

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

**DIPLOMA IN BUSINESS MANAGEMENT
SESSIONAL EXAMINATION**

TAXATION

TX 101

TIME: 3 HOURS

MARKS: 100

Instructions:

1. There are three sections A, B and C.
2. Answer the questions as per the instructions given in each section.
3. Write your answers in the answer booklet provided
4. Working must be shown clearly and any assumption made should be indicated

SECTION A

[50 MARKS]

1. State if 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) Certainty is one of the characteristics 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) Failure to comply with written notices attract one year imprisonment and P1000 fine.
- (g) It is obligatory for an employer to deduct tax from the remuneration of their employees every month under PAYE tax system and submit the tax so deducted within 15 days from the end of each month.
- (h) Aggregate taxable value is the sum of the values of the chargeable disposals
- (I) Any expenditure incurred wholly, exclusively and necessarily by the beneficiary in the disposing or acquisition of ownership is not an allowable deduction for CTT purpose
- (J) Input Vat on subscriptions or fees in respect of membership of any social club is not allowed as deductions

SECTION B. Short answer type.

[30 Marks]

1. Answer only two questions out of the following three.

- (a) What is "Mafisa & Matimela" (5 Marks)
- (b) List the Persons Exempted from Submission of Tax Return (5 Marks)
- (c) What is Roll-Over Relief and when it is granted (5 Marks)

2. Answer any of the two questions.

- (a) Explain about company Disclosures to BURS **(10 Marks)**
 (b) State the five specific components of Gross Income **(10 Marks)**
 (c) Persons exempted from Capital Transfer TAX (CTT) **(10 Marks)**

SECTION C. Essay type questions.

[50 MARKS]

Question - 1

- (a) Kagle Ltd a resident company is registered for VAT. It is involved in the construction of property & sales of building materials. During the month ended 31 March 2013 (tax period), it had the following results.

DETAILS		PULA
Turnover excluding retention		1500 000
Less: retention @ 10%		150 000
		1350 000
Sale of Building Materials (note 2)		500 000
Total invoiced sale (Net of Retention)		1850 000
Value of uncertified Work (Not invoiced)		350 000
Total Sales for the period		1850 000
Profit on disposal of grader (note 5)		25 000
Less: Purchases	301 000	
Wages and salaries	364 000	
Overheads	60 000	
Total Expenses	<u>60 000</u>	725 000
Profit for the year		1150 000

Note: The following is relevant to the current tax period.

1. All above and below figures exclude VAT but are subject to VAT Where appropriate.
2. Building Materials are sold locally and outside the country. 40% of such sales were to customers in export countries. Of the remaining local sales 50 % are to VAT registered customers and 10% to non registered customers. The construction work is for government of Botswana.
3. The purchases were acquired mostly from Vat registered suppliers except for some second hand roofing sheets acquired from non registered traders for P33 000 and purchase worth P57 000 acquired from nonregistered traders.
4. Kagle Ltd had wrongly invoiced goods supplied to a VAT registered customer in the previous tax period. Instead of the invoice amount being P36 000, it had actually invoiced P63000. This error has now been discovered but no adjustment was made to the current tax period's Vat calculations.
5. In September 2012 Kagle Ltd sold a grader for P127 000 excluding VAT. The grader had been acquired in January 2000 (before commencement of VAT) for P204 000.
6. Surplus materials acquired in the previous tax period for P12 000 (net) were given to the employees. The appropriate Vat input was claimed in previous period.

Required:

- (a). Calculate the balance on the VAT account in Kagle's Ledger for tax period ended 31 March 2013. **(20 marks)**
- (b). You are asked to compute the Capital gain or allowable loss, from the following information. A Ltd sold its shares of B Ltd an unlisted company for P25 000 in March 2013. It had acquired these shares in August 2010 for P40 000.

(5 Marks)

Question - 2

(a) A, B, and C are partners in a firm of accountants and share profits equally. Details for the year ending on 30 June 2012 are as follows.

	P
Income from the partnership as:	150 000
Expenses in running the partnership	50 000
Interest paid on partner's capital: A: P4 000	B: P3 000 C: P3 000
Salaries Paid: A: P5 000	B: P6 000 C: P4 000
Drawings: A: P5 000	B: P7 000 C: P4 000

Debenture interest received: P 3 000

Interest from a building Society: P 2 000

You are required to calculate:

- a. The Taxable Income of the firm. **(10 marks)**
- b. Taxable income of the partners A, B and C (assuming that they have no other income, and don't pay for any pension). **(10 marks)**
- (c) Tebby Ltd purchased a Mercedes Benz for P300 000 on 1 July 2009. The car was sold after two tax years for P240 000 on 15 September 2011. Calculate the Balancing charge.

(5 marks)

TAXATION TABLE

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 PERSONS 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
500 000 and above	5%	

END OF PAPER