

Question 1

Loan borrowing

- Mou is deemed to have supplied the property sold by MebBank as per **section 7(1)**.
(1 mark)
- The time of supply would be date on which Metbank sells the property as that is the date that Mou would be deemed to have supplied. **(1 mark)**
- Generally, time of supply is the earlier of payment or invoice as per **section 8(1) (0.5 mark)** which in this case would be the 2nd of March as this is the date we assume MetBank invoices the buyer or receives the payment. **(1mark)**
- Note though, from given information the form of the sale or type of property sold are not given and these may change the determination of time of supply. **(1 mark)**
- The value of supply will be the consideration less the VAT as per **section 9(2)(0,5 mark)** Assuming Metbank received the payment in money value $(40,000 \times 100/115) = \$34,729$. **(1 mark)**
- Interest on the loan is a financial service as defined (provision of credit) and thus an exempt supply **per section 11** and no VAT shall arise. **(1mark)**

Imported shower cubicles

- Importation
 - Import VAT (Output tax) is levied on imported goods as per **section 6(1)(b)** and Mou imported 50 cubicles in March thus is liable for import VAT. **(1mark)**
 - The time of supply for imported goods is the date the goods enter Zimbabwe which we may assume is the date they received them in Harare, 26 March 2017 **section 12(1)(a)**. **(1mark)**
 - The value of supply for the imported goods will be the value for import duty plus duty **(section 12)**. **(1mark)**
 - The value for import duty will be
 - Purchase price \$60 **(0.5marks)**
 - Shipment \$25 **(0.5marks)**
 - Duty \$36 **(0.5marks)**
 - **Total per cubicle \$121**
 - VAT 15% x 121=\$18,15 per cubicle (\$907,50 for all cubicles) **(1mark)**
 - As Mou was charged Import Vat and they make taxable supplies, Mou may claim an input Tax deduction **(section 16)** of \$907,50. **(1mark)**
 - The donation is not for the purposes of trade and therefore donated cubicle was not used to make taxable supplies. No input tax can be claimed therefore. **(1mark)**
- The sale
 - Mou sold cubicles on a lay-by agreement the total value being $(450 \times 30) = \$13,500$ which is below \$30,000 thus are not a deemed supply but shall only become a supply of goods when the cubicles are eventually delivered **section 7(4)(a)** **(1mark)**

- The time of supply will be the date the cubicles are delivered to the buyer
(1mark)
- The value of supply will be the consideration received less the VAT which is
[\$450 x 30 = \$13,500] **section 9(2)** **(1mark)**
- VAT output on the sale will be [\$13,500 x 15%] = \$2,025 and Mou is only liable
for it on the date they deliver to their customer, which is the 28th of April.
(1mark)
- Donation
 - Mou donated goods to Senga Old People's Home which is an association of not
for **gain** and it is a supply **section 6(1)** **(1 mark)**
 - Although the supply has been made for no consideration in money the
question is whether or not there is no consideration in any other form **(1mark)**
 - There is no payment that is going to be done by Senga Old People's home in
any way in response to, or for the inducement of the supply of the goods and
therefore no consideration **(1mark)**
 - Since there is no consideration, there is no trade and therefore no VAT
consequences **(1mark)**

Accident Damaged Vehicle

- The receipt of an indemnity payment is not deemed to be a supply per **section 7(4)** if
it is for a motor vehicle. **(1mark)**
- On the fringe benefit that Mou supplies to the employee who was using the Toyota
Hilux there will be output VAT on the fringe motoring benefit for the month of
February. **(1mark)**
- The Value of supply is as per the calculation of the benefit per the Taxes Act i.e. based
on engine capacity. **(1mark)**
- The benefit is \$600 and that becomes the value of supply **(1mark)**
- The VAT payable is [\$600 x 15/115] = \$78.26 **(1mark)**

Monarch Steel

- Repossessed inventory
 - Goods repossessed by Monarch Steel are deemed to have been supplied by
Mou per **section 7(9)** and Mou shall account for output VAT. **(1mark)**
 - The time of supply is the date of repossession. **(1mark)**
 - The value of supply is the balance of cash not recovered. **(1mark)**

Available 34.5 marks

Question 2

Calculation of VAT payable or Refundable

			\$	
Rentals				
Ground Floor	$500 \times 20 \times 100\% \times 15\%$	1 mark	1,500.00	0.5 mark
1 st to 4 th floor	5 Exempt supplies	1 mark	0	0.5 mark
Utilities				
Water and rates	N [$\$4,800 \times \frac{1}{4} \times 15\%$] Since the one floor is not used for residential purposes, therefore 25% can be apportioned of the total bill.	2mark	(180.00)	0.5 mark
Electricity	Domestic electricity is Exempt and so no VAT was charged in the first place ($\$80 \times \frac{1}{4} \times 15\%$)	1 mark	(3.00)	0.5 mark
Repairs and Maintenance				
Salary	Employment income is not trade	1 mark	0	0.5 mark
Replacement tools	$\$154 \times 15\% \times 25\%$	1 mark	(5.78)	0.5 mark
Lawnmower	$(40+89) \times 15\% \times 25\%$ Apportioned for the 25% (ground floor out of 4 floors) that is being used to make taxable supplies.	1 mark	(4.84)	0.5 mark
Bricks	3 Zero rated supplies	1 mark	0	0.5 mark

UNISA CTA LEVEL 2 TAX – 2018 TEST 3: SOLUTION

Wall	$7,500 * 15% * 25%$	1 mark	(281.50)	0.5 mark
Printing and Stationery	$410 * 15% * 25%$	1 mark	(15.38)	0.5 mark
Bank Charges	Exempt	1 mark	0	0.5 mark
Leasing Charges	Exempt	1 mark	0	0.5 mark
VAT Payable			3,568.71	

Total Avail 18