

## Solutions for POT June 2018 exams

### Computation of the total taxable income for Rorisang – 2017/18:

	P
Employment income (W1) - 1	168,12 5
Pension income - 1	42,000
Alimony - 2	0
Total taxable income	210,12 5

### Working 1 – Employment income

Basic salary - 1	120,000
Housing benefit – P230,000 x 10% - 1	23,000
Deemed interest - 2 <small>(30,000 + 20,000) / 2 x 9/12 x 6%</small>	1,125
Professional subscription fees - 1	0
Car allowance - 1	24,000
Employment income	210,12 5

<b>Computation of Bogatsu Ltd's taxable income for year ended 31 December 2018</b>			
	<b>P</b>		
Draft accounting profit	2,330,000		
Depreciation	560,000	1	
Loan interest payable	-	1	
Legal expenses	18,000	2	
Donation to charity	65,000	1	
Bank deposit interest income	-	1	
Recovered debt from former employee	-	1	
Capital allowances	(296,000)	1	
Capital allowances - commercial property (W1)	(11,700)	2	
<b>Taxable income</b>	<b>2,665,300</b>	<b>10</b>	
<b>W1 - Capital allowances on the commercial property</b>			
Cost - P450,000 + P18,000	468,000		
Building allowance at 2.5%	11,700.0		

- 1 C To punish persons who avoid paying tax
- 2 D Convenience
- 3 D Imposing criminal penalties on taxpayers who are convicted of tax Evasion
- 4 D

**5 Tumelo's tax liability on the chargeable gain is P39,200**

First P144,000	13,950
Next P66,000 x 25%	16,500
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Tax liability	30,450
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- 6 C 31 July 2018
- 7 Taxable income for 2017/18  $P310,000 - P220,000 = P90,000$
- 8 A – Balancing allowance  $P18,980 (106,980 - 88,000)$
- 9 P864 – Pre-registration VAT is only available on goods purchased 4 months before VAT registration and the goods are still on hand.

- 10 B
- 11 Nil

**12 B**

- 13 C  $P600,000 (800,000 - 180,000 - 20,000)$

14 Assessable car benefit is P17,500

First P200,000	10,000
Next P50,000 x 15%	7,500
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	17,500
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- 15 A
- 16 Chargeable gain – P60,750  
 $104,000 - (10,000/16,000 \times 36,800) = P60,750$
- 17 Allowable loss P21,000 (P46,000 – P25,000).

- 18 B P1,450,000
- 19 B Initial allowances, annual allowances and balancing charge
- 20 C
- 21 B
- 22 D P1,512
- 23 Chargeable gain – P662,716

		<b>P</b>
Sales proceeds		1,500,000
Cost	620,000	
Legal fees	24,000	
	-----	644,000
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Un-indexed gain		856,000
Less: Indexation allowance:		
(1802.5 – 1386.4)/1386.4 x P644,000		(193,284)
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Chargeable gain		662,716
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- 24 B The relationship that her firm has with the client  
The other three factors should be considered.
- 25 B & E
- 26 Capital allowances for the nine months = P21,000.  
P140,000 x 25% x 60% = P21,000.
- 27 B Topo – P436,000; Lemogang – P549,000
- 28 C & D
- 29 C P326,200
- 30 B Up to 31 December 2023
- 31 C & D
- 32 B Equity
- 33 A Self – interest threat
- 34 B P6,000 (i.e. the penalty is equal to 100% of the tax that should have been paid).

- 35 D The amount involved in the appeal must not be less than P10,000
- 36 D Investing money obtained through criminal activities into legitimate businesses
- 37 B P2,640
- 38 A
- 39 Total allowances are P660,000

Eligible cost (P2,800,000 – P400,000)=	<u>2,400,000</u>
Initial allowances P2,400,000 x 25% =	600,000
Annual allowances P2,400,000 x 2.5%	60,000
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Total allowances	660,000
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- 40 C P20,000
- The deductible amount the greater of:  
P300,000/ 30 years = P10,000, and  
P300,000/25 years = P12,000.