

UNIVERSITY OF SWAZILAND**DEPARTMENT OF ACCOUNTING AND FINANCE****FIRST SEMESTER EXAMINATION PAPER****DECEMBER 2011****ACADEMIC YEAR 2011/2012**

PROGRAMME OF STUDY	:	Diploma in Commerce
YEAR OF STUDY	:	Three (3) (Full Time)
TITLE OF THE PAPER	:	Principles of Taxation and Auditing
COURSE CODE	:	AC 315 (M) (Full Time)
TIME ALLOWED	:	Three (3) Hours
INSTRUCTIONS	1	There are FIVE (5) questions, <u>ANSWER ALL</u> .
	2	Begin the solution to each question on a new page.
	3	The marks awarded for a question are indicated at the end of each question.
	4	Show your necessary workings.

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 layout and presentation of your answer.

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

SPECIAL REQUIREMENT: CALCULATOR

RATES OF NORMAL TAX FOR INDIVIDUALS

TAXABLE INCOME	RATES OF TAXES
E0 to E60,000	E0 + 20% of the excess over E0
E60,001 to E80,000	E12,000 + 25% of excess over E60,000
E80,001 to E100,000	E17,000 + 30% of the excess over E80,000
E100,001	E23,000 + 33% of the excess over E100,000

PRIVATE USE OF MOTOR VEHICLES PROVIDED BY THE EMPLOYER:

The year of assessment 2008/2009: 20 %

EMPLOYEE USING PERSONAL VEHICLE ON EMPLOYER'S BUSINESS:

Deemed expenditure is determined on the following basis:

- (i) Fixed costs: 25% of the original cost to the taxpayer of the vehicle in each year.
- (ii) Running costs per kilometre:

Up to 1600cc	54c per km
1600cc to 2000cc	76c per km
Over 2000 cc	85c per km
- (iii) Deemed Business Mileage: 6,000 kilometres
- (iv) Deemed Total Mileage: 24,000 kilometres

SCHEDULE A (EXPLANATIONS)

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

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

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

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 - 249 sq.m	4,145	3,524	2,465
3 bedrooms 2 bathrooms a garage Servant quarters Secure perimeter 700 sq.m and above lot	159 - 199 sq.m	3,686	3,133	2,193
Lesser than prime location 3 bedrooms 1-2 bathrooms 700 sq.m and above lot	120 - 158 sq.m	3,190	2,710	1,899
2-3 bedrooms 1 bathroom or shower	100 - 119 sq.m	2,393	2,033	1,422
2-3 bedrooms 1 bathroom or shower	70 - 99 sq.m	1,612	1,370	960
2-3 bedrooms 1 bathroom or shower	40 - 69 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:

Mr. Brian Sangweni commenced employment on 01.07.2010 as a Tax Specialist in a reputable Manzini Audit firm. He was 63 years of age as at 30.06.2011. His income particulars for the year ended 30.06.2011 were as follows:

SALARIES AND BENEFITS

1. His basic salary was E74, 000 per month from 01.07.2010 to 30.06.2011.
2. He was booked into the Tum's George Hotel for the first month and the employer paid E31, 000 in hotel expenses.
3. On 01.07.2010 his employer provided him a Toyota Fortuner which had a 3200cc and had a value of E420, 000 after sales tax of 12%. He contributed E1, 200 per month for its maintenance.
4. He was advanced E12, 000 to buy fuel. The justifiable official fuel expenses amounted to E7, 000 only.
5. His employer provided him an annual car allowance of E60, 000 and it was considered E3, 400 per month was adequate.
6. From 01.08.2010 to 30.11.2010, the employer rented a house for him at Fairview North for E7, 000 per month, and the employee contributed E700 per month. And from 01.12.2010 to 30.06.2011 he was allocated a 4 bedroom house in a prime location of Madonsa Township, Manzini. The house had a lot size of 1,600 sq.m and a floor area of 240 sq.m. He contributed E 1, 000 per month towards its upkeep.
7. A Value Logistics Truck was hired at a cost of E5, 000 to transport his household goods from Mbabane to Manzini.
8. From 01.08.2010 his employer provided and paid for the following services : utilities at E2, 500 per month, gardener at E1, 000 per month, a house maid at E1,500 per month and a security guard at E2, 000 per month.
9. On 01.08.2010 the employer extended a E3, 000 emergency loan to cater for pressing financial needs.
10. On 01.11.2010 his employer extended a E120, 000 loan at 6% interest rate, while the Central Bank discount rate was 9%.

11. The employer paid E8, 000 as school fees (within an approved bursary scheme) for Brian's child, and E4, 000 as transport cost to school for Brian's child.
12. The employer contributed 15% of Brian's monthly basic pay as pension with Metropolitan Life Swaziland.
13. The employer contributed E3, 000 per month to Swazimed as medical assistance.
14. Brian received a Christmas bonus of E30, 000 from his employer.
15. Brian was voted the Best Performer in his department and because of the vote he received a voluntary award of E10, 000.
16. He enjoyed meals and refreshments from the company cafeteria valued at E5,000.
17. When consulting out, he was given free meal coupons amounting to E10, 000 to use at eateries around the places he visited.
18. He made a net gain of E30, 000 from his agricultural activities on Swazi Nation Land.
19. His employer granted and paid for a holiday trip to Emperor's Palace, Kempton Park, South Africa and the cost to the company was E30, 000.

OTHER INCOME PARTICULARS

20. He inherited his father's bank account with First National Bank Swaziland (Mbabane main branch). The balance was E80, 000.
21. He rented out a house in Mbabane for E7, 000 per month and its annual maintenance was E12, 000 and E6, 000 salaries to the security guard manning the house.
22. He sold a plot in Mbabane for E450, 000 yet it had cost him E150, 000 in the year 2001.
23. His late father was a member of the Umsizi regiment and he received E30, 000 war benefit related to his late father.
24. He earned the following investment incomes : E6, 000 dividend income from a Swaziland unquoted company, E9, 000 interest from permanent fixed period shares with Swaziland Building Society, E2, 000 interest from Nedbank Swaziland, E4, 000 interest from a savings account with Standard Bank

Swaziland, E5, 000 interest on Old Mutual unit trusts, and E10, 000 dividend from Escalator Capital, a South African quoted company. The investment was done through a Swazi broker based in Manzini and the money was remitted through FNB Manzini branch.

EXPENSES / PAYMENTS

1. The interest expense to Swaziland Building Society for the mortgage loan of his principal house was E40, 000.
2. He made a E5, 000 cash contribution and a tent worth E4, 000 to the Swaziland Red Cross after the government had officially declared in the Gazette a national disaster at Bhunya, and the Swaziland Red Cross had approved this assistance.
3. He paid E6, 000 premiums to Momentum Swaziland relating to an unemployment insurance fund.
4. He paid alimony payments to his separated wife amounting to E24, 000 per annum and E3, 000 per month towards maintenance of their child.
5. He paid E10, 000 premiums to an approved pension scheme.
6. He incurred medical bills for his separated wife amounting to E10, 000 at Mkhiwa Clinic.
7. He paid E10, 000 towards wear and tear expenses of his private car.
8. His contribution to a statutory pension scheme was 5% of his basic salary.
9. He paid E4, 000 as school fees for his sister's child (within an approved bursary scheme).
10. He paid E8, 000 premiums for a life insurance policy with Alexander Forbes.
11. He paid E10, 000 in traffic fines and driving under the influence (DUI) fines.
12. He paid a E1, 000 bribe to facilitate the speedy hearing of his case at the Manzini Magistrate Court.
13. He incurred E20, 000 repairing his accident damaged car which was fully insured by Vista Insurance Brokers.
14. He had paid E288, 000 as PAYE tax paid in advance.

Required:

On submission of his personal tax return, compute the tax payable by / refundable to Mr. Brian Sangweni for the tax year ended 30.06.2011. (Question 1: Total marks 72)

QUESTION 2:

The Government of Swaziland intends to introduce the Road Toll System on major highways across the country next year. Name **four** ways how this will affect your business bottom lines.

(Question 2: Total marks 4)

QUESTION 3:

In Adam Smith's "Wealth of Nations" book, he outlined the canons of taxation whereby he recognized that the levy of taxation should comply with certain basic criteria/norms and he propounded the **4 canons/principles of taxation**. Discuss them.

(Question 3: Total marks 8)

QUESTION 4:

Write short notes on Economic policies that the government may implement to stabilize the economy.

(Question 4: Total marks 5)

QUESTION 5

What is non-tax revenue? Give brief notes on **four** non-tax revenue sources. Write **two** advantages and **two** disadvantages of raising non-tax revenue.

(Question 5: Total marks 11)

END