

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER, MAY 2007

DEGREE/DIPLOMA AND YEAR STUDY : DIP. COM III

TITLE OF PAPER : PRINCIPLES OF TAXATION AND
AUDITING

COURSE CODE : IDE AC304-2 (M)2007

TIME ALLOWED : TWO (2) HOURS

- INSTRUCTIONS**
1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: THREE (3).
 2. ATTEMPT 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

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
2006/2007 General Tax Rebate E2,400	
2006/2007 Certain benefits are taxed at 80% 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:

**TAXATION OF TAXABLE BENEFITS PRACTICE NOTICE NO 157 OF 1.7.03,& 1.7.05
 FREE AND SUBSIDISED HOUSING
 SCHEDULE A:**

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 to 249 sq.m a	4145	3524	2465
3 bedrooms 2 bathrooms a garage Servant quarters Secure perimeter 700 sq.m and above lot	159 to 199 sq.m	3686	3133	2193
Lesser than prime location 3 bedrooms 1-2 bathrooms 700 sq.m and above lot	120 to 158 sq.m	3190	2710	1899
2-3 bedrooms 1 bathroom or shower	100 to 119.m.	2393	2033	1422
2-3 bedrooms 1 bathroom or shower	70 to 99 sq.m	1612	1370	960
2-3 bedrooms 1 bathroom or shower	40-69 sq.m	1330	1129	790
1 bedroom	69 sq.m and above	910	773	542
1 bedroom	Under 69 sq.m	761	648	452
Bedsitters	Under 69 sq.m	531	452	317
Quarters	Under 69 sq.m	213	180	110

PRIVATE USE OF MOTOR VEHICLES

The value of the benefit is calculated as follows:

$$(X * A * B / C) - D$$

Where,

X. Is the year of assessment 2006/2007 equals 18 %

EMPLOYEE USING PERSONAL VEHICLE ON EMPLOYER,S BUSINESS

$$A = \frac{B - (C * D)}{E}$$

QUESTION 1:

Rose Fakudze had the following income particulars for the year ended 30th June, 2007.

A: SALARY AND BENEFITS FROM HER EMPLOYER

1. She was employed on the 16.8.2006 and allocated a house at Simunye. Her basic salary was E11,000 per month.
2. The house allocated on 1.10.2006 at Simunye was of 4 bedroom, was on a prime location with a lot of 1,600 sq.m, and a floor area of 260 sq m. She contributed E500 per month for its up keep.
3. On 1.9.2006 her employer provided her with a new Isuzu Bhakie which had 2,800 c.c. and a value of E180,000 after a 14% sales tax. It could be used for both the official and private use. She contributed E400 per month towards its up keep.
4. Since 1.11.2006 the employer provided and paid monthly for the following services: a maid for E1,000 p.m, a security guard for E1,100 p.m, a telephone for E600 p.m, and electricity for E600 p.m.
5. The employer paid E10,000 for her holiday to Mauritius.
6. The employer had extended a loan on 1.10.2006 of E15,000 at the rate of E5% per annum. The Central Bank of Swaziland's discount rate was 17%.
7. The employer paid E10,000 as education fees and E5,000 as transport cost of Miss Rose Fakudze's children.
8. The employer contributed 20% of Miss Fakudze's basic pay as a pension to Swaziland NPF.
9. The employer contributed 5% of Miss Fakudze's basic pay to Swazi Medical Aid.
10. She won a E15,000 lottery .

B. OTHER INCOMES

1. She had a shop mall in Manzini where she earned a gross income of E75,000 before the maintenance expenses.
2. She received E10,000 as a dividend from a South African company. The written agreement for the investment in South Africa was done in Manzini.
3. She received E5,000 from a Swaziland quoted company.
4. She received E7,000 as interest income from a savings account with Standard bank Manzini.
5. She received E4,000 alimony payments from her divorced husband.
6. On August 31st, 2006 she purchased an antic (old, unique and valuable) furniture for E6,000. The market value of the furniture as at 30th June was E50,000.

C. EXPENDITURE OF ROSE FAKUDZE

1. The annual maintenance of the Manzini Mall was E27,000.
2. She spent E4,000 as medical expenditure at Manzini Clinic (formerly Imphilo Clinic).
3. She spent E5,000 as repair expenses to her accident damaged vehicle. The vehicle was fully insured.
4. She paid 5% of her basic pay as her employee pension contribution.
5. She paid E8,000 as additional pension contribution to an "approved" pension scheme.
6. On 1.7.06 she took E85,000 house loan which had an interest rate of 20% p.a.
7. She gave her former Swaziland University studying mates E4,000 so that they could buy MTN shares offered.
8. She paid a life insurance premium of E7,000 to the Eastern Life Insurers.
9. She paid a total of E28,273 PAYE (tax paid in advance) for the year 2006/2007.

QUESTION 1:CONTINUED

REQUIRED :

Compute Rose Fakudze's the tax payable/refundable for the year ended 30.6.07.

(40 marks)

QUESTION 2:

REQUIRED :

In Swaziland tax is taxed from a source within,or deemed to be within Swaziland.Explain this meaning.Elaborate and discuss the court decisions that have been relied upon in Swaziland and neighboring countries to clarify the source of taxable income. :

(30 marks)

QUESTION 3 :

REQUIRED :

What are the non tax revenues? What are their advantages and disadvantages?

(30 marks)

Total for the paper

(100 marks)