the taxpayer is capital in nature.

(4) For an expense to be “actually incurred” it must be “necessarily incurred”.

(5) Interest incurred on loans that are used to purchase capital assets for a business is not deductible.
QUESTION 25

Which one of the following statements is correct?

(1) The actual payment of an expense is essential for the deduction of that expense.

(2) Expenditure does not have to produce income during the year in which it is incurred, in order to be deductible.

(3) Fixed capital expenditure is deductible in terms of the general deduction formula.

(4) The deduction relating to a single item of expenditure may not be apportioned between trade and non-trade purposes.

(5) Interest earned by a construction business on occasional loans to its employees, constitute “carrying on a trade”.

QUESTION 26

Kathlego contributed R5 000 per month and his employer contributed R5 500 per month to a provident fund, throughout the year of assessment.

Kathlego’s provident fund contribution fringe benefit for the full year of assessment, will amount to:

(1) R66 000 \[R5 500 \times 12\]
(2) R126 000 \[(R5 000 + R5 500) \times 12\]
(3) R60 000 \[R5 000 \times 12\]
(4) R5 500
(5) R10 500 \[R5 000 + R5 500\]

QUESTION 27

Stanford (38 years old) earned a total remuneration package of R500 000 during the 2018 year of assessment. The package includes a basic salary of R250 000.

Stanford’s employer made contributions to a pension fund in his name. The contributions amounted to R50 000. Stanford also made contributions to the pension fund amounting to R60 000.

You may assume that Stanford’s taxable income, before taking the pension fund contribution into account, amounted to R510 000.
ASSIGNMENT 1: 2nd SEMESTER 2018  (continued)

QUESTION 27  (continued)

Stanford’s pension fund contribution deduction for the 2018 year of assessment will amount to:

(1) R140 250 \[[(R50 000 + R60 000) = R110 000] \text{limited to the lesser of} 27.5\% \times R510 000 = R140 250 \text{or, } R350 000\]

(2) R110 000 \[[(R50 000 + R60 000) = R110 000] \text{limited to the lesser of} 27.5\% \times R500 000 = R137 500 \text{or, } R350 000\]

(3) R68 750 \[[(R50 000 + R60 000) = R110 000] \text{limited to the lesser of} 27.5\% \times R250 000 = R68 750 \text{or, } R350 000\]

(4) R110 000 \[[(R50 000 + R60 000) = R110 000] \text{limited to the lesser of} 27.5\% \times R510 000 = R140 250 \text{or, } R350 000\]

(5) R350 000 \[[(R50 000 + R60 000) = R110 000] \text{limited to the lesser of} 27.5\% \times R510 000 = R140 250 \text{or, } R350 000\]

QUESTION 28

Samson (60 years old) earned a total remuneration package of R1 300 000 during the 2018 year of assessment. The package includes a basic salary of R1 000 000.

Samson’s employer made contributions, in his name, to a provident fund. The contributions amounted to R70 000. Samson also made contributions to the provident fund amounting to R80 000.

Samson also contributed to a retirement annuity fund during the 2018 year of assessment. Those contributions amounted to R225 000.

You may assume that Samson’s taxable income, before taking the provident fund and retirement annuity fund contributions into account, amounted to R1 200 000.

What deduction, in respect of the provident fund and retirement fund contributions, will Samson be allowed to claim as a deduction for the 2018 year of assessment?

(1) R350 000 \[R70 000 + R80 000 + R225 000 = R375 000 \text{limited to the lesser of} 27.5\% \times R1 300 000 = R330 000 \text{or, } R350 000\]

(2) R150 000 \[R70 000 + R80 000 = R150 000 \text{limited to the lesser of} 27.5\% \times R1 200 000 = R357 500 \text{or, } R350 000\]

(3) R350 000 \[R70 000 + R80 000 + R225 000 = R375 000 \text{limited to the lesser of} 27.5\% \times R1 300 000 = R350 000\]

(4) R275 000 \[R70 000 + R80 000 + R225 000 = R375 000 \text{limited to the lesser of} 27.5\% \times R1 000 000 = R275 000 \text{or, } R350 000\]

(5) R330 000 \[R70 000 + R80 000 + R225 000 = R375 000 \text{limited to the lesser of} 27.5\% \times R1 200 000 = R330 000 \text{or, } R350 000\]
ASSIGNMENT 1: 2nd SEMESTER 2018 (continued)

QUESTION 29

Cathy (36 years old) earned a total remuneration package of R300 000 during the 2018 year of assessment. The package consists of a basic salary of R300 000. Cathy also earned annuity income of R280 000 during the current year of assessment.

Cathy contributed to a retirement annuity fund during the 2018 year of assessment. Those contributions amounted to R180 000.

You may assume that Cathy’s taxable income, before taking the retirement annuity fund contributions into account, amounted to R580 000.

What deduction, in respect of the retirement annuity fund contributions, will Cathy be allowed to claim as a deduction for the 2018 year of assessment?

(1) R180 000  \[\text{R180 000 limited to the lesser of 27,5\% x R580 000 = R159 500 or, R350 000}\]

(2) R77 000  \[\text{R180 000 limited to the lesser of 27,5\% x R280 000 = R77 000 or, R350 000}\]

(3) R82 500  \[\text{R180 000 limited to the lesser of 27,5\% x R300 000 = R82 500 or, R350 000}\]

(4) R350 000  \[\text{R180 000 limited to the lesser of 27,5\% x R580 000 = R159 500 or, R350 000}\]

(5) R159 500  \[\text{R180 000 limited to the lesser of 27,5\% x R580 000 = R159 500 or, R350 000}\]

QUESTION 30

Assume that Vicky’s taxable income is R260 000, before taking into account her taxable capital gain and her donation to a public benefit organisation.

You may assume that her taxable capital gain was calculated correctly at R40 000. Her donation (for which she received a section 18A receipt) amounted to R32 000.

Vicky’s deduction in respect of the donation will amount to:

(1) R15 000  \[\text{R32 000, limited to 5\% x (R260 000 + R40 000) = R15 000}\]

(2) R32 000  \[\text{R32 000, limited to 10\% x (R260 000 + R40 000) = R30 000}\]

(3) R30 000  \[\text{R32 000, limited to 10\% x (R260 000 + R40 000) = R30 000}\]

(4) R26 000  \[\text{10\% x (R260 000 + R40 000 – R40 000)} = R26 000\]

(5) R13 000  \[\text{5\% x (R260 000 + R40 000 – R40 000)} = R13 000\]
ASSIGNMENT 1: 2nd SEMESTER 2018 (continued)

Use the following information to answer questions 31 to 33.

Vunani (39 years old) is a member of a medical aid fund and his wife and his two children (both under the age of 18) are listed as dependants on the fund. Vunani contributed R5 000 per month to the medical aid fund, throughout the year of assessment. His employer contributed R3 000 per month to the medical aid fund from 1 July 2017 to 28 February 2018. None of the family members has a disability as defined.

QUESTION 31

How much will Vunani’s medical fringe benefit amount to for the 2018 year of assessment?

(1) R8 000 \[R5 000 + R3 000]\n(2) R24 000 \[R3 000 \times 8]\n(3) R84 000 \[(R5 000 \times 12) + (R3 000 \times 8)\]
(4) R3 000
(5) R36 000 \[R3 000 \times 12]\n
QUESTION 32

How much will Vunani’s medical scheme fees tax credit amount to for the 2018 year of assessment?

(1) R12 168 \[R303 + R303 + R204 + R204] \times 12\n(2) R10 980 \[R303 + R204 + R204 + R204] \times 12\n(3) R1 014 \[R303 + R303 + R204 + R204]\n(4) R8 112 \[R303 + R303 + R204 + R204] \times 8\n(5) R48 672 \[R303 + R303 + R204 + R204] \times 12 \times 4\n
QUESTION 33

Make the following assumptions for the 2018 year of assessment:

Vunani’s taxable income amounts to R400 000. You may assume that his total medical aid contribution amounts to R55 000, his medical fringe benefit amounts to R22 000 and his annual medical scheme fees tax credit amounts to R13 000. Vunani also had qualifying medical expenses of R30 000 which were not covered by the medical aid fund.

Vunani’s additional medical expenses tax credit amounts to:

(1) R25 000 \[(R55 000 + R22 000 – (R13 000 \times 4)) + R30 000 – (7.5\% \times R400 000)\]
(2) R750 \[R55 000 – (R13 000 \times 4) + R30 000 – (7.5\% \times R400 000)] \times 25\%
(3) R16 000 \[(R55 000 + R22 000 – R13 000 + R30 000) – (7.5\% \times R400 000)] \times 25\%
(4) R6 250 \[(R55 000 + R22 000 – (R13 000 \times 4)) + R30 000 – (7.5\% \times R400 000)] \times 25\%
(5) R22 644 \[(R55 000 + R22 000 – (R13 000 \times 3)) + R30 000] \times 33.3\%
Use the following information to answer questions 34 and 35.

Patricia (58 years old) is married out of community of property. She is a member of a medical aid fund and her husband is listed as her only dependant. Patricia’s husband has a disability as defined. Patricia contributed to the medical aid fund, throughout the year of assessment.

Patricia’s taxable income amounts to R480 000. You may assume that her total medical aid contribution amounts to R60 000 and her annual medical scheme fees tax credit amounts to R7 000. Her employer made no contributions to the medical aid fund on her behalf. Patricia also had qualifying medical expenses of R24 000 which were not covered by the medical aid fund.

**QUESTION 34**

Patricia’s additional medical expenses tax credit amounts to:

1. R5 000 \[\text{[((R60 000 - (R7 000 \times 4)) + R24 000 - (7,5\% \times R480 000))] \times 25\%}\]
2. R20 979 \[\text{[((R60 000 - (R7 000 \times 3)) + R24 000)] \times 33,3\%}\]
3. R84 000 \[\text{R60 000 + R24 000}\]
4. R14 000 \[\text{[((R60 000 - (R7 000 \times 4)) + R24 000) \times 25\%}\]
5. R8 991 \[\text{[((R60 000 - (R7 000 \times 3)) + R24 000 - (7,5\% \times R480 000))] \times 33,3\%}\]

**QUESTION 35**

Assume that Patricia’s medical scheme fees tax credit amounts to R7 000 and her additional medical expenses tax credit amounts to R10 000.

Patricia’s net normal tax for the year of assessment ended 28 February 2018 is:

1. R108 624 \[\text{[R97 225 + ((R480 000 - R410 460) \times 36\%)] – R13 635}\]
2. R101 624 \[\text{[R97 225 + ((R480 000 - R410 460) \times 36\%)] – R13 635 – R7 000}\]
3. R105 259 \[\text{[R97 225 + ((R480 000 - R410 460) \times 36\%)] – R7 000 – R10 000}\]
4. R98 624 \[\text{[R97 225 + ((R480 000 - R410 460) \times 36\%)] – R13 635 – R10 000}\]
5. R91 624 \[\text{[R97 225 + ((R480 000 - R410 460) \times 36\%)] – R13 635 – R7 000 – R10 000}\]

END OF ASSIGNMENT 1
ANNEXURE D: ASSIGNMENT 2 FOR SECOND SEMESTER STUDENTS

SECOND SEMESTER
ASSIGNMENT 2 (60 marks, 108 minutes)

<table>
<thead>
<tr>
<th>COURSE</th>
<th>DUE DATE</th>
<th>UNIQUE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAX3702</td>
<td>27 August 2018</td>
<td>690506</td>
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</table>

NOTE THAT THE MARK OBTAINED FOR THIS ASSIGNMENT WILL FORM 75% OF YOUR YEAR MARK FOR THIS MODULE. YOUR YEAR MARK WILL CONTRIBUTE 20% TOWARDS YOUR FINAL MARK (CONSISTING OF 5% FOR ASSIGNMENT 1 AND 15% FOR ASSIGNMENT 2). PLEASE ENSURE THAT THIS ASSIGNMENT REACHES THE UNIVERSITY ON OR BEFORE THE DUE DATE BECAUSE LATE SUBMISSION WILL RESULT IN THE MARK OBTAINED FOR THIS ASSIGNMENT NOT FORMING PART OF YOUR YEAR MARK! NO CORRESPONDENCE OR TELEPHONIC CONVERSATION WILL THEREFORE BE ENTERED INTO IN THIS REGARD.

ASSESSMENT CRITERIA FOR THIS ASSIGNMENT

For this assignment, you will need to have achieved the learning outcomes set out in learning units 1 to 7, as contained in Tutorial Letters 102/3/2018 and 103/3/2018. The references to the chapters in the prescribed book are provided in the respective learning units. This assignment will assess you on being able to answer the case study questions.

NOTE:

SHOW ALL CALCULATIONS. MARKS ARE ALLOCATED TO EACH STEP IN A CALCULATION AND WE CANNOT THEREFORE ALLOCATE MARKS IF YOU ONLY PROVIDE US WITH AN INCORRECT TOTAL FIGURE. WHERE ANY ITEM IS EXEMPT FROM TAX, OR NOT ALLOWED AS A DEDUCTION, DO NOT SIMPLY LEAVE IT OUT. SHOW THE ITEM AS A "NIL" IN THE MONEY COLUMN, GIVING A BRIEF REASON FOR THIS.
Kgomotso was employed as an operations manager by a mining company until 31 August 2017 when he retired at the age of 55 due to ill health, caused by a lung disease. He has to make use of an oxygen tank to assist with his breathing. Thereafter Kgomotso earned pension and retirement annuity income for the remainder of the 2018 year of assessment. Kgomotso is married out of community of property and has two adult children.

Details relating to Kgomotso’s income and receipts, as well as his expenses and contributions, for the 2018 year of assessment are as follows:

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<thead>
<tr>
<th>Notes</th>
<th>Income/receipts</th>
<th>R</th>
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<tbody>
<tr>
<td></td>
<td>Salary (for the period ended 31 August 2017)</td>
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<td>Retirement annuity and pension income (post-retirement)</td>
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<td>Right of use of employer vehicle</td>
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<td></td>
<td>Travel allowance</td>
<td>2</td>
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<tr>
<td></td>
<td>Proceeds from insurance policy</td>
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</tr>
<tr>
<td></td>
<td>Free residential accommodation</td>
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</tr>
<tr>
<td></td>
<td>Disability pension</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Pension fund lump sum benefit</td>
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</tr>
<tr>
<td></td>
<td>Retirement annuity fund lump sum benefit</td>
<td>6</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>Expenses/contributions</th>
<th>R</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Current contributions to pension fund</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Current contributions to retirement annuity fund</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Medical expenses</td>
<td>8</td>
</tr>
</tbody>
</table>

Notes:

1. **Right of use of employer vehicle**

   Kgomotso was granted the right of use of a company-owned single-cab bakkie from the beginning of the year of assessment until the date of his retirement. The bakkie was purchased on 1 March 2016 at a cost of R200 000 (excluding VAT). The employer claimed the input-VAT on the bakkie for VAT purposes. Kgomotso’s logbook indicated that he travelled a total of 18 000 km for the period, of which 6 000 km were travelled for private purposes. The bakkie was not subject to a maintenance plan and Kgomotso was required to pay for the vehicle’s private fuel costs for the period. Fuel costs amounted to R6 800 for the period. He also paid R250 per month for the use of the bakkie.

2. **Travel allowance**

   From 1 March 2017 up to the date of his retirement, Kgomotso also received a travel allowance in respect of his own motor vehicle. The total travel allowance received amounted to R38 008. Kgomotso purchased his vehicle, in terms of an instalment sale agreement, on 1 February 2015 at a cost of R250 000 (VAT exclusive). His logbook indicated he travelled a total of 9 000 km for the period, of which 6 750 km were travelled for private purposes.
ASSIGNMENT 2: 2nd SEMESTER 2018 (continued)

Actual running costs amounted to R16 000 for the period he received the allowance. Finance charges over the full four-year term of the agreement amounted to R108 000. Kgomotso’s capital repayments of his loan amounted to R13 000 during the period he received the travel allowance.

3. Proceeds from insurance policy

Kgomotso received R500 000 in respect of an insurance policy he took out. The policy covers him for death, disability, illness or unemployment. The amount was not paid by a retirement fund.

4. Free residential accommodation

Kgomotso had the free use of an employer-owned, four-roomed, furnished house up to the date he retired. He did not pay for electricity.

Kgomotso’s remuneration proxy for the 2017 year of assessment was R900 000 and his remuneration for the 2018 year of assessment amounted to R837 304.

5. Disability pension

Kgomotso receives a disability pension in terms of the Social Assistance Act.

6. Retirement fund lump sum benefits

Kgomotso received lump sums amounting to R800 000 from his pension fund and R300 000 from his retirement annuity fund on the date of his retirement.

During the 2014 year of assessment, Kgomotso received a severance benefit from a previous related employer amounting to R600 000.

7. Pension fund and retirement annuity fund contributions

Kgomotso’s contributions to a pension fund, from 1 March 2017 up to the date of his retirement, amounted to R84 000. His employer also paid an amount of R84 000 to pension fund on his behalf.

Kgomotso also contributed an amount of R180 000 to a retirement annuity fund during the year of assessment.

His gross remuneration for the 2018 year of assessment amounted to R837 304.

8. Medical expenses

Kgomotso contributed to a medical aid scheme throughout the year of assessment. His wife is the only dependant listed on the scheme. Kgomotso has a disability as defined.
ASSIGNMENT 2: 2nd SEMESTER 2018 (continued)

Contributions to the medical aid fund amounted to R7 000 per month for the full year of assessment. Kgomotso’s employer paid 30% of the contributions for the full year of assessment.

Kgomotso also paid R16 000 in qualifying medical expenditure that was not covered by his medical aid fund.

**REQUIRED:**

<table>
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<tr>
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<th>MARKS</th>
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</thead>
<tbody>
<tr>
<td>a) Calculate Kgomotso’s net normal tax payable (excluding the lump sums) for the year of assessment ended 28 February 2018.</td>
<td>42</td>
</tr>
<tr>
<td>b) Calculate the tax payable on the pension and retirement annuity fund lump sums.</td>
<td>6</td>
</tr>
</tbody>
</table>

CASE STUDY 2 (12 marks, 22 minutes)

Sarah purchased an old run-down house on 1 June 2003 for R825 000. Due to unforeseen circumstances her upgrade and improvement costs during 2003 totalled R1 075 000 which included R320 000 for the replacement of all the damaged kitchen cupboards.

She accepted a six-year employment contract in Australia, rented out her house and relocated on 1 January 2005. During this time, the tenants had to replace the carpets costing R14 000 and built a double garage amounting to R275 000. Sarah reimbursed the tenants for the expenses.

Sarah returned to South Africa on 1 January 2011 and stayed in her house. She was forced to sell her house on 1 April 2017 and received an amount of R2 350 000 net of 6% agent’s commission.

**REQUIRED:**

<table>
<thead>
<tr>
<th></th>
<th>MARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculate Sarah’s taxable capital gain/(assessed capital loss) for the year of assessment ended 28 February 2018.</td>
<td>12</td>
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