

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING AND FINANCE

SUPPLEMENTARY EXAMINATION DECEMBER 2018 ACADEMIC YEAR 2018/2019

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.
5. Crying is allowed, as long as you do so quietly

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

1. Mr. Hlatsi works for Mbabane Hospital He commenced employment on 1.8.2017. Read the following information about Mr Hlatsi's income and expenditure for the year ended June 2018 and then answer the question that follow;

SALARY AND BENEFITS

- i. A basic salary of E9, 000 per month starting 1.8.2017 and ending 30.6.2018.
- ii. On 1.8.2017 his employer provided him a car which had a 2400 c.c. and had a value of E 120,000.He could use it for official and private use. He contributed E500 per month towards its maintenance.
- iii. On 1.9.2017 he was provided by his employer a 3 bedroom house in prime location of Fair View Manzini. The lot area was 800 sq. m and the floor area was 160 sq.m. He contributed E300 per month towards its maintenance.
- iv. From 1.9.2017 the employer provided and paid the following services:
 - a. Telephone at E400 a month.
 - b. Electricity at E300 a month.
 - c. Security guard at E1, 200 a month
 - d. A cook at E1, 200 a month.
 - e. A maid at E 1,200 a month.
- v. On 1.8.2017 his employer extended a E50,000 loan at 8% interest rate, the Central bank rate was 5%.
- vi. Mbabane Hospital operates an approved bursary scheme for its employees and further provides a transport service for employee's children who opt to utilize the service. Mr. Hlatsi received E 4 500 from the scheme towards the school fees of Bryden, his son. Bryden also used transport provided by Mbabane Hospital valued at E 6 000.
- vii. The employer contributed 20% of his basic pay as a pension with the Swaziland NPF.
- viii. He received a Christmas bonus of E15, 000 from his employer.
- ix. He received E 1,000 as money for settlement expenses when he commenced employment.
- x. He was voted the best worker in his company. Because of the vote he received a voluntary award of E 14,000.

B. OTHER INCOME

- xi. He won a lottery of E 5,000.
- xii. He received E50, 000 as an insurance compensation for his damaged car.
- xiii. He received E36, 000 rental income from his Manzini property. It is a fully furnished apartment. Mr. Hlatsi provides the necessary furniture for the property. The cost value of the furniture is E20, 000.

- xiv. In his retail business he made E30, 000 net profits before E3, 000 life policy premiums with Swaziland Royal Insurance Corporation. He is rational; he could use E3, 000 insurance premiums as a deduction against his retail profits. Or he could use the E3, 000 to get a tax rebate. The alternatives are mutually exclusive.
- xv. He made a net gain of E20, 000 from his agricultural activities in the Swazi National land.
- xvi. He earned E6,000 as interest revenue from a savings account with FNB bank

C. MR. HLATSI'S EXPENSES

- xvii. His medical expenditure was E8, 000.
- xviii. He paid E5, 000 to a provident fund; and E3, 000 to a benefit fund.
- xix. Mr. Hlatsi had paid a total of E 22,770 as PAYE through his employer.
- xx. The repair and maintenance to his Manzini property was E5, 000. The house furniture wear and tear and wear tax allowance is 10% of cost.
- xxi. Mr. Hlatsi had by 1.7.2017 an E75, 000 loan balance from Swaziland Building Society that financed his Manzini property. The interest rate was 17% p.a. That property is the only house he owns. He has been claiming tax rebates.

REQUIRED:

Compute the tax liability for Mr. Hlatsi for the year ended 30.6.2018.

(40 Marks)

QUESTION 2

Identify and briefly explain five tenets of taxation according to the book "The Wealth of Nations"

(20 Marks)

QUESTION 3

A. Explain the difference between an abridged tax invoice and a full tax invoice and why abridged invoices are necessary **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

Distinguish, with the aid of examples, between tax avoidance and tax evasion 20 Marks

Total 20 Marks

END OF PAPER

APPENDIX

1. HOUSING BENEFIT

Rental Category	Floor Area	Area A Taxable Benefit / Month (E)	Area B Taxable Benefit / Month (E)	Area C Taxable Benefit / Month (E)
Prime location 3-5 bedrooms , 2-3 bathrooms Double garage , Servant quarters Secure perimeter 1 500 sq.m and above lot	250sq.m and above	4 607	3 915	2 740
As above, but smaller	200sq.m and above	4 145	3 524	2 465
3 Bedrooms , 2 Bathrooms A garage , Servants quarters Secure perimeter 700 sq.m and above lot	150sq.m and above	3 686	3 133	2 193