

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER, JULY 2006

DEGREE/DIPLOMA AND YEAR STUDY : DIP. COM III

TITLE OF PAPER : PRINCIPLES OF TAXATION AND
AUDITING

COURSE CODE : AC 304-2 (S) 2006

TIME ALLOWED : TWO (2) HOURS

- INSTRUCTIONS**
1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: THREE (3)
 2. ANSWER ALL QUESTIONS.
 3. THE MARKS AWARDED FOR A QUESTION/PART ARE INDICATED AT THE END OF EACH QUESTION/PART OF QUESTION.
 4. WHERE APPLICABLE, SUBMIT ALL WORKINGS AND CALCULATIONS.

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 THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.

SPECIAL REQUIREMENTS: NONE

THIS PAPER IS NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

RATES OF NORMAL TAX FOR INDIVIDUALS AC304-2M)2006 Page 2 of 5

TAXABLE INCOME	RATES OF INCOME
0 to 30,000	0+12% of the excess over 0
30,000 to 45,000	3,600+20% of excess over30,000
45,000 to 60,000	6,600+25% of the excess over 45,000
60,000 to 75,000	10,350+30% of the excess over 60,000
75,000	14,850 + 33% of the excess over 75,000
2005/2006 General Tax Rebate E2,400	
2005/2006 Certain benefits are taxed at 60% of the benefit value	

TAXATION OF TAXABLE BENEFITS PRACTICE NOTE NO 157 EFFECTIVE FROM 1.7.2005

1.1 FREE AND SUBSIDISED HOUSING

Where a benefit provided by an employer to an employee consists of accomodation or housing,the value of the benefit is the open market rent of the accomodation or housing,reduced by any payment made by the employee for the benefit.

Provided that where the **employer owns the accommodation or housing**,the value of the benefit is the rental benefit value of the accomodation or housing determined in accordance with the table in schedule A,below.The valuations depend on the size and location of the house.:

SCHEDULE A (EXPLANATIONS)

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

Area A: is accomodation 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 accomodation or housing situated in the residential areas of Manzini and sorrounds;except Coates Valley,Extension 6,Madonsa Township and Thomasdale.

Area C: is accomodation 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 accomodation or housing to employees on a sharing basis,the rental benefit value shall be determined pro rata.

SCHEDULE A,B,C:

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 sq.m and above	4,145	3,524	2,465
3 bedrooms 2 bathrooms a garage Servant quarters Secure perimeter 700 sq.m and above lot	159 sq.m and above	3,686	3,133	2,193
Lesser than prime location 3 bedrooms 1-2 bathrooms 700 sq.m and above lot	120 sq.m and above	3,190	2,710	1,899
2-3 bedrooms 1 bathroom or shower	100 sq.m. and above	2,393	2,033	1,422
2-3 bedrooms 1 bathroom or shower	70-100 sq.m	1,612	1,370	960
2-3 bedrooms 1 bathroom or shower	40-70 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:AC304-2(S)2006

Mr Dzimba Muzi was as from 1.10.2005 employed as a Operations Manager of a Manzini based reputable company.His income particulars for the year ended 30th June,2006 were as follows.

1. His basic salary per month was E11,000.
2. He had a responsibility allowance of 10% of the basic pay.
3. With effect from1.11.2005 he was housed in a company three bed roomed house within the 10 km corridor of Manzini -Mbabane.He contributed E400 per month for the house keep.
4. With effect from 1.11.2005 the employer paid for the following monthly benefits: TelephoneE400 ,maid E1,000,gardner E800,electricity E500,and water E400.
5. The employer paid E10,500 as school fees for Mr Dzimba's children.He also paid E5,000 as transport cost for the children.
6. He was on 1.10.2004 allocated a 2200 cc motor vehicle for both official and private use. It cost the company E150,000 before sales tax.
7. He was advanced E15,000 as entertainment allowance but accounted for only E11,000.
8. He acted as an ambassador of Spain in Swaziland.In 2005/2006 he received E90,000 for the job.
9. The employer provided a uniquely designed uniform to Mr Dzimba.It cost E4000,but was not supposed to be worn all the time at the place of work.
10. The employer paid E7,000 medical expenses on behalf of Mr Dzimba.
11. The employer paid E1,500 as a refund to Mr Dzimba when he used his personal vehicle for an official trip.
12. He sold his private plot of land for E100,000.The plot had cost him E50,000.
13. He received a gift from his father worth E60,000.
14. He received E11,000 interest revenue from Swaziland Bld Society subscription shares,E12,000 from deposits with Swaziland Development and Savings Bank.,E10,000 from permanent and fixed shares in Swaziland Bld Society,and E4,000 from deposits with Standard Bank.
15. He received E2,500 dividend from Swaziland unquoted shares,and E5,000 from Swaziland quoted shares.
16. He rented out flats to students at Kwaluseni..The annual rental was E15,000.

EXPENSES/PAYMENTS

1. On 1.7.2005 he took a building society loan of E50,000 at a cost of 20% p.a.
2. On 1.11.2005 he paid out an insurance premium of E4,500 with Manzini Royal Insurance Corporation.
3. He paid E2,500 as premium for unemployment benefit with a Manzini Insurance Corporation.
4. He paid out E16,200 as PAYE.
5. He paid E5,000 as alimony to his former wife.
6. The repair costs for the Kwaluseni flats were E3,000.
7. He paid E2,000 traffic fine.

REQUIRED:

Compute the net tax payable/receivable for the year ended 30/6/2006 (40 marks)

NOTE:In this question you are not supposed to explain why some of the information is not being applied in the computations.

QUESTION 2:AC304-2(S)2006

REQUIRED :

- | | | |
|----|------------------------------------------------------------|-------------------|
| A. | What is tax? | (10 marks) |
| B. | Why is there a need for taxes? | (15 marks) |
| C. | Why is there a need of public opinion in tax registration? | (5 marks) |
| | Total for the question | (30 marks) |

QUESTION 3:

REQUIRED :

- | | | |
|----|---------------------------------------------------------------------------------------------------------------|-------------------|
| A. | Richard Goode analysed the conditions necessary for a successful taxation. List and discuss these conditions. | (15 marks) |
| B. | Adam Smith outlined his canons of taxation. List and discuss these canons. | (15 marks) |
| | Total for the question | (30 marks) |

TOTAL FOR THE PAPER (100 marks)