

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING AND FINANCE
FIRST SEMESTER EXAMINATION PAPER
DECEMBER 2012
ACADEMIC YEAR 2012/2013

PROGRAMME OF STUDY	:	Bachelor of Commerce / Diploma in Commerce
YEAR OF STUDY	:	Year 3 – Full time / Level 4 - Part Time
TITLE OF THE PAPER	:	Introduction to Taxation / Principles of Taxation
COURSE CODE	:	AC 318 – Full time / IDE AC 315 – Part Time
TIME ALLOWED	:	Three (3) Hours
TOTAL MARKS	:	100
INSTRUCTIONS	1	There are four (4) questions, <u>answer all</u> .
	2	Begin the solution to each question on a new page.
	3	The marks awarded for a question are indicated at the end of each question.
	4	Show all necessary workings.

NOTE: You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with layout and presentation of your answer.

**THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED
BY THE INVIGILATOR / SUPERVISOR.**

SPECIAL REQUIREMENT: CALCULATOR

RATES OF NORMAL TAX FOR INDIVIDUALS

TAXABLE INCOME	RATES OF TAXES
E0 to E60,000	E0 + 20% of the excess over E0
E60,001 to E80,000	E12,000 + 25% of excess over E60,000
E80,001 to E100,000	E17,000 + 30% of the excess over E80,000
E100,001	E23,000 + 33% of the excess over E100,000

PRIVATE USE OF MOTOR VEHICLES PROVIDED BY THE EMPLOYER:

The year of assessment 2011/2012: 20 %

EMPLOYEE USING PERSONAL VEHICLE ON EMPLOYER'S BUSINESS:

Deemed expenditure is determined on the following basis:

- (i) Fixed costs: 25% of the original cost to the taxpayer of the vehicle in each year.
- (ii) Running costs per kilometre:

Up to 1600cc	54c per km
1600cc to 2000cc	76c per km
Over 2000 cc	85c per km
- (ii) Deemed Business Mileage: 6,000 kilometres
- (iv) Deemed Total Mileage: 24,000 kilometres

SCHEDULE A (EXPLANATIONS)

In this schedule, the locations are designed in categories A, B, C, and detailed as follows:

- Area A: is accommodation or housing situated in the residential areas of Mbabane Municipal area, Waterford, Pine Valley, Coates Valley, Extension 6, Madonsa Township, Thomasdale and within ten kilometers from the old Mbabane/Manzini road.
- Area B: is accommodation or housing situated in the residential areas of Manzini and surrounds; except Coates Valley, Extension 6, Madonsa Township and Thomasdale.
- Area C: is accommodation or housing situated in the major agricultural and industrial sectors and other towns
- 1.2 Where an employer rents from an employee the employee's private residence and then grants such employee free or cheap occupation thereof, the rental is deemed to be a taxable benefit, the value of the benefit to the employee is the rental received.
- 1.3 Where an employer provides accommodation or housing to employees on a sharing basis, the rental benefit value shall be determined pro rata.

SCHEDULE A:

Rental category	Floor area	Area A Taxable benefit per month	Area B Taxable benefit per month	Area C Taxable benefit per month
Prime location 3-5 bedrooms 2-3 bathrooms Double garage Servant quarters Secure perimeters 1,500 sq.m and above lot	250 sq.m and above	E 4,607	E 3,915	E 2,740
As above, but smaller	200 - 249 sq.m	4,145	3,524	2,465
3 bedrooms 2 bathrooms a garage Servant quarters Secure perimeter 700 sq.m and above lot	159 - 199 sq.m	3,686	3,133	2,193
Lesser than prime location 3 bedrooms 1-2 bathrooms 700 sq.m and above lot	120 - 158 sq.m	3,190	2,710	1,899
2-3 bedrooms 1 bathroom or shower	100 - 119 sq.m	2,393	2,033	1,422
2-3 bedrooms 1 bathroom or shower	70 - 99 sq.m	1,612	1,370	960
2-3 bedrooms 1 bathroom or shower	40 - 69 sq.m	1,330	1,129	790
1 bedroom	70 sq.m and above	910	773	542
1 bedroom	Under 70 sq.m	761	648	452
Bedsitters	Under 70 sq.m	531	452	317
Quarters	Under 70 sq.m	213	180	110

QUESTION 1:

Ms. Nonkululeko Nkambule commenced employment on 01.07.2011 as General Manager Finance and Investments in a reputable Mbabane Bank. She was 62 years of age and her income particulars for the year ended 30.06.2012 are as follows:

SALARIES AND BENEFITS

1. Her basic salary was E83,250 per month from 01.07.2011 to 30.06.2012.
2. She was booked into Etjeni Lodge for the first two months and the employer paid E23,000 in hotel accommodation expenses.
3. On 01.09.2011 her employer provided her a BMW 1 series 116i which had a 3200cc and had a value of E320,000 before sales tax of 14%. She contributed E1,200 per month for its maintenance.
4. Her employer provided her an annual car allowance of E30,000 and it was considered E2,050 per month was adequate.
5. From 01.09.2011 to 31.12.2011, the employer rented a house for her at Beverly Hills for E5,500 per month, and she contributed E800 per month. And from 01.01.2012 to 30.06.2012 she was allocated a 4 bedroom house in a prime location of Dalriach, Mbabane. The house had a lot size of 1,600 sq m and a floor area of 230 sq m. She contributed E 1,200 per month towards its upkeep.
6. A Logico Removal Truck was hired at a cost of E3,000 to transport her household goods from Manzini to Mbabane.
7. The employer paid E5,000 resettlement allowance.
8. The employer paid E3,500 as a celebratory welcome dinner for Nonkululeko.
9. From 01.09.2011 her employer provided and paid for the following services: utilities at E1,750 per month, gardener at E750 per month, a housekeeper at E1,000 per month, chauffeur at E1,300 and a security guard at E1,500 per month.
10. She was sometimes acting as Assistant Governor when the substantive Assistant Governor used to go on travel. The acting allowance amounted to E27,750.
11. For continuing professional development, the employer granted Nonkululeko a bursary amounting to E52,000 to enable her to do an MBL through UNISA.
12. On 01.11.2011 her employer extended a E280,000 loan at 4.5% interest rate, while the official rate of interest was 8%.

13. The employer paid E12,000 as school fees and other educational expenses (within an approved bursary scheme) for Nonkululeko's child, and E4,000 as transport cost to school for her child.
14. The employer contributed 19% of Nonkululeko's monthly basic pay as pension with Alexander Forbes Swaziland.
15. The employer contributed E3,400 per month to Swazimed as medical assistance.
16. Nonkululeko received a thirteenth cheque from her employer.
17. She enjoyed meals and refreshments from the bank's canteen valued at E3,600.
18. When consulting out, she was given free meal coupons amounting to E6,000 to use at eateries around the places she visited.
19. Her employer granted and paid for a holiday trip to Gold Reef City, Northern Parkway, Sandton, South Africa and the cost to the bank was E15,000.

OTHER INCOME PARTICULARS

20. She received a E5,000 award from the Municipal Council of Manzini for her contribution in the upliftment of Basketball in Manzini.
21. Nonkululeko was an expert at the gambling machines. Her net monthly income was E2,800.
22. She won a lottery of E20,000.
23. She made a net gain of E15,000 from her pastoral operations on Swazi Nation Land.
24. She sold a plot at Wilmer Park in Manzini for E250,000. The cost of the plot was E75,000 in 2000.
25. Nonkululeko operated Nkuli's Driving School, from which she earned E90,000 and the expenses of the driving school were E32,500.
26. She rented out a house at Fairview North, Manzini for E3,500 per month and its annual maintenance was E3,000 and E3,600 salaries to the security guard manning the house. The rates assessed for this property were E1,950.

27. Her late father was a member of the Umsizi regiment and she received E20,000 war benefit related to her late father.
28. She earned the following investment incomes: E5,000 society shares from savings with Nyoni Kayiphumuli Savings & Credit Co-operative Society, E3,000 interest from permanent shares with Swaziland Building Society, E3,000 interest on Old Mutual unit trusts, E6,000 dividend income from a Swaziland quoted company, E2,000 interest from savings with Swaziland Development and Savings Bank and E8,500 dividend from Escalator Capital, a South African quoted company. The agreement to invest was done at Silver Lakes, Pretoria, South Africa.

EXPENSES / PAYMENTS

1. The interest expense to Standard Bank Swaziland for the mortgage loan of her principal house in Madonsa Township was E19,000.
2. The interest on a E15,000 loan with Nedbank Swaziland to upgrade the Fairview North, Manzini rented house was E4,000.
3. She made a E15,000 cash contribution and a tent worth E3,000 to the Swaziland Red Cross after a national disaster at Mobeni was officially declared/published in the Swaziland Government Official Gazette and the Swaziland Red Cross had approved this assistance.
4. She paid E1,500 contribution to an unemployment insurance fund with Swaziland Royal Insurance Corporation.
5. She paid E4,000 premiums to SRIC for burglary insurance to protect her house contents.
6. She paid E4,000 as an annual divorce alimony payment to her former husband.
7. The courts had granted custody of their child to her husband and she paid E1,500 per month towards maintenance of their child.
8. She paid E7,750 premiums to an approved pension scheme.
9. She paid E2,500 subscription to a benefit fund with Metropolitan Life Swaziland.

10. She incurred medical bills for her new husband amounting to E9,000 at Mbabane Clinic.
11. Her contribution to a statutory pension scheme was 6% of her basic salary.
12. She paid E4,000 towards wear and tear expenses of her private car.
13. She paid E3,000 as school fees for her sister's child (within an approved bursary scheme).
14. She paid E2,500 premiums for a life insurance policy with Fingroup Swaziland.
15. She paid E7,500 in traffic fines and driving under the influence (DUI) fines.
16. She paid a E750 bribe to facilitate the speedy hearing of her case at the Manzini Magistrate Court.
17. She incurred E4,000 repairing her accident damaged car which was fully insured by Vista Insurance.
18. She had paid E350,000 as PAYE (tax paid in advance).

Required:

On submission of her personal tax return, compute the tax payable by / refundable to Ms. Nonkululeko Nkambule for the tax year ended 30.06.2012. (Question 1: Total marks 64)

QUESTION 2:

- (i) What is non-tax revenue? (1 mark)
 - (ii) Write brief notes on **four** non-tax revenue sources. (12 marks)
 - (iii) State **two** advantages and **two** disadvantages of raising non-tax revenue. (4 marks)
- (Question 2: Total marks 17)

QUESTION 3:

The Government of Swaziland intends to introduce the Road Toll System on major Highways across the country next year. Name **six** ways in which this system will affect a business' bottom line? (9 marks)

QUESTION 4

On April 1, 2012, the Swaziland Revenue Authority introduced Value Added Tax (VAT) to replace sales tax.

- (i) Contrast VAT and sales tax. (5 marks)
- (ii) State **five** advantages of VAT over sales tax. (5 marks)

(Question 4: Total marks 10)

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