

BICA – PRINCIPLES OF TAXATION

ANSWERS TO JUNE 2021 EXAMS

Computation of Segolame's total taxable income fye 31 June 2021:

Employment income	1	738,000
Rental income	1	96,000
Bank deposit interest	1	-
Total Taxable Income		834,000

Working 1 - Employment income

P

Basic salary	1	600,000
Family holiday	1	80,000
Performance bonus	1	50,000
Car benefit (W2)	2	38,000
Housing allowance at 10%	1	60,000
Contributions to ASF 15% x K600,000	1	(90,000)
Chargeable employment income		738,000

Working 2 – Car benefit

Cost	<u>420,000</u>
Benefit:	
First K200,000	10,000
Next P220,000 x 15%	33,000
Less fuel adjustment	(5,000)

	38,000

Computation of Leswana Ltd's total taxable income fye 31 December 2020:

	P	
Accounting profit for year	3,400,000	
Depreciation	366,000	1
Loans to employees written off	110,000	1
Profit on sale of plant	(40,000)	1
Provision for doubtful debts	90,000	1
Training levy	0	1
Dividends from a local company	(65,000)	1
Balancing charge (P130,000 – P70,000)	60,000	1
Capital allowances on plant	(443,000)	1
Industrial buildings allowance (W1)	(310,750)	1
Total taxable income	3,167,250	

W1 – Industrial buildings allowances

	P
Eligible cost (P1,530,000 – P400,000)	1,130,000
Initial allowance at 25%	282,500
Annual allowance at 2.5%	28,250
Total IBAs	310,750

1 A Progressive taxation

D Indirect tax

A system whereby the overall proportion of taxation increases as income rises is known as a progressive system. Originally income tax represented 0% to 18.75% of Pauline's income. After her pay rise it had risen to 25%.

VAT payments are a form of indirect taxation.

2 A (i) and (ii) only

Collect and administer direct taxes

Collect and administer indirect taxes

3 C This is an example of legitimate tax planning so is tax avoidance. The others are all examples of tax evasion.

4 B The relationship that her firm has with the client

The other three are factors to consider.

5 C Self Interest

6 B Professional competence and due care

7 A 31 July 2020

8 A Interest on overpaid tax from BURS

D Bank deposit interest of P6,300 received by resident individual

9 D Botswana Unified Revenue Services publications

10 C

11. C – 30 April 2021

12. B

13. A – $P320,000 \times 25\% = P80,000$

14. Assessable car benefit – P31,000

First 200,000 10,000

Next 140,000 at 15% 21,000

31,000

15. Housing benefit: $P485,000 \times 10\% = \underline{P48,500}$

Furniture benefit: $(P50,000 - P15,000) \times 10\% = P3500$

16. The gross salary is P169,400

	Net	Tax	Gross
First	130,950	13,050	144,000
Next (19,50x25/75)	<u>19,050</u>	<u>6,350</u>	<u>25,400</u>
	<u>150,000</u>	<u>19,400</u>	<u>169,400</u>

17. B & D

18. A

19. A & B

20. P1, 200 Add back

21 C Machine with no VAT invoice – Not recoverable

F Purchase of car – Not recoverable

22 C P1,232

D P0

A supply of goods or services occurs when-

(a) an invoice for the supply is issued by the supplier; or

(b) any payment for the supply is received,

whichever is the earlier Output VAT is due on the earlier of :

The deposit was paid towards the consideration for the supply and therefore the supply occurred when payment was first received. The whole amount must be charged at the time the supply occurs.

23 A Amount of VAT payable – P107.14 (P1,000 x 12/112)

C VAT is payable by Nonofu

24 B A trader can voluntarily register for VAT if he makes only zero rated supplies which exceed P500,000 in 12 months.

C A trader making both zero rated and standard rated supplies is required to register only if the level of taxable supplies exceeds the VAT registration limit.

25 Output VAT = P35,472

Output VAT

$P295,600 \times 12\% = P35,472$

26	Input VAT P30,300		
	P(9,000 + 21,300)		
27	P229,800		
	Sales proceeds		540,000
	Less estate agent fees		(16,200)

	Net sales proceeds		523,800
	Less allowable cost:		
	Cost	280,000	
	Legal fees	14,000	
		-----	(294,000)

	Un-indexed gain		229,800

- 28 B
C
F

29 D P60,400

A person who fails to apply for registration as required is liable for a penalty equal to double the amount of output tax payable from the time the person becomes liable to be registered until the person files an application for registration with the Commissioner General.

30 C Daniel's full income tax return for 2020/21 should be submitted to BURS by 30 September 2021

E Frank Ltd's ITW 10 for 2020/21 should be submitted to BURS by 31 July 2021

31 A True

D False

32 C – P6,975

33 C - No later than 25 June 2021

34 D Sale of shares in a private company

- 35 E Intimidation threat
- 36 D Value of the asset
- 37 D Acquisition of tools to replace worn out tools used in taxpayer's business
- 38 a) Balancing charge – P250,000
- | | |
|--|---------|
| 2010 Initial allowance P500,000 x 25% = | 125,000 |
| 2010 – 2019 Annual allowances P500,000 x 2.5% x 10 yrs | 125,000 |
| | ----- |
| Balancing charge | 250,000 |
| | ----- |
- b) Chargeable gain – P1,416,361
- | | |
|---------------------------------------|-----------|
| Sales proceeds | 2,400,000 |
| Allowable cost | (650,000) |
| | ----- |
| Un-indexed gain | 1,750,000 |
| Indexation allowance: | |
| Sept 2010 – Dec 2020: | |
| (1964.1 – 1297.9) / 1297.9 x P650,000 | (333,639) |
| | ----- |
| Chargeable gain | 1,416,361 |
| | ----- |
- 39 B and D
- 40 D Construction of a residential house for the farm manager