

## **SOLUTIONS FOR BICA TAX COMPLIANCE EXAMS DEC 2019 2**

### **Question 1**

The Proceeds of Serious Crime Act (1990) defines money laundering as engagement 'directly or indirectly,

- in a transaction that involves money, or other property, that is the proceeds of a serious offence, whether committed in Botswana or elsewhere, or
- if he receives, possesses, conceals, disposes of, or brings into Botswana, any money or other property that is the proceeds of a serious offence and
- the person knows or ought reasonably to know that such money or other property is derived or realised, directly or indirectly from some sort of unlawful activity. **(4 marks)**

Businesses need to maintain the following procedures, in respect of all relevant business:

- Train staff to ensure that they are aware of the relevant legislation, know how to recognize and deal with potential money laundering, how to report suspicions to the DCEC and how to identify clients.
- Establish appropriate internal procedures relating to risk assessment and management to deter and prevent money laundering and make relevant individuals aware of the procedures.
- Carryout customer due diligence on any new client and monitor existing clients to ensure the client is known and establish areas of risk.
- Verify the identity of new clients and maintain evidence of identification and records of any transactions undertaken for or with the client.
- Report suspicions of money laundering to the Directorate on Corruption and Economic Crime (DCEC) or Regulatory Authority. **(3 – 1 mark each)**

## Question 2

### 2.1 Calculation of the VAT payable or refundable for Naledi Ltd for November 2019:

<b>Output VAT:</b>	<b>P</b>	<b>P</b>	
Local std rated sales P302,400 x 12/112		32,400	1
Export sales: P168,000 x 0%		0	1
Exempt sales – exempt		0	1
Returns: P19,700 x 12/112		(2,111)	1
Bad debt recovered: P26,880 x 12/112		2,880	
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Output VAT		33,169	5
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Input VAT	Total	Recoverable	
	VAT	Input VAT	
	P	P	
Local std rated purchases: P307,200 x 12/112	32,914	32,914	1
Exempt purchases	0	0	1
Imported purchases: P40,880 x 12/112	4,380	4,380	1
Imported services	0	0	1
Hotel expenses: P17,472 x 12/112	4,368	0	1
Office expenses: P20,400 x 12/112	2,186	2,186	1
Office rent: P12,320	0	0	1
Delivery van: P280,000 x 12/112	30,000	30,000	1
Car: P179,200 x 12/112	19,200	0	1
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Input VAT claimable		69,480	
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VAT refundable (P69,480 - P33,169)		<b>P36,311</b>	<b>1</b>
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			10
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### 2.2 Calculation of transfer duty tax on the purchase of agricultural by Mr Patel:

Transfer duty P800,000 x 30%	<b>P240,000</b>	<b>2</b>
The transfer duty is payable by Mr Patel.		1
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		3
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**(Total: 18 marks)**

### Question 3

#### 3.1 i) Computation of chargeable gains disposal of the business by Mr Lesetsedi

*Disposal of the building:*

	P	P	P
Sales proceeds (280,000+1300,000+670,000)		2,250,000	1.5
Allowable cost(150,000+720,000+330,000)		(1,200,000)	1.5
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Un-indexed gain		1,050,000	
Less indexation allowance:			

On land (July 2010 – Mar 2019)			
(1892.6 – 1289.7)/1289.7 x P150,000	70,121		1

On building (Mar 2011 – Mar 2019)			
(1892.6 – 1338.9)/1338.9 x P720,000	297,755		1

On extension (May 2014 – Mar 2019)			
(1892.6 – 1641.8)/1641.8 x P330,000	50,411		1

	-----	(418,287)	
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Capital gain on disposal of building			631,713

*Gain on disposal of the goodwill:*

Sales proceeds		600,000	
Less moveable allowance at 25%		(150,000)	
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Capital gain on disposal of goodwill			450,000 1

*Disposal of shares in Si Ltd:*

Sales proceeds 24,000 shares		360,000	
Allowable cost			
• 20,000 shares for	100,000		
• 4,000/8,000 x 64,000	32,000		
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		132,000	
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		228,000	1
Moveable allowance at 25%		(57,000)	1
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Gain on disposal of shares in Si Ltd			171,000

*Disposal of shares in Lemon Ltd*

Sales proceeds	60,000	
Allowable cost	(100,000)	
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Allowable loss	(40,000)	1
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Total chargeable gain	1,212,713	10
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ii) Computation of taxable income for Mr Lesetsedi for 2018/19:

		P	
Taxable income		330,000	1
Balancing adjustments:			
• Commercial building:			
Balancing charge - 8 years x P720,000 x 2.5%		144,000	1
• Extension to building:			
Balancing adjustments – 5 years x P330,000 x 2.5%		41,250	1
• Heavy plant & machinery:			
Cost	560,000		
Less capital allowances granted:			
2 years x 25% x P560,000	(280,000)		
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ITV b/f	280,000		
Sales proceeds	190,000		
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Balancing allowance		(90,000)	2
Profit on inventories (P340,000 – P280,000)		60,000	1
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Total taxable income		485,250	6
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iii) Computation of tax liabilities

	P	P	
Tax liabilities on total taxable income:			
First P144,000	13,050.00		
Next P341,250 x 25%	85,312.50		
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Income tax liabilities		98,362.50	2
Tax on capital gains:			
First P144,000	13,950.00		
Next P1,068,713 x 25%	267,178.25		
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Capital gains tax liabilities		281,128.25	2
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Total tax liabilities		379,490.75	
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### 3.2 Computation of the chargeable transfers:

Mrs Monageng (his wife)

Bequests to the spouse are exempt from capital transfer tax. 2

Warona

Cattle post	1,400,000		
Less legal expenses at 5%	(70,000)		
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	1,330,000		
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One third share P1,330,000 / 3		443,333	1
Undeveloped land in Gabs P300,000 x 95%		285,000	1
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		728,333	
Less allowable deduction (W1)		(36,977)	1
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		691,356	
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Mooki

Share of cattle post (as above)		443,333	1
Semi-detached house in G-West 95% x P840,000		798,000	1
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		1,241,333	
Less allowable deduction (W1)		(63,023)	1
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Chargeable transfer		1,178,310	8
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Working 1 – Allowable deduction:

Worana	728,333	$728,333 \times P100,000 / 1,969,666 =$	36,977
Mooki	1,241,333		63,023
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	1,969,666		100,000
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## Question 4

### i) Computation of capital allowances for Morula Ltd:

	P	
Commercial building P950,000 x 2.5%	23,750	1
Fixtures & fittings P120,000 x 10%	12,000	1
Motor cars P175,000 x 2 cars x 25%	87,500	2
Delivery vans P2,450,000 x 25%	612,500	1
Computers (P110,000 – P25,000) x 25%	21,250	2
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Total capital allowances	757,000	
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#### *Balancing adjustment on disposal of Mercedes Benz:*

	P	
Cost for capital allowances	175,000	
Less capital allowances granted:		
- 3 years x P175,000 x 25%	(131,250)	
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ITV b/f	43,750	
Sales proceeds	460,000	
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Balancing charge	416,250	2
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#### *Balancing adjustment on disposal of computers:*

	P	
Cost	25,000	
Less capital allowances granted at 25%	(6,250)	
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ITV b/f	18,750	
Sales proceeds	8,000	
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Balancing charge	10,750	1
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ii) Computation of taxable income fye 31 October 2019 for Morula Ltd:

	P'000	P'000	
Net profit before taxation		1,770.00	
Interest income		0.00	1
Add: Contributions to unapproved pension	56.00		1
Interest on loan to pay dividends	45.00		1
Depreciation	338.00		1
Repairs	37.00		1
Legal fees – objecting tax assessment	15.00		1
Balancing charge on disposal of car	416.25		1
Loss on disposal of assets	96.00		1
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		2,773.25	
Less: Capital allowances		(757.00)	1
Balancing allowances		(10.75)	1
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Taxable income		2,005.50	10
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iii) Computation of tax liability and final tax payable:

Tax liability P2,005,500 x 22%		441.21	2
Less Quarterly instalment payments paid		420.00	
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Final tax payable		21.21	2
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## Question 5

### 5.1 Computation of Monei's taxable employment income for tax year 2018/19:

	<b>P</b>	
Basic salary	480,000	
Employer's contributions to approved pension	0	1
Car benefit: First P200,000	10,000	
Next P250,000 x 15%	37,500	
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	47,500	1
Fuel Cost Adjustment	(5,000)	1
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	42,500	
Accommodation benefit: P500,000 x 10%	50,000	1
Security services P3,000 x 12	36,000	1
Garden boy and maid P2,500 x 12	30,000	1
Christmas bonus P33,750 / 75%	45,000	1
Fully paid for holiday	52,000	1
Suits	20,000	1
Entertainment allowance (P36,000 – P20,000)	16,000	1
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Taxable employment income	771,500	10
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### 5.2 i) Monei's taxable income from the partnership 30 June 2019:

	<b>Monei P</b>	<b>Neo P</b>	<b>Total P</b>	
Taxable income for 9m 9/12 x P520,000			390,000	
Interest on capital at 10%	26,250	63,750	(90,000)	2
Salary		90,000	(90,000)	1
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			210,000	
Share of profit 25% / 75%	52,500	157,500	(210,000)	2
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	78,750	311,250	0	5
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**ii) Monei's total taxable income for 2018/19:**

	<b>P</b>	
Employment income	771,500	1
Income from partnership	78,750	1
Bank deposit interest	0	1
Rental income	120,000	1
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Total taxable income	970,250	4
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**iii) Computation of tax payable or refundable fye 30 June 2019:**

	<b>P</b>	
First P144,000	13,050.00	
Next P826,250 x 25%	206,562.50	
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	219,612.50	1
Less PAYE deducted at source	(97,050.00)	1
Less PAYE on bonus deducted at source (P33,750 x 25/75)	(11,250.00)	1
Less WHT on rental income P120,000 x 5%	(6,000.00)	1
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Tax payable	105,312.50	4
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