

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

In collaboration with

ZIMBABWE OPEN UNIVERSITY

DIPLOMA IN BUSINESS MANAGEMENT

TAXATION (D-TX 01)

SESSIONAL EXAMINATION, 2010

TIME: 3 HOURS

MARKS: 100

Instructions:

1. There are two sections **section A** and **B** (with **Part I** and **Part II**)
2. Answer all questions in **Section A** and **Section B (Part I)**
3. Answer one question in **Section B (Part II)**
4. Write your answers in the answer booklet provided.
5. Each answer must start on a fresh sheet of paper
6. Workings must be shown clearly and any assumption made should be indicated

Taxation Tables:

Capital Allowances	%
Plant & Machinery – Manufacturing	25
Plant & Machinery – Other	15
Motor vehicles	25
Furniture and Fittings	10

Industrial Buildings	
Initial allowances	25
Annual allowances	2.5

Corporation tax		
Standard Rate -	Manufacturing	15
Standard Rate – Others		25

Income tax rates for Individuals			
P0	-	P 30,000	0%
P30,001	-	P 60,000	5%
P60,001	-	P 90,000	P 1,500+ 12.5% in excess of P 60,000
P90,001	-	P 120,000	P 5,250+ 18.75% in excess of P 90,000
P120,001 and above			P 10,875+ 25% in excess of P 120,000

Individual vehicle benefits

Cost of Vehicle	Benefit	adjustment for Fuel
1 - 50,000	P 2,500	P 1,000
50,001 - 100,000	P 5,000	P 2,000
100,001 - 150,000	P 7,500	P 3,000
150,001 - 200,000	P 10,000	P 4,000
Over 200,000	P 10,000 + 15% in excess of P 200,000	P 5,000 (maximum)

SECTION A

[15 marks]

Answer True or False to all the questions in this section

1. Goods removed from a VAT warehouse should be valued at the amount retained
2. A refund of tax will be made to a taxpayer if his input tax exceed the output tax
3. A vendor making taxable supplies is required to register for VAT if the value of his turnover exceeds P250,000 per month
4. Farming losses can be set off against business income
5. Fines for breaking the law is an allowable expense while calculating the tax
6. Gratuity payments are taxable under the law
7. Change in the accounting period is not allowed under the Income Tax Act
8. Official emoluments and salaries paid to diplomats of foreign missions in Botswana is exempt from tax
9. Chargeable income is the excess of assessable income over the allowance deductions
10. Non resident companies are suppose to pay tax in advance

SECTION B

PART 1

Answer all the questions in this part.

Question 1

[25 marks]

SG Botswana (Pty) Ltd has appointed you as a tax consultant. The director would like to know about the input VAT on the following transactions for the month ended 31 March 2010. The company's expenses for that month, exclusive of VAT are:

	PULA
1 Purchases of goods	830,520 1
2 Commercial rentals *	62,800 2
3 Salaries and wages	204,500 3
4 Interest paid *	28,250 4
5 Contribution to pension fund *	6,500 5
6 Electricity	78,320 6
7 Purchase of computers	139,700 7
8 Purchase of company car	275,820 8
9 Imported services	58,250 9
10 Petrol and diesel costs	5,200 10
11 Sales returns	11,550 11
12 Advertising	45,760 12
13 Bank charges	2,640 13

Required:

Compute the input tax that should have been claimed by SG Botswana (Pty) Ltd for the VAT period ended 31 March 2010, clearly indicating those items for which no input VAT is available, and why?

Question 2**[25 marks]**

Kefilwe is the accountant at Bafana (Pty) Ltd. Her employment package for the tax year ended 30 June 2010 was:

	PULA
Salary	288,000
Company contribution to pension fund	29,000
Company car including petrol Cost	320,000
Company provided housing Rateable value	476,000
Medical aid	18,000
Performance bonus	50,000
Company provided house furniture Cost	25,000 -

Kefilwe's ITW 8 for the tax year ended 30 June 2010 reflected tax withheld of P85,600.

Partnership Income

Kefilwe is having a business in partnership with Lebo. The results of the partnership for the year ended 30th June 2010 were:

	PULA
Sales	1,750,000
Cost of sales	(1,150,000)

	600,000
Depreciation	50,000
Lebo's salary	75,000
Interest on Kefilwe's capital account	10,000
Other allowable expenses	<u>383,000</u> (518,000)

Net profit	82,000

- The capital allowances are calculated at P32, 000.
- There is a partnership loss brought forward of P50, 000.
- The partner’s share profits in the ratio 70:30 (Lebo : Kefilwe).

Other information

Kefilwe received gross bank interest of P32,000 from which P2,000 tax was deducted. She also made a profit of P13,000 on the sale of shares listed on the Botswana Stock Exchange.

Required:

- (a) Compute the partnership chargeable income or loss for the year [6 marks]
- (b) Calculate Kefilwe’s taxable income for the tax year [9 marks]
- (c) Calculate the tax payable by or refundable to Kefilwe. [10 marks]

Question 3

[15 Marks]

Lesego Mafoko is a cattle farmer who appointed you as her tax consultant. She provides you with the following information concerning her farming operations for the year ended 30 June 2010:

	PULA	
Sales →	2,126,324	
← Purchases	1,465,221	
<u>EXPENSES</u>		
Wages	361,894	111 361 894
Bush clearing	78,552	78 552
Dam construction	107,216	440 440
Fencing	68,475	107 216
Depreciation	56,541	547 660
Purchase of truck	85,000	68 475
Administration expenses	149,213	616 137
Drawings by Lesego	200,000	56 541
		672 678
		85 000
		757 678
		149 213
		906 891
		200 000
		1106 891

87
30910 1372
28 633
31067739
2739504
322235

2126324
613 180
2739504

1106891
1465221
2572112
518260
3090372

757678
149213
906891
200000
1106891

Additional information relating to Lesego’s farming operations:

1. The opening stock was 1,182 head of cattle and the closing stock was 1,426 head. The standard value of cattle is P430 per head.
2. The tax values of the farming assets at 30 June 2009 were:

	Equipment	Vehicles
	P	P
Cost	128,476	206,450
Accumulated allowances	(113,046)	(79,250)
	-----	-----
	15,430	127,200
	=====	=====

3. A tractor that had cost P30,000, and which had accumulated allowances of P7,500 at 30 June 2009, was sold for P15,750.
4. Lesego’s farming loss brought forward from the prior year was P28,633.

Information relating to Lesego’s non-farming income for the year ended 30 June 2010:

- Lesego owns a house which he lets out. The rent received for the year ended 30 June 2010 was P54,000 and the expenditure in relation to the house in the year amounted to:

	P
Repairs and maintenance	3,269
City Council rates	855
Interest on mortgage loan	16,117

$$\begin{array}{r} 1182 \\ 430 \\ \hline 1612 \\ 1612 \times 430 \\ \hline 69316 \\ 1182 \times 430 \\ \hline 50766 \\ \hline 112400 \\ 112400 \times 430 \\ \hline 483320 \\ 112400 \\ \hline 595720 \end{array}$$

$$\begin{array}{r} 11 \\ 13546 \\ \hline 14728 \\ 14728 \times 430 \\ \hline 633304 \\ 14728 \\ \hline 648032 \end{array}$$

- Lesego received net dividends of P38,427 from his investments on the Botswana Stock Exchange.
- Lesego received a gross Government pension of P193,422 from which tax of P29,682 had been deducted.
- Lesego received bank interest of P59,210 from which P5,321 withholding tax had been deducted.

$$\begin{array}{r} 21400 \\ 15750 \\ \hline 37150 \end{array}$$

$$\begin{array}{r} 22400 \\ 15750 \\ \hline 38150 \end{array}$$

Required:

- (a) Calculate the capital allowances claimable in respect of the farming operations, showing the tax values to be carried forward at 30 June 2010. [5 marks]
- (b) Calculate the balancing charge or allowance on the sale of the tractor. [5 marks]
- (c) Calculate Lesego's chargeable income or loss from farming. [5 marks]
- (d) Calculate Lesego's taxable income. [5 marks]

$$\begin{array}{r}
 109 \quad 28633 \\
 \times 1016 \quad 811 \\
 \hline
 28633 \\
 1078 \quad 258
 \end{array}$$

PART II

Answer one question from this part.

Question 4

[15 marks]

- (a) Define Person as per the Income tax Act [3 marks]
- (b) Write a note on the Return of Income [4 marks]
- (c) What is "Mafisa & Matimela" [4 marks]
- (d) What is Roll over relief [4 marks]

Question 5

[15 marks]

- (a) Explain "Wholly and exclusively and Necessary" as per tax law [9 marks]
- (b) Write a note on PAYE and define remuneration [6 Marks]



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ZIMBABWE OPEN UNIVERSITY

DIPLOMA IN BUSINESS MANAGEMENT

SESSIONAL EXAMINATION – MAY 2011

TAXATION (D - TX 01)

TIME: 3 HOURS

MARKS: 100

Instructions:

1. There are Two sections A and B
 2. Answer all the Questions in Section B
 3. Answer the Question in Section A as per the instruction in Question
 4. Write your answers in the answer booklet Provided
 5. Each answer must start on fresh sheet of paper
 6. Working must be shown clearly and any assumption made should be indicated
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SECTION: A

(50 MARKS)

PART 1

1. State whether the following statements are true or false. (20 Marks)
- (a) Proceeds from disposal of shares in a company is included in Taxable income.
 - (b) Allowances and Gratuities paid to High Court Judges are exempted from Tax.
 - (c) A non resident cannot act as a precedent partner.
 - (d) Aggregate taxable value is the sum of the values of the chargeable disposals.
 - (e) Input vat on subscriptions or fees in respect of membership of any social club is not allowed as deduction.
 - (f) The accounting year of a person should coincide with the tax year.
 - (g) Individuals whose total income is taxed under the PAYE provisions are exempt from submitting returns.
 - (h) The decision of the Board of Adjudicators is final and not subject to appeal.
 - (i) If sales proceeds of an asset are less than WDV, balancing charge arises.
 - (j) Initial allowance is granted only on cost of industrial buildings and not on improvements.

PART II

2. Answer any of the **two (2)** questions
- (a) What is "Mafisa & Matimela" (5 Marks)
 - (b) Define a person under Income tax Act (5 Marks)
 - (c) Explain the term Tax Avoidance (5 Marks)



3. Answer any of the **two (2)** questions

- (a) Write a note on PAYE and define Remuneration. (10 Marks)
- (b) Explain " Wholly Exclusively and Necessary " as per tax Law. (10 Marks)
- (c) Persons Exempted from Capital Transfer TAX (CTT). (10 Marks)

SECTION: B

(50 MARKS)

Question 4

Mr. Chapel is a resident of Botswana earning the following income for the tax year ending June 2011. He has been in employment for the twelve month during the year. Also he has been running his business.

- Basic salary of P 366000 per annum. PAYE deducted during the tax year is P 6,031-25 per month.
- He has been provided with a car which cost employer P 250,000. The employer provided the fuel for the Vehicle. He is paying an amount of P1000 per month towards the fuel.
- He has been provided with accommodation whose current capital Valuation is P 220,000, which is not a rated property.
- Furniture has been supplied by employer in the amount of P 20,000.
- Entertainment allowance provided during the year is P 35,000.
- Medical aid paid on behalf of the employee is P 4,100 p.a.



In addition to the above, he is having the following income for the tax year ending June 2011:

- Income from house rented out P 6,500 per month and only 10 months have let out
- Interest income

BBS P 20 000 per annum

First National Bank P 6 000

Bank of Botswana P 22 000 (after deducting P 2 200 WHT)

- Repairs to let out property P 21,500
- Contributed 12.5% to the approved super annual fund.

You are required to:

- (i) Compute taxable employment income for the tax year ending June 2011. (15 Marks)
- (ii) Compute the total income for the tax year ending June 2011. (5 Marks)
- (iii) Compute the tax payable by Mr. Chapel for the tax year ending June 2011. (5 Marks)

Question 5

Compute the capital allowance for the following asset used by Amanda Pty Ltd, a company engaged in construction activities. All the figures are in Pula.



Furniture	25 000
Xerox machine	15 000
Computer	120 000
Motor Vehicle –BMW	300 000
Motor Vehicle-Delivery Truck	350 000
Aircraft	1 000 000
Computer software	100 000
Heavy civil engineering Plant and machinery	9 00 000
Self propelled portable plant	700 000
Commercial building acquired/constructed during the year	1500 000
Industrial building acquired/constructed during the year	1200 000

Notes: (1). The Delivery truck is for business. (2). BMW is used solely by company directors.

- (a). Identify each item and put in the right category for annual allowances (6 marks)
- (b). Apply the rate applicable for such category (6 marks)
- (c). Show the Written down Value-WDV (4 marks)
- (d). Calculate initial allowance if applicable (4 marks)
- (e). If company has constructed 8 dwelling house to employees. Each unit cost 300 000 to construct. Calculate claim for capital allowance. (5 Marks)

END OF PAPER

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BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

DIPLOMA IN BUSINESS MANAGEMENT

SESSIONAL EXAMINATION – MAY 2012

TAXATION (TX 101)

TIME: 3 HOURS

MARKS: 100

Instructions:

1. There are two sections A and B
2. Answer all the questions in Section B
3. Answer the questions in 'Section A' as per the instruction
4. Write your answers in the answer booklet provided
5. Write legibly in grammatical English
6. Working must be shown clearly and any assumption made should be indicated

SECTION: A

(50 MARKS)

PART 1

1. State whether the following statements are true or false. (20 MARKS)
- (a) Proceeds from disposal of shares in a company is included in Taxable income
 - (b) Allowances and Gratuities paid to High Court Judges are exempted from Tax
 - (c) A non resident cannot act as s precedent partner
 - (d) Certainty is one of the characteristic of a Good Tax System
 - (e) Power to waive taxes which cannot be received is one of the powers of the Ministry of Finance
 - (f) Legal expenses is a specific disallowed deduction
 - (g) The recovery of an amount of expenditure or loss is part of specific components of Gross Income
 - (h) Income from sale of house has not included in determination of Gross Income
 - (i) The official emoluments of the President of republic of Botswana is exempt from Tax
 - (j) An income tax return is only furnished when it is delivered by hand or post to the correct Tax department office

PART II

2. Answer any of the **two** questions. (10 MARKS)
- (a) What is "Mafisa & Matimela" (5 Marks)
 - (b) Define a person under Income tax Act (5 Marks)
 - (c) Explain Responsibility for Submission of Returns (5 Marks)

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3. Answer any of the **two** questions. (20 MARKS)

- (a) Explain Penalty for failure to comply with the requirements of the Act (10 Marks)
Evasion
- (b) Explain "Wholly Exclusively and Necessary" as per tax Law (10 Marks)
Example
- (c) Explain Finality of Assessment (10 Marks)

SECTION: B (50 MARKS)

Question. 4 (25 Marks)

- (a) Mr. Kabo is a Managing Director of a local firm based in Botswana. He has presented you with the following information. Determine his Gross Income.

	PULA
Annual Salary	120 000
Performance Bonus	60 000
Sale of Motor Vehicle	20 000
Other employment benefits accrued during the year	12 000
Dividend received from shares invested in the company	9 000
Interest from his Current Account	3 500
Income from sale of furniture	15 000

(10 Marks)

(b)

Siffy Pty Ltd acquired business machine in 2008. The initial cost of Machine was P700 000. After 3 years of use the machine broke down and was disposed for P400 000.

1. Determine the WDV of the asset after three Years
2. Establish amount of Balancing Charge
3. Show the effect of this on replacement cost of the new machine acquired for P500 000

(15 Marks)

Question 5

(25 Marks)

A company manufacturing spare parts appointed you as their tax consultant. They produced the following information in order to compute the tax payable for the tax year ending June 2012.

INCOME STATEMENT (IN PULA)

Sales	2500 750
Less: Purchases	1411 450
Gross Profit	1089 300 ✓
Operating Expenses:	
Advertising	150 000
Rent and Rates	62 500



Salaries and wages	276 500
Repairs and maintenance	44 850
Miscellaneous Expenses	124 500 - 34 950
Depreciation	98 500
Motor vehicle expenses	77 500
Total Operating Expenses	834 350 ✓
Operating Profit	254 950

799400

Miscellaneous expenses include P 34 950 incurred towards the personal expenses of Managing Directors trip to South Namibia. Fixed Assets purchased during the Year:

Construction of Industrial Building	P 300 000	25
Motor Vehicle	P 145 000	20
MD's car Mercedes Benz	P 500 000	25
Furniture and Fittings	P 90 000	15

BCT
ACT

Required:

- 1, Calculate capital allowance for the tax year ending June 2012 (8 marks)
- 2, Calculate the taxable Income for the tax year ending June 2012 (8 marks)
- 3, Calculate the Tax payable by the company for the tax year ending June 2012 (6 marks)
- 4, Comment on MD's vehicle 125 (3 marks)

Tax pay
BCT
ACT 110

TAXATION TABLE TO BE FOLLOWED:

TAXABLE INCOME (Pula)	TAX PAYABLE (Pula)
0 - 36 000	0
36 001 - 72 000	0 + 5% over 36 000
72 001 - 108 000	1 800 + 12.5% over 72 000
108 001 - 144 000	6 300 + 18.75% over 108 000
144 001 and over	13 050 + 25% over 144 000

CAPITAL TRANSFER TAX RATES:

12.5% FOR BOTH RESIDENT AND NON -RESIDENT COMPANIES

FOR PERSON OTHER THAN COMPANIES THE RATES ARE AS FOLLOWS:

Aggregate chargeable value	Capital transfer tax rate	Cumulative CTT
0 - 100 000	2%	2 000
100 000 - 300 000	3%	8 000
300 000 - 500 000	4%	16 000
Above 500 000	5%	