

a) Calculate the VAT payable/refundable for Fortune for the tax period ending June 2017

VAT Payable/Refundable Calculation for Fortune for the period May-June					
				\$	
Net liability				5,467	0.5
Export sales (zero rated) [s10]	1	500,000 x 0%	0.5	0	0.5
Indemnity payment (deemed supply) [s7]	1	7,500 x 15%	0.5	978	0.5
Laptop purchase (s16 input vat)	1	1,000 x 15/115	0.5	(130)	0.5
Training from Indian Expert (no VAT as it is not imported services also cannot claim VAT input as they were not charged VAT) [s13]	1			0	0.5
Interest (financial services therefore exempt) [s11]	1			0	0.5
Local flights (s16 input vat)	1	13,000 x 15%	0.5	(1,950)	0.5
International Flights (exports thus zero rated) [s10]	1	55,000 x 0%	0.5	0	0.5
Car hire (s16 input vat) + Maintenance Costs	1	(1,360+175) x 15%	1	(230)	0.5
Insurance (financial services exempt) [s11]	1			0	0.5
Petrol (exempt) [s11]	1			0	0.5
Taxi fares (cannot claim as exempt supply) [s11]	1			0	0.5
Depreciation (not a supply therefore no VAT) [s6]	1			0	0.5
Motoring benefit (deemed supply) [s17(3)]	1	600 x 2 x 15/115	0.5	157	0.5
Fuel Benefit (deemed supply of exempt good) [s17(3)]	1			0	0.5

CTA LEVEL 1 UNISA TAX – 2018 TEST 3: SOLUTION

Import VAT on Leather (taxable supply) [s12]	1	12,000 x 15%	0.5	1,800	0.5
Imported leather (s16 input vat)	1			(1,800)	0.5
Lay-bye sales (no supply s7(4))- time of supply not yet reached	1			0	0.5
Housing benefit (exempt supply) [s11]	1			0	0.5
Input Tax adjustment on Mount Pleasant House [S17(1)]	1	127,500*15%	0.5	19,125	0.5
VAT Payable/Refundable				23,417	
Maximum 30 marks					
Available 32 marks					

b) Discuss the Income Tax consequences for the transactions stated.

Indemnity payment	Marks
Fortune will be deemed to have sold the laptop. <i>[s8(1)(j)]</i>	1
The nature of the receipt is capital as a laptop was used to produce income and Fortune is not in the business of selling laptops, thus the \$750 will not be included in gross income. <i>(fixed vs floating capital)</i>	1
Recoupment will be included as the laptop is an asset that ranked for capital allowance. <i>[s8(1)(j)]</i>	1.5
Capital allowance previously granted were 25% of cost ($25\% * 570 * 4$) = \$570.	1
Recoupment is limited to capital allowances previously granted which is \$570.	1
However, the payment is used to replace the asset thus recoupment will be excluded to the extent of the amount received that is used to replace it. <i>[s8(1)(j)]</i>	2
In this case the full \$750 is used to replace the laptop and thus the full amount of recoupment is excluded.	1
The \$1,000 for purchase of a new laptop will not be allowed as a deduction as it capital in nature because the laptop creates an enduring benefit. <i>[tree and fruit]</i>	1
Depreciation	
This amount is not incurred and thus will not be deductible.	1
Lay-by sales	
The \$9,000 will be included in gross income on the date the amounts become due and payable (<i>Delfos case</i>) as per the lay-by agreement i.e. 6-months.	2
Maximum	12.5
Available	10