

# **Botswana Institute of Chartered Accountants**

Principles of Taxation

Suggested Solutions for December 2020 Exams

**Computation of taxable income for Partnership fye 30 September 2020**

**P**

Net profit per accounts		1,439,000
Employee loans recovered	1	(66,000)
Loan to supplier written off	1	50,000
Provision for doubtful debts	1	34,000
Replacement of tools	1	-
Depreciation	.5	88,000
Tax allowable sundry expenses	.5	-
Capital allowances	1	(112,000)
<b>PARTNERSHIP CHARGEABLE INCOME</b>		<b>1,433,000</b>

**Computation of taxable income for Dineo & Topo fye 30 September 2020:**

	<b>Total P</b>	<b>Dineo P</b>	<b>Topo P</b>
<b>1/10/2019 - 31/12/2019</b>			
Chargeable income (3/12xP1,433,000)	358,250		
Share of income	(358,250)	358,250	1
<b>1/1/2020 - 30/09/2020</b>			
Chargeable income (9/12xP1,433,000)	1,074,750		
Salary: Dineo (9/12 x P240,000)	(180,000)	180,000	1
Topo (9/12 x P160,000)	(120,000)		1 120,000
Residual taxable profit	774,750		
Share of profit:			
Dineo (3/5 x 774,750)	(464,850)	464,850	1
Topo (2/5 x 774,750)	(309,900)		1 309,900

<b>Taxable income</b>	1,433,000	1,003,100	429,900
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**Computation of Capital Allowances fye 30 September 2020: Biden Ltd**

Industrial buildings allowance

**P**

<b>Eligible cost for Industrial building</b>		
Total cost		1,600,000
Less cost of land		(280,000)
Eligible cost	1	1,320,000
Initial allowance at 25%	1	330,000
Annual allowance at 2.5%	1	33,000
<b>Total IBAs</b>		<b>363,000</b>
<b>Annual capital allowances for plant &amp; machinery</b>		<b>P</b>
Trucks	1	-
Car for director 25% x P175,000	1	43,750
Heavy machinery 25% x P680,000	1	170,000
Delivery vans (P1,370,000 - 230,000) x 25%	1	285,000
		<b>498,750</b>
<b>Balancing adjustment on disposal of delivery van:</b>		<b>P</b>
Cost		230,000
Allowances granted 25% x P230,000 x 2 years		(115,000)
ITV b/f		115,000
Sales proceeds		160,000

<b>Balancing charge</b>
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1

<b>45,000</b>
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**Computation of final taxable income for Biden Ltd fye 30 Sept 2020:**

Taxable income before capital allowances		11,100,000
Less:		
IBAs	0.5	(363,000)
Capital allowances for P & M	0.5	(498,750)
Balancing charge	1	45,000
		-----
		10,283,250
		-----

1. A
2. D
3. B
4. C
5. B
6. D
7. C
8. D
9. A
10. A & C
11. C
12. A
13.  $C - P5,735 [(P1,200,000 \times 20\%) - 200,000] \times (1.015^9 - 1)$

14. Assessable benefit – P20,600

First 200,000                      10,000

Next 104,000 at 15%            15,600

25,600

Less fuel Adj cost                (5,000)

Assessable benefit                20,600

15. Housing benefit: P485,000 x 10% = P48,500

Furniture benefit: (P50,000 – P15,000) x 10% = P3500

16. The gross salary is P132,738

	Net	Tax	Gross
First	99,900	8,100	108,000
Next (18.75/81.25)	<u>20,100</u>	<u>4,638.46</u>	<u>24,738.46</u>
	<u>120,000</u>	<u>12,738.46</u>	<u>132,738.46</u>

17. B & D

18. A

19. A & B

20. P1,200 Add back

21. Capital allowance = P26,250 = 00

P175,000 x 25% = P43,750

Business use = P43,750 x 60%

= P26,250

22. Nil – capital losses can only be carried forward for one year

23. A, B & D

24. A & C

25. B & F

26. B & D

27. C [460,000 – 120,000 = 340,000]

28. Capital allowance – P315,000
- |             |                   |
|-------------|-------------------|
| Cost b/f    | 980,000           |
| Additions   | <u>280,000</u>    |
|             | <u>1,260,000</u>  |
| C. A at 25% | <u>P 315, 000</u> |
29. A & D
30. C & F
31. A & C
32. Output VAT – P1,800  
= P1, 800 (P15,000 x 12%)
33. C - VAT paid on the purchase of a delivery van is wholly recoverable.
34. C
35. C - The tax point for the supply of goods is the earlier of
- The date on which the invoice is issued or
  - The date on which payment is received
36. B & C
37. Output VAT  
= P29, 560 x 12% = P3, 547
38. D – The value of the transaction
39. P17, 600 [12,000 + 5,600]  
Input VAT contributable to taxable supplies is wholly recoverable
40. C - Commissioner General has reasons to believe that Bashe's taxable supplies will not reach the registration threshold within 12 months