

Part A

Life-Skill

VAT Payable/refundable 31 January 2016 (2 month period)

Part a

To compulsory register as a VAT Vendor, LifeSkill should have taxable supplies that exceed R1million at the end of the period or are expected to exceed R1million. The taxable supplies for LifeSkill as at the 31st of December 2017 were R920 000. Therefore, the company is not obliged to register for VAT. The company however can choose to register voluntarily as taxable supplies exceed R50 000.

VAT Output

Traning fees - Fees 65 000 x 14%	74 100
Traning fees - Fuel 5 000 zero rated	-
Traning fees - Accomodation	-
Exported services - zero rated	-
Motor vehicle fringebenefit-((340000x100/114x0.3%)-R85)x 14/114 x 1	99
	<hr/> <hr/>
	74 199

VAT Input

Purchase of motor vehicle - VAT denied	-
Membership fees - no VAT claim as invoice in the name of individuals	-
Travel cost - fuel	-
Travel cost - accomodation - Inout tax denied	-
Travel cost - gautrain - exempt (transport for fare paying passengers)	-
Change in use - 6 700 x 14/114 x 100%	823
Electricity 1 800 x 14%	252
Bank charges 540 x 14%	76
Interest paid - exempt	-
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Total Vat output	1 150
Vat refund (Vat output less Vat input)	<hr/> <hr/> 73 049

Part c

VAT should be submitted and paid on the last day of the next month which is on the 31st of March 2017.

SOLUTION TO QUESTION 2

Part a

Springclean

TAXABLE INCOME FOR THE YEAR ENDED 31/03/2017

Part A

Small business corporation - part a	Taxable income
Machine 1 - 1 784 100 x 100/114 x 0% fully depreciated	-
Machine 2 - 528 000 x 100%	(528 000)
Radio - 293 000 x 50%	(146 500)
Air conditioners - 10 000 x 5 x 20%	(10 000)
Lab machine - 333 000 x 50%	(166 500)
Total capital assets	<u>(851 000)</u>

Not a Small Business Corporation - part b	Taxable income
Machine 1 - 1 784 100 x 100/114 x 20%	(313 000)
Machine 2 - 528 000 x 40%	(211 200)
Radio - 293 000/5 x 11/12	(53 717)
Air conditioners - (10 000 x 5)/5X12/12	(10 000)
Lab machine - 333 000 x 50%	(166 500)
Total capital assets	<u>(754 417)</u>

Part B

Sales	2 365 874
Purchases	(1 200 000)
Opening stock deduction	(545 000)
Closing stock	348 000
Prior year doubtful debts	15 000
Current year doubtful debts - 75 000 x 25%	(18 750)
Contributions	(65 000)

Restraint of trade - $240\,000/5$	(48 000)
Purchased design - $17\,000 \times 10\%$	(1 700)
Registration of a trademark	(12 000)
Purchase of inventory - $12\,000 \times 10.85$	(130 200)
Forex gain - $10.85-10.25 \times 12\,000$	7 200
Taxable income	715 424
Tax liability	200 319

Part B

a)	
<i>Excess above contract amount</i>	
$(625\,000 - 560\,000) \times 5\%$	(3 250)
$560\,000 / (240 - 4) \times 3$	(7 119)
Remaining period is 15 years plus 5 years less 4 months	
b)	
Dividend	25 000
Dividends tax	20%
With holding tax	<u>5 000</u>

SOLUTION TO QUESTION 3

Warrior Construction
TAXABLE INCOME FOR THE YEAR ENDED 31/12/2016

		Taxable income
Disposal of delivery vehicle		
Selling price limited to cost	250 000	
Less tax value	142 544	
Cost - 650 000 x 100/114	570 175	
Less p/y allowances (570175/4x9/12) -2013	(106 908)	
Less p/y allowances (570175/4) - 2014/2015	(285 088)	
Less c/y allowances (570175/4 x3/12) 2016	(35 636)	(35 636)
Recoupment	<u>107 456</u>	107 456
Selling price less than cost therefore no further implications for vehicle		
 Disposal of factory		
Selling price limited to cost		
Cost - 4 350 000 + 1 900 500	6 250 500	
Less tax value	4 728 000	
Cost	6 250 500	
Less p/y allowances (4 350 000x5%x6)	(1 305 000)	
Less c/y allowances (4 350 000 x 5%)	(217 500)	(217 500)
Recoupment	<u>1 522 500</u>	1 522 500
 Proceeds (SP less Recoupment) - selling price does not include unquantified amounts		
(7 500 000 - 1 522 500)	5 977 500	
 Base cost(Cost less allowances plus selling cost)		
(6 250 500 - 1 522 500+34 500 + 0 + 300 000)	5 062 500	
 Capital gain Machine C		
	<u>915 000</u>	
 Asset 1 - Delivery vehicle		
	-	
Asset 2 - Land	915 000	
Aggregate gain	915 000	
Less prior year losses	(23 560)	
Net gain	891 440	
Multiple by 80%	80.0%	
Taxable capital gain	713 152	713 152
Taxable income		<u>2 089 972</u>
 Tax liability @ 28%		
		585 192

Question 4

Definition	Application
Carrying on of Trade	Big Game Hunters is carrying on a trade of offering hunting lessons.
Expenditure or loss	An expenditure of R59 500 has been incurred.
Actually incurred	The company has a legal obligation to pay for the training course fees for its employees.
During the year of assessment	The training course took place on 3 - 5 May 2016 and therefore, the expenditure was incurred in the current year of assessment
In the production of income	The training course is aimed at enhancing the level of the training specialists and therefore is closely linked to the production of income / inevitable concomitant as sales are expected to grow.
Not of a capital nature	The expenditure will not result in an enduring benefit and therefore is of a revenue nature.
s23 prohibition	The expenditure is not prohibited by Section 23.
Conclusion	The expenditure complies with all the requirements of section 11(a) and therefore R59 500 will be deductible in terms of the general deduction formula.

QUESTION 5

First provisional payment

Payment date	31-Aug-16
Estimate (Refer below for the estimate calculation)	5 459 696
Tax on estimate @ 28%	1 528 715
Divided by two	764 358
First provisional payment	<u><u>764 358</u></u>

Estimate:

Latest assesment from SARS, older than 14 days (17 May 2015 assessment)	4 578 253
Less capital gain	175 272
	4 402 981
Adjust for 3 years at 8% - $4\,402\,981 \times 8\% \times 3$ (Assessment date and submission date more than 18months) (29 Feb 2014 - 31 Aug 2017 30 months)	1 056 715
Adjusted basic amount	<u><u>5 459 696</u></u>

Second provisional payment

Payment date	28-Feb-17
Estimate	5 405 875
<i>As taxable income exceeds R1m, use seriously calculated estimate</i>	
Tax on estimate @ 28%	1 513 645
Less: first payment	764 358
Second provisional payment	<u><u>749 287</u></u>

Part b

A third payment is required if the estimate is not within 80% of actual.
As actual has not been prepared, we can not determine if a third payment would be required.