

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER DECEMBER 2016 ACADEMIC YEAR 2016/2017

PROGRAMME OF STUDY	Bachelor of Commerce
YEAR OF STUDY	Year 3 (Full Time/Part Time)
TITLE OF THE PAPER	Principles of Taxation
COURSE CODE	AC 318
TIME ALLOWED	Three (3) Hours

INSTRUCTIONS

1. There are FOUR (4) questions, ANSWER ALL.
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

QUESTION 1

- (a) From 2012, the Government of Swaziland intends to introduce Value Added Tax (VAT) in Swaziland in place of Sales Tax. Distinguish between VAT and Sales Tax. **(5 marks)**
- (b) A Fisherman sells fish to the factory for E100.00 before VAT. The factory processes the fish (and in so doing adds value to the product). The fish is sold to a fish shop for E230.00 before VAT. The fish shop sells it to a customer for E350 (including VAT). Assume that all the businesses are VAT vendors and that the tax rate is 15%. What is the net VAT payable by **the Fisherman, the Factory and the Fish Shop?** **(6 marks)**
- (c) List any **five zero rated** supplies and **five exempt** supplies under the VAT Act of Swaziland
10 Marks
- (d) What is the difference between a zero-rated supply and an exempt supply under VAT
4 Marks

Total 25 Marks

QUESTION 2

- a) Mr. Maphosa is 40 years old. He has an annual taxable income of E90, 000 which was earned over a period of 6 months.
- Using the tax table, what is the average rate of tax for Mr Maphosa? **(6 marks)**
 - What is the highest marginal tax rate applicable to him **2 Marks**
- b) Mr Zwane works for a small company in Matsapha where he earns a monthly salary of E37, 200.00. Since he started working for this company eleven months ago, he has never been made to pay tax but since the arrival of the new accountant, a graduate from Uniswa, he has received a letter indicating that he owes the government taxes that were supposed to be deducted from the first month of his employment up to date and therefore he should expect a tax deduction going forward plus a repayment on the past 11 months that had not been deducted as required by the Income tax law on PAYE. He is confused and is convinced that this new accountant wants to steal his money. He approaches you.

Required

- Calculate for him the correct tax that he must be paying in line with current marginal tax rates in Swaziland and also taking into account the proportional rebate as stated in the Swazi tax law. **14 Marks**

ii. How much does he owe the government to date?

3 Marks

Total 25 Marks

QUESTION 3

- a) Mr P. Shongwe and Mr.B Dlamini have equal E200,000 incomes but their taxation needs differ so the receipt of tax allowances will also differ. Their particulars are as follows:

Allowances given by the tax authorities

Marriage allowance	E5,000 per wife per annum, limited to one wife
Child allowance	E3,000 per child per annum, limited to five children
Dependent relative allowance	E4,000 per relative per annum, limited to one relative
Old age allowance	E6,000 after reaching the age of 60
Professional fees	E4,000 per annum, limited to one professional body

Required:

Determine the taxable capacity of the two taxpayers

13 Marks

- b) When combining the least marginal tax rate and the primary rebate according to the table you have produced, what is the annual tax free threshold in Swaziland. Explain with the aid of an example how this is so.

12 Marks

Total 25 Marks

QUESTION 4

- a) Briefly explain what is meant by:

(i) Tax avoidance

(ii) Tax evasion

Give three examples of each

(15 marks)

- b) Identify any three problems associated with horizontal equity

6 Marks

- c) What is neutrality in taxation?

4 Marks

Total 25 Marks

END OF PAPER
