

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER DECEMBER 2013

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B.COM IV / IDE LEVEL 6

TITLE OF PAPER : TAX APPLICATIONS

COURSE CODE : IDE AC 419

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS
- 1 There are three (3) 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 the necessary working.
 - 5 Calculations are to be made to zero decimal places of accuracy, unless otherwise instructed.

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and 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 INVILATOR OR SUPERVISOR.

SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1

- a) Manzini CC is a Swaziland company which earns its income as consulting geologists and by selling borehole and irrigation equipment. Manzini CC has a 30 June 2017 year end. The following revenue transactions relate to its current year of assessment:
- (i) It earned consultation fees of E100 000 for surveys carried out in the country during the year of assessment.
 - (ii) It was instructed by the chairman of a mining company in Mbabane to carry out a survey in Zambia at the site of a new coal mine. All the work was carried out in Zambia, but the final report was typed in Mbabane. The fee paid was E50 000.
 - (iii) While an employee was in Zambia, he was approached by a farmer to carry out a survey of a new borehole for water. In lieu of a fee, Manzini CC accepted an antique yellow-wood conference table which the farmer transported to Manzini CC's head office in Mbabane. The table was valued at E20 000 by a dealer in Mbabane.
 - (iv) The following sales of irrigation equipment were made during the year:

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• Sales to local clients	27 000
• Sales to client in South Africa (at 30 June the amount had not yet been received)	32 000
• A deposit was received from a client in Siteki for equipment that is to be delivered in August 2017	5 000
 - (v) The corporation sold a building in Mbabane, which it had originally acquired with the intention of letting, for the amount of 80 000

Assume that no double tax agreements are in force in Zambia and South Africa.

1) Required:

- a) Determine Manzini CC's gross income for the current year of assessment 30 June 2017. **(15 Marks)**
- b) Briefly explain the main purpose of taxation in the modern economy **(3 Marks)**
- c) Explain the difference between direct and indirect tax, giving an example of each **(5 Marks)**
- d) Define the residence of a company in accordance with the Swaziland tax laws. **(2 Marks)**

2) Briefly explain the tax implications of a:

- (i) Sole Trader **(3 Marks)**
- (ii) Partnership **(3 Marks)**
- (iii) Close Corporation **(3 Marks)**
- (iv) Company **(3 Marks)**
- (v) Trust **(3 Marks)**

Total: (40 Marks)

QUESTION 2

- a) Manhattan Ltd bought a used manufacturing asset on 2 October 2000 for E400 000. The asset qualified for wear and tear allowance at 20 %. On 2 November 2012 they made improvements to the asset at a total cost of E600 000. These improvements qualify for their own capital allowance of 20% . The asset was sold on 30 September 2015 for E2 000 000. The company financial year end is 31 December 2015.

You are required to calculate the capital gain on the disposal of the asset. The valuation date value of the asset must be calculated using the time-apportionment base cost.

(25 Marks)

- b) Discuss 4 requirements that have to be met in order for capital gains tax to be calculated? **(5 Marks)**

Total: (30 Marks)

QUESTION 3

- a) State 10 (ten) deductions or expenses which are incurred by individual companies that are not allowed to be deducted for tax purposes. **(10 Marks)**
- b) Discuss withholding tax in Swaziland **(2 Marks)**
- c) State the withholding tax percentage for the following payments, and state their due dates:
- 1) Non residents Dividend payments
 - 2) Non resident sportsman and entertainers
 - 3) Resident Rent payments
 - 4) Resident Dividend payments
 - 5) Trust **(10 Marks)**
- d) Explain the benefits of e-tax **(8 Marks)**

Totals Marks 30