

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING AND FINANCE

SUPPLIMENTARY EXAMINATION DECEMBER 2017 ACADEMIC YEAR 2017/2018

PROGRAMME OF STUDY	Bachelor of Commerce
YEAR OF STUDY	Year 3 (Full Time/Part Time)
TITLE OF THE PAPER	Principles of Taxation
COURSE CODE	ACF 315/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

Mr. Dlamini is a partner in a partnership and shares 40% of profits and losses of the partnership. In August 2011 the partnership purchased a motor vehicle in terms of an instalment credit agreement. The cash purchase price of the vehicle was E273, 600 (including V AT). A monthly instalment of E7, 205 was paid by the partnership. Interest of E29, 780 was incurred by the partnership during the period between 2011 July and June 2012 in respect of the vehicle. For tax purposes wear and tear on the motor vehicle is allowed at the rate of 25%.

The cost in respect of the maintenance of the vehicle was 30,000; insurance and fuel was 50,000. The partnership paid for all of the expenses. The vehicle was used by Mr. Dlamini for both business and private purposes. Mr. Dlamini kept a logbook of his business and private kilometres travelled during the 2012 year of assessment. He travelled 25 000 km for business purposes and 16 000km for private purposes.

The partnership's statement of comprehensive income (P&L) for the period 1 July 2013 to 30 June 2014 was as follows:

Partnership Statement of Comprehensive Income

Income

	E
Gross Profit from Trading	3,500,000
Expenses	
General partnership expenses (all deductible/allowable)	1,650,000)
Salary paid to Mr. Dlamini	(280,000)
Salary paid to other partners	(530,000)
Mr Dlamini's Interest on capital	(55,000)
Mr Dlamini's Life Policy	(25,000)
Motor vehicle maintenance for Mr. Dlamini	(30,000)
Insurance and fuel in respect of Mr. Dlamini's vehicle	(50,000)
Interest paid in respect of Mr. Dlamini's vehicle	(30,000)
Depreciation for Mr. Dlamini's vehicle (25% of 273,000)	(68,400)
	(2,718,400)
Net Profit	781,600

Required

B. Mr. Dlamini is 62 years old: Calculate his tax Liability for the tax year ended June 2014

(30 Marks)

QUESTION 2

List ten zero rated supplies and ten exempt supplies under the VAT Act of Swaziland

20 Marks

QUESTION 3

A. What is the difference between a zero-rated supply and an exempt supply under VAT

5 Marks

B Explain the input credit requirements for the following items as required under the VAT Act of 2011

i. Telephone costs

5 Marks

ii. Motor vehicles

5 Marks

iii. Entertainment

5 Marks

Total 20 Marks

QUESTION 4

a. When combining the least marginal tax rate and the primary rebate according to the PAYE tax table, what is the annual tax free threshold in Swaziland. Explain with the aid of an example how this is so.

15 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

- i. 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. **15 Marks**

END OF PAPER
