

# **UNIVERSITY OF SWAZILAND**

## **DEPARTMENT OF ACCOUNTING AND FINANCE**

**SUPPLIMENTARY EXAMINATION DECEMBER 2016 ACADEMIC YEAR 2016/2017**

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<b>PROGRAMME OF STUDY</b>	<b>Bachelor of Commerce</b>
<b>YEAR OF STUDY</b>	<b>Year 3 (Full Time/Part Time)</b>
<b>TITLE OF THE PAPER</b>	<b>Principles of Taxation</b>
<b>COURSE CODE</b>	<b>AC 318</b>
<b>TIME ALLOWED</b>	<b>Three (3) Hours</b>

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### **INSTRUCTIONS**

1. There are FOUR (4) questions, ANSWER ALL.
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 your 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**

## **QUESTION 1**

You have been provided with the following trading information of Amalgamated Group of Companies for the period of October 2016. Amalgamated has three different business units but they have registered all of the business units under one TIN (100-100-100) for VAT purposes. Amalgamated has just parted ways with their accountant who has always done their VAT returns hence they desperately need someone to at least complete the return for the trading period of October while they find a suitable replacement. They have approached you. The trading information provided is as follows

### **BUSINESS UNIT ONE-Bakery**

- Purchased 10x50Kgs of brown flour from South Africa at E4, 500 each
- Purchased 5x50Kgs of white flour at E5, 000 each from Ngwane Mills, a local miller operating in Matsapha
- Yeast bought from Ngwane Mills for E5, 000
- Imported all the other ingredients for making bread worth E97,000 (assume all are standard rated)

You are told that Amalgamated bakery produces 102 loaves of brown and 102 white bread from each 50kgs of flour and that they used 50% of the brown flour and 50% of the white flour during the month of October. Assume all the purchase prices above do not include VAT. The bread they produce is all sold out and each white loaf goes for E9 while a brown loaf is sold for E7 each before applying the requirements of the VAT Act.

### **BUSINESS UNIT ONE-TWO-Public Transport**

- Amalgamated Purchased 15 Kombies on the 1<sup>st</sup> of October from Auto-Stan, a local car dealer in Mbabane for E 300, 000 each excluding VAT
- The kombies were deployed on the road on the 5<sup>th</sup> of October after being registered and together brought in revenues of E1, 125, 000 during the remainder of the month of October
- Two of the Kombies were involved in accidents during that period and had to be repaired at a total cost of E75, 000 including VAT since they were not yet insured.
- Other sundry operating expenses on which Amalgamated was charged VAT on the kombies operations amounted to E125, 000 before VAT

### **BUSINESS UNIT ONE-THREE-Restaurant**

- Rental expense =E15,000
- Fruits and vegetables used during the period is E27, 000
- Cooking oil used was worth E5000
- Beans (ordinary) used was worth E3,000
- Fruit Juice they serve with a plate of food was purchased from PnP for a total of E10,000
- Mealie meal used cost E 2,000
- Rice Used cost E 5,000
- Fuel used cost E10, 000
- The business sold prepared food worth E 100, 000 during that month

You are told that the above values (for the restaurant) do not include VAT where VAT is chargeable.

**NB Companies are allowed to claim input tax for all their purchases of taxable supplies and to declare output on all their taxable sales**

Required

- a) For each of the three business units, come up with and complete a table which clearly separates Inputs from Outputs and calculate the VAT for each of the listed items where applicable under the following headings. (25 Marks)

Item	Taxable (Standard, Zero rate or exempt)	Status	Amount without Tax	Amount of Input tax	Amount of Output tax	Total Liability amount

\*\*\*\*\*Extend this table to include all the supplies for each business unit

- b) Complete the provided tax return for the month of October for Amalgamated Ltd (15 Marks)

Total 40 Marks

## QUESTION 2

- a) List **Five** advantages of value added tax over retail sales tax (10 Marks)
- b) List **Five** supplies that are zero-rated under the Swaziland VAT system (5 Marks)
- c) List **Five** supplies that are exempt under the Swaziland VAT system (5 Marks)
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## QUESTION 3

- a) Reproduce the tax table for PAYE as it applies today in Swaziland 10 Marks
- b) When combining the least marginal tax rate and the primary rebate according to the table you have produced, what is the annual tax free threshold in Swaziland. Explain with the aid of an example how this is so. 10 Marks
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## QUESTION 4

Briefly explain how taxation is used by government to influence the direction and structure of the following economic factors (20 Marks)

- Interest rates
- Inflation
- Savings
- Foreign Direct Investment

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**END OF PAPER**

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Raising the Standard

**1.0 Details of taxable person and tax period**

Have your registration details changed since your first VAT registration? (Please tick and attach letter stating changes)		Yes	No
Taxpayer Identification Number (TIN)			
Tax period covered by this return		DD/MM/YY	to DD/MM/YY
Full name of registered entity (Please include legal trade name)			
Address (Please include physical address)			
Phone number (Please include mobile number)			

**2.0 Determination of Output tax on Sales**

		TOTAL AMOUNT	Applicable Rate	OUTPUT TAX
Sales exempted by the Act (As per Schedule I of the VAT Act)	A	E		
Sales subject to VAT @ Zero rate (As per Schedule II of the VAT Act)	B	E		
Sales subject to VAT @ 14%	C	E	14 %	E
Gross Sales (Total value of ALL Sales)	D	E		

**3.0 Details of Purchases**

		TOTAL AMOUNT	Applicable Rate	INPUT TAX
Exempt Purchases (As per Schedule I of the VAT Act)	E	E		
Domestic purchases subject to VAT at Zero rate (As per Schedule II of the VAT Act)	F	E		
Purchases from unregistered traders	G	E		
Domestic purchases subject to VAT at 14%	H	E	14 %	E
Import Purchases @ 14%	I	E	%	E
Import Purchases @ Zero rate	J	E		
Gross Purchases (Total value of ALL Purchases)	K	E		

**2.1 Determination of Input tax on Purchases and VAT payable/refundable**

<b>2.1.1 Total Input tax on Purchases (H+I)=</b>	E
<b>3.0 VAT PAYABLE/REFUNDABLE</b>	E

**3.1 OTHER IMPORTANT INFORMATION****4.0 Declaration**

I DECLARE THAT THE INFORMATION IN THIS RETURN IS TRUE AND CORRECT IN EVERY RESPECT.

NAME IN FULL	SIGNATURE AND DATE

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