

Taxation**TX122****Sessional Examination****Time: 3 Hours****Marks: 100**

Instructions:

1. The examination consists of **Three** sections: A, B and C.
2. Begin each answer to a new question on a new page.
3. Answer questions according to instructions given in each section.
4. Write answers in the answer booklet provided.
5. Write in grammatical English.

1. The following table applies for resident individuals for 2011/2012 and subsequent tax years.

(EIGHTH SCHEDULE)

Taxable Income (P)	Tax (P)
0 -36 000	0
36 001 -72 000	0 + 5% of excess over 36 000
72 001 -108 000	1 800 + 12.5 of excess over 72 000
108 001 -144 000	6 300 + 18.75% of excess over 108 000
144 001 and above	13 50 + 25% of excess over 144 000

2. Proceeds from disposal of shares in a company are included in taxable income.
3. The value of “free medical attention” provided or paid by an employer is included in the employment income of an employee.
4. A direct tax means that tax is paid indirectly to tax authorities.
5. Commissioner of taxes is appointed under section 3(1) of the income tax act.

- a) Define the term 'taxation'. **(2 marks)**
- b) State the residential qualification of the following individuals as per Income Tax Act of Botswana for the tax year 2014-15 with your supporting reasons.
- i. Charity, a citizen of Botswana was in UK for the last two years, visited Gaborone during the tax year 2014-15 for consultancy services and stayed for 180 days at Gaborone Sun during in the tax year 2014-15. **(3 marks)**
- ii. Cleopatra, a citizen of Namibia joined as Lecturer in Accounting at University of Botswana on 1st May 2014 and signed a contract for two years of service. **(3 marks)**
- iii. Ms. Opene, a Motswana is working as an Air Hostess of Air Botswana stationed in Harare, Zimbabwe. During the tax year 2014-15, she visited Botswana only 30 days and stayed at GrandPalm Hotel. **(3 marks)**
- iv. Lesenda has two houses one in USA and the other in Gaborone. He has been working in USA and he was considered as a Resident in USA. However, whenever he visits Botswana, he stays in the Gaborone house. **(3 marks)**
- c) Briefly explain these terms "wholly" "exclusively" and "necessarily" **(6 marks)**

- Interest of P170 000 on an investment account with a local bank.
- Siphon (66 years of age) received the following income during the year of assessment:
 - A salary of P400 000.
 - Interest of P18 000 on his savings account.

Siphon paid medical expenses amounting to P60 000 (all tax deductible) during the current year of assessment. During the current year he also paid municipal costs of P80 000 which relate to his private house.

Required:

Calculate Siphon's and Andele's taxable income for the current year of assessment. **(14 marks)**

QUESTION 4

Rabia Patresh is busy completing his income tax return for the current year of assessment. He is a sole proprietor who programmes and repairs computers for a living.

- On 3 March 2009, Rabia received P4 500 for a repair job he performed on 15 February 2009.
- Rabia went to Australia to visit her brother in June 2009. While she was there, she fixed a few computers and earned the equivalent of P3 500.
- Rabia sold her personal computer to a friend for P1 500. The market value of the computer was P6 000 on the date of sale.

during the 2014/2015 tax year. He is completing his income tax return for the just ended tax year and has requested your assistance in this regard.

Nature of Gross Income Amount (in Pula):

Interest from resident building society 5 000
 Barclays Bank of Botswana savings account interest 4 000
 Kingdom Bank of Namibia savings account interest 10 500
 Interest from resident building society subscription shares 12 000
 Interest from Botswana Savings Bank Sesigo savings account 6 000
 Monthly salary (employed for last 7 months of tax year) 22 300
 Dog-breeding business 325 450
 Hotel business 235 000
 Property disposal gains 73 500

Other information in respect of his life is as follows:

- Touch and Mrs Touch divorced by mutual consent on the 1st December 2013. The Court ordered that Mrs Touch should compensate Touch with a monthly amount (alimony) of P10 000 from the date of the divorce settlement (paid in advance on the first day of each applicable month). The Court reasoned that:
 - Touch had been accustomed to such lifestyle during the tenure of the marriage. Mrs. Touch is a high-income earner who had, during the tenure of the marriage, supported Touch financially

During the period of employment in the current tax year, Touch also received a bonus of P5 400

- administrative expenses of P23 500 (half of these were incurred in respect of the hotel business)

The hotel business transactions are as follows:

Insurance premium paid in respect of this building for the tax year amounted to P7 500

Salaries and wages of hotel employees is P25 000

Lump-sum amount of P50 000 was paid into an approved pension fund in respect of these employees for five years, starting in the current tax year

QUESTION 1

Determine the total gross income for Touch for the 2015/2016 tax year.

(20 marks)

QUESTION 2

Calculate the deductions allowable to Touch in arriving at the final taxable income for the 2015/2016 tax year.

(20 marks)

QUESTION 3

Explain any FOUR tax incentives given to the business of farming. You are to explain the

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CAPITAL TRANSFER TAX RATES:

12.5% FOR BOTH RESIDENT AND NONRESIDENT COMPANIES

FOR PERSON OTHER THAN COMPANIES THE RATES ARE AS FOLLOWS

Aggregate chargeable value CTT	Capital transfer tax rate	Cumulative
0 - 100000	2%	2 000
100 000 - 300000	3%	8 000
300 000 - 500000	4%	16 000
Above 500 000	5%	

RATES OF TAX FOR 2011/2012 and subsequent years (Section 59)

2. Annual allowance for industrial building	2.5%
3. Annual allowance for commercial building	2.5%
4. Heavy civil engineering plant or machinery used directly in construction	25%
5. Aircraft and motorised road vehicles	25%
6. Other self-propelled portable plant or machinery used directly in manufacture or production	25%
7. Other industrial (including farming) plant or machinery used directly in manufacture or production	15%
8. Computers	25%
9. Other office machinery	10%
10. Other plant or machinery (including soft furnishings)	10%
11. Computer software	100%