

UNISA Level 1 – End of Year exam 2016

REQUIRED

Question 1

- i. Are the Christmas hampers received by the employees gross income?
 - a. No, they are capital in nature.
 - b. Yes, they are an amount as defined as they have a monetary value.
 - c. No, remuneration excludes groceries as they are not cash.
 - d. No, they are a prohibited deduction under section 16.
 - e. None of the above.
- ii. Do the outstanding salaries balances form part of gross income for the employees in the 2015 or the 2016 year of assessment?
 - a. 2016, as they have not yet been received at the end of the 2015 year of assessment.
 - b. 2015, the case Cohen vs CIR states that amounts should be taxed at the earlier of receipt or accrual.
 - c. 2015, s8 states that amounts are taxed on receipt or accrual, and the amounts have accrued in 2015.
 - d. 2016, because amounts are only taxed upon receipt of cash.
- iii. At the end of the 2015 year of assessment, does Musiiwa have an obligation to remit PAYE regarding the hampers and unpaid salaries?
 - a. Yes, amounts are taxed on receipt or accrual.
 - b. No, the Income Tax Act states that employers are allowed to delay PAYE remittance if they have cash flow problems.
 - c. No, because hampers are capital in nature.
 - d. No, hampers are entertainment and are thus prohibited deductions.
- iv. Is the insurance receipt for compensation of loss of the building gutted by fire gross income?
 - a. Yes, all insurance pay outs are gross income.
 - b. No, Musiiwa does not trade in insurance and thus the receipt does not form part of gross income.
 - c. Yes, it is a recoupment.
 - d. No, loss of the building is capital in nature as the receipt is filling a hole in the capital and not the revenue.
- v. Is compensation for loss of inventory gross income?
 - a. Yes, all insurance receipts are gross income.
 - b. No, inventory receipts are capital in nature.
 - c. Yes, the receipt is revenue in nature.
 - d. No, inventory is entertainment as defined, which is prohibited under s16.
- vi. Would there be any VAT on the compensation for loss of business?
 - a. No, there is no supply.
 - b. No, loss of business is capital in nature.
 - c. No, insurance proceeds are from financial services, which are exempt from VAT.
 - d. Yes, there is a supply.
- vii. Would there be any VAT on the compensation for loss of inventory.
 - a. No, there is no supply.
 - b. Yes, there is a deemed supply.

UNISA Level 1 – End of Year exam 2016

- c. No, insurance proceeds are financial services as defined and are exempt from VAT.
 - d. Proceeds from the compensation for inventory are capital in nature.

- viii. What are the total tax credits Mr Ngoni is entitled to?
 - a. \$900
 - b. \$4,600
 - c. \$3,200
 - d. \$2,300

- ix. Is the bursary awarded to Mr Ngoni's daughter part of Mr Ngoni's gross income?
 - a. No, educational assistance is exempt.
 - b. Yes, the bursary does not benefit the employer.
 - c. Yes, but Mr Ngoni will be granted a credit.
 - d. No, this is a prohibited deduction.

- x. Would the car bought by Mr Ngoni at below market value be gross income?
 - a. No, Mr Ngoni is elderly so he would get an exemption.
 - b. Yes, given that the car was received at below market price Mr Ngoni has been paid the excess of the market price over the amount at which he purchased.
 - c. No, the car is capital in nature
 - d. Yes, Mr Ngoni's employer is in the business of selling cars, thus it is revenue in nature.

- xi. Given that Mr Ngoni employs a maid, is he an employer as per the income tax act?
 - a. No, he does not pay her more than \$300 which is the 13th schedule requirement for employers.
 - b. Yes, she works for him, thus he is her employer.
 - c. No, given that she is a maid, he does not qualify as an employer as this relationship is specifically excluded from remuneration.
 - d. No, the maid's work is entertainment as defined as she has to be hospitable.

- xii. Would Mr Ngoni be allowed a deduction for his maid's salary?
 - a. No, this is entertainment as defined.
 - b. No, s16 prohibits the deduction of domestic expenditure.
 - c. Yes, it is allowed under s15.
 - d. No, it is capital in nature.

- xiii. How much capital allowance would Ngoni be granted on the truck?
 - a. \$3,300
 - b. \$4,400
 - c. None, it is a PMV.
 - d. \$2,200

- xiv. How much of the annuity would be included in Ngoni's gross income?
 - a. The entire amount.
 - b. \$776
 - c. \$200 per month.
 - d. \$10,000 for the year.

- xv. How much of a relief would Ngoni receive upon disposal of his Greendale house in the determination of his capital gains tax payable?
 - a. \$6,639
 - b. \$6,897

UNISA Level 1 – End of Year exam 2016

- c. \$8,955
 - d. None of the above.
- xvi.** How much inflation allowance would Ngoni be able to deduct in the determination of capital gains tax payable?
 - a. \$8,875
 - b. \$8,250
 - c. \$8,783
 - d. \$12,000
- xvii.** How much total capital allowance was Ngoni granted on the house sold?
 - a. Allowances were fully exhausted.
 - b. \$8,250
 - c. \$16,500
 - d. None, not being used for trade

UNISA Level 1 – End of Year exam 2016

Question 2

- i. Given that Microwave employees were working in Zambia for a period, would their income during that period be part of gross income?

 - a. No, s8 of the income tax act includes only amounts received in Zimbabwe.
 - b. No, they were no longer ordinarily resident in Zimbabwe.
 - c. Yes, they were temporarily absent, thus, the deemed source is Zimbabwe.
 - d. No, the income is of a capital nature.
- ii. Are the Lumumba employees seconded to Zimbabwe subject to the income tax laws of Zimbabwe?

 - a. No, they are not ordinarily resident.
 - b. No, given that the 2 entities just swapped employees they should just tax their own employees.
 - c. Yes, they are now ordinarily resident.
 - d. Yes, the source of the income is Zimbabwe.
- iii. Is the cost of the employee fun day deductible for tax purposes?

 - a. Yes, it is revenue in nature.
 - b. No, it is capital in nature.
 - c. Yes, it forms part of gross income.
 - d. No, it is entertainment as defined, and thus, is a prohibited deduction.