

BICA POT June 2020 (2) SOLUTIONS

SCENARIO 1

i) **Computation of final partnership taxable income fye 30 April 2020**

	P	
Taxable income b/f:	3,800,000	
Less capital allowances:		
Furniture & fittings	- 6,000	1
Computers	- 25,000	1
Delivery van	- 55,000	1
Final taxable income	3,714,000	

ii) **Computation of taxable income for each partner fye 30 April 2020:**

	Total	Neo	Tshego	Cecilia	Gosego	
	P	P	P	P	P	
1/5/19 to 31/7/19						
Partners' salaries	411,000	156,000	135,000	120,000	-	1.5
Share of profits	517,500	172,500	172,500	172,500	-	1.5
Taxable income	928,500					
1/8/19 to 30/4/20						
Taxable income	2,785,500	-	1,114,200	1,114,200	557,100	4
Total taxable income	3,714,000	328,500	1,421,700	1,406,700	557,100	10

SENARIO 2

Computation of taxable income for Tsodilo Ltd fye 30 April 2020

		P
Accounting profit as given		3,550,000
Depreciation	1/2	460,000
Directors' fees	1/2	0
Interest paid	1/2	0
Staff loans written off	1	33,000
Increase in general provision	1	57,000
Staff loans recovered	1	(80,000)
Local dividends received	1/2	(140,000)
Capital gain on sale of property	1	0
Eradication of obnoxious plants	1	(56,000)
Tractor – 25% x P180,000	1	(45,000)
Sinking of borehole	1	(72,000)
Construction of 2 farm workers houses	1	(50,000)
Taxable income		3,657,000

Section B – Answers

1 A & C

2 A

3 C

4 B

5 A & B

6 The income tax payable is P7,000

Total taxable income = P286,000 (P258,000 + P28,000)

First P144,000	13,050
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Next P142,000 at 25%	35,500
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	48,550
Less PAYE deducted at source	(41,550)

Tax payable	-----
	7,000

7 B The donation to Mpho will be included in Mokgwane's taxable income at market value.

8 C

9 The deductible capital allowance is P90,000.

Capital allowance on tractor – P180,000 x 25%	45,000
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Removal of noxious plants – 100%	45,000
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Total	90,000
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10 B

11 B and E

12 P26,250 (P175,000 x 25% x 60%)

13 B P399,000

Allocation of taxable income:

	Total P	Gosego P	Cecilia P
Taxable income	985,000		
Less partners' interest	(29,000)	17,500	11,500
Share of residual income 2:3	(956,000)	382,400	573,600
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	0	399,900	585,100
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14 D The total deductible capital allowance is P119,250

Capital allowance on offices P150,000 x 2.5%	3,750
IBAs - Initial allowance 25% x P420,000	105,000
- WDA 2.5% x P420,000	10,500
Total	119,250

15 Total deductible pension contribution – P36,000 (P240,000 x 15%)

16 Kaone's capital tax liability is P52,966

Chargeable gain	300,054

Tax liability	
First P144,000	13,950
Next P156,054 x 25%	39,016

	52,966

17 D The plaster work is a revenue expense

18 The indexed gain is P130,500

Sales proceeds		252,000
Allowable cost:		
- 5,000 shares	40,000	
- Rights issue 2,000 shares x P5	10,000	
- $1400/5000 \times 100,000$	28,000	
	-----	(78,000)

Un-indexed gain		174,000
Less moveable allowance at 25% x P174,000		(43,500)

Indexed gain		130,500

19 C & D

20 A & E

21 B

22 A & D

23 C

24 D Input VAT on motor cars is not recoverable

25 C & F

26 C & D

27 A & C

28 B & C

29 Output VAT = P59,472 (P495,600 x 12%)

30 Input VAT = P35,300 (P11,300 + P24,000)

31 Tax liability for non-resident company is 30%, therefore it is P360,000

32 The quarterly instalment payment is: P71,500

$$P1,300,000 \times 22\% = P286,000/4 = P71,500$$

33 The final top-up tax is P26,400

Actual tax liability P1,420,000 x 22%	312,400
Less instalments paid P71,500 x 4	286,000

	26,400

34 A Tax year 2017/18

35 D 100% of the tax that would have been lost

36 D Keeping inaccurate records

37 C BURS publications

38 The PAYE payable for Bogatsu is P9,785

39 B & F

40 D Input VAT incurred on the purchase of a delivery van is reclaimable.