

BICA POT DEC 2019 (2) SOLUTIONS

SCENARIO 1

Computation of taxable income for Kebonye for tax year 2018/19

		P
Basic salary	½	420,000
13th Cheque bonus	1	35,000
Cost of meals	½	0
Travel concession	1	0
Reimbursed medical expenses	1	0
Reimbursed garden boy's salary	1	21,600
Reimbursed electricity bills	1	9,600
Car benefit	1	6,000
Accommodation benefit – P290,000 x 10% x 9/12	1	21,750
Gross employment income		513,950
Allowable deductions: Contributions to APF	1	(42,000)
Chargeable employment income		471,950

Computation of tax payable:

First K144,000	13,050.00	
Next K327,950 x 25%	81,987.50	

	95,037.50	1/2
Less PAYE	(82,050.00)	1/2

Tax payable	12,987.50	

SENARIO 2

Computation of taxable income for Gweta Ltd fye 30 November 2019

		P
Accounting profit as given	1	3,595,000
Depreciation		180,400
Donations	1	5,000
Local dividends	1	(29,000)
Bank interest receivable	1	-
Car leasing charges	1	(48,000)
Capital allowances (W1)	1	(217,000)
Taxable income		3,486,400

W1 - Computation of Capital Allowances fye 30 November 2019

		P
Truck - P660,000 x 25%	1	165,000
Computer - P150,000 x 25%	1	37,500
Fixtures & fittings - B/f restricted P87,000 - P78,300	1	8,700
Fixtures & fittings - Additions P43,000 x 15%	1	6,450
Total Capital allowances		217,650

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 The total deductible capital allowance is P165,000

Dwelling houses P25,000 x 2	50,000
IBAs - Initial allowance 25% x P420,000	105,000
- WDA 2.5% x P420,000	10,500
 Total	 165,500

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

16 Kaone's capital tax liability is P52,966

Sales proceeds	1,600,000
Less agent's fees	(48,000)

	1,552,000
Less allowable cost	(690,000)

	862,000
Less indexation allowance (1892.6 – 1043.1) / 1043.1 x P690,000	(561,936)

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.