

Calculate Maskiri's Tax Payable for the year ended 31 December 2017.

In your calculation provide brief notes to each entry

CALCULATION OF TAXABLE INCOME FOR MASKIRI FOR THE YEAR ENDED 31 DECEMBER 2017

(Markers' guide - Please note that for 2 marks one mark is for the correct provision and another for the right values)

			Marks
Net Profit Before Tax		125,660.00	1
Forced Sales Relief [see calc 1]	<i>4th schedule drought relief</i>	(7,493.33)	6
Cost of Sales	<i>s15(2) Allowable Deduction</i>	-	2
Livestock expenses	<i>s15(2) Allowable Deduction</i>	-	2
Repairs and maintenance	<i>s15(2) Allowable Deduction</i>	-	2
Fencing	<i>7th schedule allowance</i>	-	2
	<i>s15(2) Allowable Deduction for staff who are not partners. Allow for distribution to partners. Disallow Insurance not a deduction</i>		
Staff costs		2,400.00	2
	<i>s15(2) Not incurred</i>		
Depreciation		7,400.00	2
Roads	<i>s15(2) Allowable Deduction</i>	-	2
Contour Ridging - for prevention of soil erosion	<i>7th schedule allowance</i>	-	2
Fuels and Oils	<i>s15(2) Allowable Deduction</i>	-	2
	<i>4th sch restocking allowance</i>		
Restocking allowance [see calc 2]		(146,281.37)	4
Water Furrows - for water conservation	<i>7th schedule</i>	-	2
Capital Allowances [see calc 3]		(42,050.00)	8
Tax loss for Partnership		(70,364.70)	
	<i>Deemed accrual section 10(2)</i>		
Share of tax loss for Maskiri [2/3 x \$72,764.70]		(46,909.80)	2
Partners' salaries		12,000.00	1
Life Policy	<i>No income has accrued</i>	-	2
Medical aid contributions	<i>Exempt income</i>	-	2
Assessed Loss		(34,909.80)	
Tax Credits:			
Medical expenses [\$840 ÷ 2]	<i>Section 7 Finance Act</i>	(420.00)	2
Total assessed loss carried forward		(35,329.80)	48

UNISA CTA LEVEL 1 TAX – 2018 TEST 4: SOLUTION

1 - Forced Sales Drought Relief

Forced Sales [1,100 cattle x \$200]	220,000.00
Cost of forced sales	170,000.00)
Livestock Expenses [$\$54,000 \times (1,100 \div (2,000 + 3,000)/2)$]	(23,760.00)
Taxable Income on drought sales	26,240.00
Relief [$(2 \div 3) \times \$26,240$]	(17,493.33)

Calc 2 - Restocking Allowance

Assessed Carrying Capacity of the Land	2,500
On hand prior to purchase	820
Maximum allowed to restock	1,680
Potential restocking allowance [$50\% \times \$458,000$]	229,000
Actual allowance [$(1,680 \div 2,630) \times \$229,000$]	146,281

Calc 3 - Capital Allowances

	DATE OF ACQUISITION		SIA	W&T	MARKS
Farm land	28-Feb-10	<i>No capital all</i>	-	-	1
Tractor	31-Jul-15	<i>4th schedule</i>	14,000.00		1
Staff Housing - 10 Units constructed for equal costs per unit	30-Mar-11	<i>Cost exceeded allowable limits</i>	-	-	1
Lodges 20 units constructed for equal cost per unit	26-Jun-12	<i>Commercial building</i>		8,750.00	1
Motor Vehicles - 2 x Toyota Prados for use by partners for business	03-Mar-15	<i>4th schedule</i>	32,500.00		1
Dip Tank	05-Apr-14	<i>Farm Improvement</i>	300.00		1
Cattle Pens	05-May-14	<i>Farm Improvement</i>	4,000.00		1
			50,800.00	8,750.00	8