

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING AND FINANCE
SUPPLEMENTARY EXAMINATION PAPER
JULY 2013
ACADEMIC YEAR 2012/2013

PROGRAMME OF STUDY	:	Bachelor of Commerce / Diploma in Commerce
YEAR OF STUDY	:	Year 3 (Full Time) / Level 4 (Part-time)
TITLE OF THE PAPER	:	Principles of Taxation / Introduction to Taxation
COURSE CODE	:	AC 318 (S) (Full Time) / AC 315 (S) (Part-time)
TIME ALLOWED	:	Three (3) Hours
INSTRUCTIONS	1	There are FOUR (4) 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. Herman Dlamini commenced employment on 01.08.2011 as a Tax Specialist in a reputable Manzini Audit firm. He was 36 years of age as at 30.06.2012. His income particulars for the year ended 30.06.2012 were as follows:

SALARIES AND BENEFITS

1. His basic salary was E148,000 per month from 01.08.2011 to 30.06.2012.
2. He was booked into the George Hotel for the first two months and the employer paid E62,000 in hotel expenses.
3. On 01.10.2011 his employer provided him a Kia Sportage which had a 3200cc and had a value of E420,000 after sales tax of 14%. He contributed E2,400 per month for its maintenance.
4. He was advanced E24,000 to buy fuel. The justifiable official fuel expenses amounted to E21,000 only.
5. His employer provided him an annual car allowance of E90,000 and it was considered E6,400 per month was adequate.
6. From 01.10.2011 to 30.03.2012, the employer rented a house for him at Fairview North for E4,500 per month, and the employee contributed E1,400 per month. And from 01.04.2012 to 30.06.2012 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 290 sq.m. He contributed E 2,000 per month towards its upkeep.
7. A Value Logistics Truck was hired at a cost of E3,000 to transport his household goods from Mbabane to Manzini.
8. From 01.10.2011 his employer provided and paid for the following services: utilities at E3,500 per month, gardener at E1,250 per month, a house maid at E1,200 per month and a security guard at E2,200 per month.
9. On 01.11.2011 the employer extended a E3,000 emergency loan to cater for pressing financial needs.
10. On 01.12.2011 his employer extended a E220,000 loan at 5% interest rate, while the Central Bank discount rate was 9%.

11. The employer paid E18,000 as school fees (within an approved bursary scheme) for Herman's child, and E9,000 as transport cost to school for Brian's child.
12. The employer contributed 19% of Herman's monthly basic pay as pension with Metropolitan Life Swaziland.
13. The employer contributed E3,000 per month to Swazimed as medical assistance.
14. Herman received a Christmas bonus of E37,000 from his employer.
15. Herman was voted the Best Performer in his department and because of the vote he received a voluntary award of E13,000.
16. He enjoyed meals and refreshments from the company cafeteria valued at E9,000.
17. When consulting out, he was given free meal coupons amounting to E20,000 to use at eateries around the places he visited.
18. He made a net gain of E60,000 from his agricultural activities on Swazi Nation Land.
19. His employer granted and paid for a holiday trip to Carnival City, South Africa and the cost to the company was E35,000.

OTHER INCOME PARTICULARS

20. He inherited his father's bank account with First National Bank Swaziland (Mbabane main branch). The balance was E20,000.
21. He rented out a house in Mbabane for E5,000 per month and its annual maintenance and salaries to the security guard manning the house were E16,000 and E8,000, respectively.
22. He sold a plot in Mbabane for E390,000 yet it had cost him E250,000 in the year 2008.
23. His late father was a member of the Umsizi regiment and he received E50,000 war benefit related to his late father.
24. He earned the following investment incomes : E12,000 dividend income from a Swaziland unquoted company, E18,000 interest from permanent fixed period shares with Swaziland Building Society, E4,000 interest from Nedbank Swaziland, E8,000 interest from a savings account with Standard Bank

Swaziland, E10,000 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 E48,000.
2. He made a E15,000 cash contribution and a tent worth E12,000 to the Swaziland Red Cross after the government had officially declared in the Gazette a national disaster at KaMbokwe, 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 E36,000 per annum and E4,000 per month towards maintenance of their child.
5. He paid E5,000 premiums to an approved pension scheme.
6. He incurred medical bills for his separated wife amounting to E14,000 at Manzini Clinic.
7. He paid E18,000 towards wear and tear expenses of his private car.
8. His contribution to a statutory pension scheme was 6% of his basic salary.
9. He paid E3,000 as school fees for his sister's child (within an approved bursary scheme).
10. He paid E6,000 premiums for a life insurance policy with Alexander Forbes.
11. He paid E13,000 in traffic fines and driving under the influence (DUI) fines.
12. He paid a E800 bribe to facilitate the speedy hearing of his case at the Manzini Magistrate Court.
13. He incurred E23,000 repairing his accident damaged car which was fully insured by Lidwala Insurance.

14. He had paid E540,000 as PAYE tax paid in advance.

Required:

On submission of his personal tax return, compute the tax payable by / refundable to Mr. Herman Dlamini for the tax year ended 30.06.2012. (Question 1: Total marks 72)

QUESTION 2:

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

(Question 2: Total marks 8)

QUESTION 3:

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

(Question 3: Total marks 15)

QUESTION 4

Write short notes on economic policies that the government may implement to stabilise the economy.

(Question 4: Total marks 5)

===== **END** =====