

Calculate Bruce's Expected Tax payable assuming he opts for the VER for the year of assessment ending 31 December 2016. [30marks]

		\$	
Salary (S8, gross income)		21 600	1
Bonus (S8, gross income)	1 800	800	1
• Exemption (3rd schedule par 4)	(1 000)		
Lump Sum (Gratuity) (S8, gross income)	16 900	0	1
• Exemption (3 rd schedule)[elderly persons]	(16 900)		
Golden Handshake(S8, gross income) [long service award]		2 800	1
Motor Vehicle use benefit (S8 (1)(f)) [600 x 12]		7 200	1
Motor Vehicle Purchase benefit (S8, gross income) [16,5k-3k]	13 500	0	2
• Exemption (3 rd schedule)	(13 500)		
Share Options (S8 (1)(t)) Benefit = A – (B+C) A = MV at exercise date = 101.15 B = Exercise price = 80 C = [(D-E) x B/E] = 5.498891 D = CPI at exercise date = 96.4 E = CPI at offer date = 90.2 Benefit = (15.65 x 100)		1 565	3
School fees benefit (S8, gross income)		1 800	1
Cash in lieu of leave (S8, gross income)		1 800	1
Pension fund contributions (S15(2)(h))		(2 000)	1
RAF Contributions (S15(2)(h)) (ltd to 2700)		(2 700)	1
Employer medical aid contribution - exempt (3 rd schedule)		0	1
Employee contribution to medical aid – Not for purposes of trade s15(2)		0	1
Taxable Employment Income		32 865	
Apply Tax Tables:			
Tax on the 1 st \$18 000	7 380		
(\$32 865 - \$18 000) x 25%	3 716	11 096	1
Less Credits:			
Medical Aid contributions: \$540 * 50%		(270)	1
Elderly persons		(900)	1
		9 926	
Add 3% AIDS levy - \$9 926 x 0.03		<u>298</u>	1
Tax Payable on Employment Income		10 224	

Commented [FMC1]: Assumed the number of share options is 100 since the scenario does not say.

UNISA LEVEL 1 TEST 2 TAXATION SOLUTION

TRADE & INVESTMENTS INCOME		
Beconet - Local Dividends – exempt (3 rd schedule)	0	1
Foreign interest (S8, gross income)	554	1
Rentals - Kuwadzana [400x12] (S8, gross income)	4 800	1
(elderly persons exemption \$3000) (3 rd schedule)	(3 000)	1
Rentals – Zambia [source not Zimbabwe]	0	1
Rentals Damofalls – (S8, gross income)	6 500	1
Rentals Timire – (S8, gross income)	750	1
Timire shop – recoupment (S8, gross income)		
Proceeds 25,000		
ITV [17 800 – (17 800x2.5%x5) (15,575)		1
Possible Recoupment 9,425		
Ltd to 2 225	2 225	1
Damofalls shop – Wear & Tear [37 500x2.5%] = 937.5	(938)	1
	10 891	
Tax at 25.75%	2 804	1
Foreign dividends ((2100 x 100/90) + [10]) x 20%. S12(2)(deemed source)	469	2
TOTAL TAX PAYABLE	3 273	
	Available	33

Calculate Bruce's Capital Gains Tax payable for the year of assessment ending 31 December 2016.

		\$	Marks
SHARES IN NT HOLDINGS (specified asset as defined) (marketable security acquired prior to February 2009) [2700x 5%]		135	1
COMPUTER HARDWARE - Not specified asset		0	1
HOUSE (PPR) *note – private property cannot claim capital allowances Proceeds	135 000		½
Allowable Deductions:			
Cost	(83 000)		1
Improvements	(14 500)		1
Inflation Allowance:			
- House [2.5%x83 000x8]	(16 600)		1
- Improvements [2.5%x14 500x7]	<u>(2 538)</u>		1
Capital gain	18 362		
Rollover Relief (Sect 21) [123 500/135 000]x18 362	<u>16 798</u>		2
Taxable Capital gain	1 564	313	1
Capital gains tax @ 20%			
TIMIRE SHOP Proceeds	25 000		½
Less recoupment:	(2 225)		1
Allowable Deductions:			
Cost	(17 800)		1
Capital Allowances [17 800x2.5%x5]	2 225		1
Inflation Allowance [17 800x2.5%x6]	<u>(2 670)</u>		1
Taxable Capital gain	<u>4 530</u>		
Capital gains tax @ 20%		906	1
TOTAL CAPITAL GAINS PAYABLE		1 354	
		Available	15