

SOLUTION – CTA UNISA 2019 TAXATION TEST 1 – LEVEL 1

Calculate Dr Hove's VAT payable or refundable for the tax period ending 30 June 2019.			
Include narrations in solution and show by way of a zero where a transaction has a nil VAT effect			
Loan receipts	Receipt of a financial service as defined, therefore no VAT charged	0	1
Loan instalment	Repayment of an exempt supply – financial service	0	1
Finance cost	Exempt supply so no VAT was charged	0	1
Imported surgery equipment [(12,575 + 3,450 + 7,235) x 15% = 3,489]	Import VAT on imported goods section 12	3,489	4
Input VAT on surgery equipment	Equipment to be used in making non-taxable supplies section 16(1)	0	1
Surgery revenue – Consultation and locum fees	Medical services exempt section 11	0	1
Surgery revenue – consumables [\$2,800 x 15%] = 420	Supply of standard rated goods s6(1)(a)	420	2
Staff costs	No VAT charged by staff since remuneration is not trade section 2	0	1
Inventories – medical supplies	Inventories to be used in making non-taxable supplies – no input tax section 16(1)	0	1
Subscriptions and licence fees	No VAT charged by the non-registered suppliers	0	1
Printing and Stationery	No VAT charged by the non-registered suppliers	0	1
Bad Debts written off	Expenditure incurred in the making of non-taxable supplies	0	1
Trade debtors	No supply	0	1
Communication costs [450 x 30%] x 15% = \$20.25	No input tax claimable on private calls (not for trade), surgery calls not used in making taxable supplies. Only claim portion used for boutique business	(20)	3
Shop fittings, furniture and painting. [4,500 x 15%] = 675	VAT charged and to be used in the making of taxable supplies section 16(1)	(675)	2

Commented [EW1]: 3 marks for the calculation and one for narration

Commented [EW2]: 2 marks for the calculation and one for the narration

Commented [EW3]: 1 mark for the calculation and another for the narration

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Inventory – clothes and shoes [(5,200 + 500 + 2,040) x 15%] = \$1,161	Imported goods section 6(1)(b) a.r.w. section 12	1,161	4	Commented [EW4]: 3 marks for the calculation and one for the narration
Freight to Harare [200 x 15%] = \$30	Input VAT per section 16(1)	(30)	2	Commented [EW5]: 1 mark for the calculation and another for the narration
Inventory – clothes and shoes	Input VAT per section 16(1) Import VAT charged above is claimable since it was charged and the supplies are being used to make taxable supplies.	(1,161)	1	
Merchandise sales [8,210 x 15%] = \$1,231.5	Supply of goods section 6(1)(a);	1,232	3	Commented [EW6]: 2 marks for the calculation and one for the narration
Staff costs	No VAT charged on remuneration	0	1	
Rental income [1,600 x 8 commercial apartments] = 12,800 x 15% = 1,920	Supply of residential accommodation is exempt per section 11	1,920	3	Commented [EW7]: 2 marks for the calculation and one for the narration
Maintenance cost [(3,500-700) x ¼] x 15% = 105	Mixed supplies apportioned section 16(1) Caretaker costs not charged VAT	(105)	4	Commented [EW8]: 3 marks for the calculation and one for the narration
Water [2,400 x ¼] x 15%	Exempt supplies for 3 out of floors being supplied piped water for domestic use	0	1	
Electricity [9/40 x 3,100] x 15% = 104.63	30 apartments – domestic electricity is exempt. 1 apartment being used to make medical services which are non-taxable	(90)	1	
Available			45	
Max			35	

Discuss the requirements for a tax payer to registered for VAT	
Voluntary Registration	
A taxpayer who is trading, can voluntarily register for VAT	1
The taxpayer must satisfy the Commissioner that they are carrying on a trade	1
Mandatory Registration	

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Any taxpayer who carries or intend to carry on a trade and whose taxable supplies exceed or is expected to exceed \$60,000 is required to register per section 23	1
Where the total value of supplies for the preceeding 12months exceed \$60,000 then it becomes mandatory to register.	1
Where there are reasonable grounds to believe the supplies for the next 12 months shall exceed \$60,000, then the taxpayer should mandatorily register.	1
Registration must be done within 30 days of satisfying the mandatory registration requirements	1
Available	6
Maximum	5