

---

# TAX COMPLIANCE

---

This paper consists of **FIVE** written test questions (100 marks).

**MARKS BREAKDOWN:**

Question 1	7 marks
Question 2	15 marks
Question 3	25 marks
Question 4	22 marks
Question 5	31 marks

1. Ensure your candidate details are on the front of your answer booklet.
2. Answer each question in black ball point pen only.
3. Answers to each written test question must begin on a new page and must be clearly numbered. Use both sides of the paper in your answer booklet.
4. The examiner will take account of the way in which answers are presented.

**Assume that the Finance Act 2018/19 rates and allowances will continue to apply in future years unless you are specifically instructed otherwise.**

**IMPORTANT:**

Question papers contain confidential information and must NOT be removed from the examination hall.

**DO NOT TURN OVER UNTIL YOU ARE INSTRUCTED TO BEGIN WORK**

## Tax Tables FA 2019

Use the following tax tables to answer your questions, where necessary.

### Rates of tax - 2019/2020 tax years

**Resident companies** On taxable  
income

Standard rate 22%

Manufacturing company rate 15%

### Resident individuals

P0 –	P36,000	Nil
P36,001 –	P72,000	Nil + 5% of excess over 36 000
P72,001 –	P108,000	P1,800 + 12.5% of excess over 72 000
P108,001 –	P144,000	P6,300 + 18.75% of excess over 108 000
Over	P144,000	P13,050 + 25% of excess over 144 000

### Non-resident individuals, trusts and estates

P0 –	P72,000	5% of every pula
P72,001 –	P108,000	P3,600 + 12.5% of excess over 72 000
P108,001 –	P144,000	P8,100 + 18.75% of excess over 108 000
Over	P144,000	P14,850 + 25% of excess over 144 000

### Capital gains – individuals

P0 –	P18,000	Nil
P18,001 –	P72,000	P0 + 5% of excess over P18 000
P72,001 –	P108,000	P2,700 + 12.5% of excess over P72 000
P108,001 –	P144,000	P7,200 + 18.75% of excess over P108 000
Over	P144,000	P13,950 + 25% of excess over P144 000

### Capital gains – companies

Net aggregate gains are taxable at the company rates of tax.

## Basis of valuation of benefits

### Individuals' vehicle benefit

Vehicle cost	Employee benefit	Fuel cost adjustment
P1 - P50 000	P2 500	P1 000
P50 001 - P100 000	P5 000	P2 000
P100 001 - P150 000	P7 500	P3 000
P150 000 - P200 000	P10 000	P4 000

Benefit on the excess of P200 000 is 15% thereof with a maximum fuel cost adjustment of P5,000.

### Individual's housing benefit:

#### If rated:

10% of the property's rateable value prorated by occupation and reduced by any contribution made by the employee.

#### If not rated:

Gross floor area x P250 per sq metre x 8%

The benefit is prorated by period of use and reduced by any contribution made by the employee.

### Individual's furniture benefit

10% of furniture cost in excess of P15, 000 pro - rated by usage.

## **Capital allowances**

The following rates are fixed by Commissioner General of BURS as fair and reasonable having regard to the expected useful economic lives of the assets listed.

### **Capital allowances**

Furniture and fittings	10%
Office equipment and machinery	15%
Plant and machinery including farming	15%
Motor vehicles, boats and aircraft	25%
Heavy plant and machinery	25%
Computer hardware	25%
Office Equipment	15%
Off-the-shelf computer software	100%

### **Industrial and commercial buildings**

Industrial building – initial allowance	25%
Industrial building – annual allowance	2.5%
Commercial building – annual allowance	2.5%

## COST OF LIVING INDEX – JULY 1982 to JULY 2020

<b>YEAR</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
1982	---	---	---	---	---	---	100.0	101.2	101.2	102.1	103.3	103.8
1983	104.1	104.8	105.5	106.6	108.3	108.4	109.0	110.2	110.2	110.7	111.7	112.3
1984	113.5	114.5	115.2	116.0	116.9	118.3	119.1	120.1	119.8	120.7	119.7	119.5
1985	119.9	120.7	122.0	124.1	126.6	128.6	130.1	129.8	131.1	131.5	131.8	132.0
1986	133.9	135.5	135.5	136.8	138.0	140.9	141.2	141.8	142.7	143.4	144.7	146.3
1987	147.4	148.5	148.9	151.9	153.6	154.1	154.9	156.6	156.7	157.1	157.5	158.1
1988	157.8	158.7	160.8	163.4	164.1	165.5	168.0	169.3	171.0	172.6	173.9	174.4
1989	176.9	178.0	180.1	182.7	184.1	186.2	187.3	188.7	190.2	191.1	191.5	194.2
1990	196.6	199.0	200.5	204.1	205.1	206.0	207.2	209.2	210.7	212.6	216.0	217.6
1991	220.5	221.4	223.5	225.8	227.3	229.0	232.0	234.2	237.2	239.5	242.5	244.9
1992	248.3	251.7	256.3	262.1	265.5	269.4	272.3	275.0	277.6	280.1	283.0	285.4
1993	291.0	293.1	295.8	301.1	303.1	306.0	311.6	313.5	315.0	317.6	320.1	321.5
1994	324.2	326.8	328.5	332.7	337.3	340.2	343.1	345.3	347.0	348.4	351.3	353.0
1995	357.9	361.0	364.9	368.6	370.5	374.9	377.8	381.6	384.3	386.0	387.9	391.3
1996	395.5	398.1	402.2	405.6	408.8	413.9	417.0	419.5	421.6	423.8	426.0	428.7
1997	431.6	435.5	439.7	443.6	448.7	451.2	454.1	454.9	457.5	459.7	460.9	461.9
1998	464.8	466.0	469.9	476.0	477.9	478.9	481.0	484.0	484.4	486.9	489.5	491.2
1999	495.1	499.7	504.3	507.5	509.2	513.3	514.3	517.7	521.1	523.5	524.0	525.2
2000	530.8	536.3	538.8	545.5	548.9	552.0	568.6	569.8	571.4	576.0	577.5	578.7
2001	581.4	582.1	587.2	598.9	596.9	598.6	601.3	603.0	605.4	608.5	610.2	611.0
2002	613.1	613.9	622.1	629.6	631.3	634.0	654.4	662.4	666.7	670.8	677.6	679.3
2003	683.2	689.0	692.2	701.4	705.8	715.0	714.5	698.0	707.0	715.9	717.9	718.9
2004	721.3	728.6	735.8	743.6	754.0	721.3	758.9	761.3	765.7	770.7	772.4	774.9
2005	779.2	781.7	783.8	789.4	801.5	813.2	821.2	834.8	842.3	857.1	859.7	863.1
2006	877.4	884.0	891.5	901.4	909.6	915.0	918.6	924.2	930.8	936.4	935.4	936.4
2007	942.9	948.5	949.5	957.7	968.1	974.5	988.5	991.2	994.1	1004.3	1007.2	1012.8
2008	1022.2	1034.4	1043.1	1064.7	1085.0	1115.1	1136.7	1140.6	1133.8	1135.5	1159.0	1151.2
2009	1152.7	1155.1	1165	1172.8	1176	1193.4	1204.8	1209.7	1213	1213.3	1217.2	1218.4
2010	1223.2	1225.4	1234.6	1256.2	1268.6	1285.3	1289.7	1290.6	1297.9	1300.6	1304.2	1309.1
2011	1320	1330.2	1338.9	1359.0	1373.6	1386.4	1380.6	1403.4	1409.0	1415.0	1424.0	1428.8
2012	1436.1	1440.0	1446.5	1460.4	1480.0	1487.3	1492.1	1496.7	1508.9	1515.4	1530.2	1534.8
2013	1544.3	1546.9	1555.4	1565.6	1570.2	1573.8	1576.7	1580.4	1584.3	1587.9	1593.5	1598.1
2014	1611.1	1618.6	1624.2	1637.2	1641.8	1646.5	1648.4	1653.0	1655.8	1662.4	1667.0	1663.3
2015	1670.7	1664.2	1669.8	1687.5	1690.3	1696.8	1698.7	1701.5	1704.2	1708.9	1709.8	1708.9
2016	1715.4	1714.5	1721.0	1735.9	1737.8	1741.5	1744.3	1747.1	1751.7	1755.2	1758.7	1760.5
2017	1769.2	1772.7	1781.5	1795.5	1799.0	1802.5	1804.3	1806.0	1807.8	1807.8	1811.3	1816.5
2018	1823.5	1828.8	1832.3	1856.8	1858.6	1858.6	1860.3	1860.3	1860.3	1872.6	1879.6	1881.3
2019	1887.0	1890.8	1892.6	1903.9	1905.8	1909.6	1913.3	1913.3	1915.2	1917.1	1919.0	1922.7
2020	1930.3	1932.1	1934.0	1951.0	1951.0	1926.5	1930.3	1934.0	1814.8			

## **Question 1**

You are a BICA Chartered Accountant working for a firm of BICA Chartered Accountants. Whilst performing tax work at Selebi Ltd, a tax client of your firm, you were approached by Dudu, a member of the finance department. Dudu is an assistant accountant, who recently noticed that a large amount was entered into Selebi Ltd's cash account as a payment to a small supplier for stationery.

This was an unusual transaction as Selebi Ltd usually makes small payments to this supplier. When Dudu asked the finance director, Kopano, if she could look at the bank statements to verify the payment, Kopano became upset and told her not to worry about the payment.

Dudu told you that she is not convinced that the payment is legitimately for the supplier: Kopano did not show her the bank statements and insisted that she must not mention this to any other member of staff, as it relates to a huge order that is yet to be supplied. He warned her that any breach of trust could have a negative impact on her career at Selebi Ltd.”

### **Requirements**

Identify the threats faced by Dudu as a result of her conversation with Kopano, and explain the actions that both you and your firm may need to take as a result of this disclosure by Dudu.

**Total: 7 marks**

## Question 2

You are an BICA Chartered Accountant working for a firm of BICA Chartered Accountants. The tax partner in your firm has asked you to deal with the following matters relating to two unconnected clients.

### Ditlou Ltd

Ditlou Ltd, a VAT registered company, makes both standard-rated and exempt supplies. The company made the following supplies for the VAT for 30 November 2020:

	<b>P</b>
Standard-rated supplies (excluding VAT)	980,000
Sale of delivery van (excluding VAT)	260,000
Sale of motor car used by sales team (excluding VAT)	130,000
Zero-rated supplies (excluding VAT)	228,000
Exempt supplies	192,000
	-----
	1,790,000
	-----

Ditlou Ltd's purchases (excluding VAT) for the month was:	<b>P</b>
Wholly attributable to standard rated supplies	650,000
Wholly attributable to zero rated supplies	180,000
Wholly attributable to exempt supplies	65,000
Employees' accommodation while on business out town	64,000
Purchases of new fridge for staff common room	15,000
Non-attributable expenses	110,000
	-----
	1,066,000
	-----

### Thusego

Thusego runs a grocery shop as a sole trader. During the tax year ended 30 June 2020, Thusego entered the following transactions:

- Sold a plot of land for P1,300,000 to Bakang, a Motswana, who was VAT registered.
- Purchased a house for P2,600,000 from Sunil Patel, an Indian national. Sunil was not registered for VAT.

## Requirements

2.1 Calculate the VAT payable or refundable for Ditlou Ltd for the month of September 2020. **(11 marks)**

2.2 Explain briefly, with supporting calculations if any, the transfer duty and value added tax (VAT) implications for Thusego, Bakang and Sunil Patel on the two transactions that Thusego entered into during the tax year ended 30 June 2020.

**(4 marks)**

**Total: 15 marks**

### Question 3.1

Masego, a widow aged 79, died on 15 October 2020. She left a will which provided how her estate was to be distributed. The will provided for the following:

- A house in Phakalane valued at P3.5 million to her son, Bakwena.
- A lodge valued at P6 million to trustees held on behalf of her minor three grandchildren, Modiri, Dimpho and Robengo. The income from the lodge will be used for the grandchildren's education.
- A flat in South Africa valued at P1.8 million to her longtime friend, Rethabile. Rethabile is domiciled in South Africa.
- Cash of P100,000 to Lesedi, her niece.
- A Toyota Landcruiser valued at P800,000 to her son, Thuso.
- A house in Broadhurst, Gaborone valued at P1.7 million to Thuso.

### Requirement

Calculate the chargeable capital transfer amount for each donee arising on the death of Masego. (Note: CTT liabilities are not required) **(10 marks)**



### Question 3.2

Onkemetse, a Motswana, made the following capital disposals during the year ended 30 June 2020:

1. Sold 10,000 shares in a private limited company for P50,000 in June 2020. She purchased the shares as follows:

On 5 January 2007      5,000 shares for      P15,000

On 13 May 2012      10,000 shares for      P100,000

2. Sold her principal private residence (PPR) in May 2020 for P2,340,000. The PPR was purchased from the disposal proceeds of another house, which was also her only PPR at the time, for P1,120,000 in August 2017. In addition, Onkemetse built a perimeter wall in March 2018 at a cost of P280,000.
3. Onkemetse also had the following income during the tax year 2019/20:

	P
• Business income	400,000
• Dividends from local companies (gross)	30,000
• Interest from Subscription shares (Botswana Building Society)	15,000

### Requirements

- (a) Calculate the chargeable gain or loss, if any, on disposal of Onkemetse's shares in June 2020. **(4 marks)**
- (b) Calculate the chargeable gain or loss, if any, arising on the disposal of the PPR in May 2020. **(5 marks)**
- (c) Calculate Onkemetse's total tax payable for 2019/20. **(6 marks)**

**Total: 25 marks**

#### Question 4

Matsapa Ltd prepares accounts to 30 June annually. Accounts were prepared for the year ended 31 December 2019..

#### New office

On 1 February 2019 Matsapa Ltd purchased land and signed contracts with a builder to construct a new office building. The office building was completed and brought into use by Matsapa Ltd in its trade on 1 October 2019. The costs relating this are:

	P	P
Land		500,000
Legal fees		20,000
		-----
		520,000
Site preparation	90,000	
Drawings for office building	125,000	
Construction of office building	3,475,000	3,690,000
	-----	
Electrical and water systems	560,000	
Furniture and fittings- all moveable	230,000	790,000
	-----	-----
Total		5,000,000
		-----

#### Other information

The draft tax-adjusted trading profit of Matsapa Ltd for the year ended 31 December 2019 is P8,870,000. This figure is stated before adjustment for any capital allowances, and before necessary adjustments for the following items:

#### (1) Leased cars

Matsapa Ltd leased eight cars for some employees during the year ended 31 December 2019. The company paid lease charges of P20,000 for each of the eight cars. These lease charges have been deducted in arriving at the draft tax-adjusted trading profit of P8,870,000. The cash price for each of these cars was P220,000.

## (2) Sale of shares

In June 2019 Matsapa Ltd sold some shares in a private company for P250,000. The shares were purchased for P100,000 in August 2013. The draft tax-adjusted trading profit of P8,870,000 included the profit on disposal of the shares of P150,000.

## (3) Staff Christmas vouchers

Matsapa Ltd gave each of its employees Christmas gift vouchers costing a total amount of P80,000 in December 2019 which has been deducted in arriving at the draft tax-adjusted trading profit of P8,870,000.

## (4) Capital allowances

At 1 January 2019, the details pertaining to capital allowances were as follows:

	Cost P	Allowances Granted brought forward P
Computers	280,000	120,000
Director's car (private use 80%)	350,000	??
Pool cars (all under P175,000 each)	448,000	201,600
Delivery vans	890,000	445,000
Office furniture	180,000	165,600

Additional information on non-current assets during the year ended 31 December 2019:

- The director's car was sold for P260,000 in April 2019. This car was acquired in January 2016. Another car was acquired for the director in May 2019 for P550,000. It was agreed that the private use would remain 80%.
- One of the delivery vans which had cost P210,000 in July 2016 was sold for P140,000 in October 2019.

## **Requirements**

- 4.1 Calculate the capital allowances for commercial building, plant and machinery and any balancing adjustment on the disposal of plant and machinery. **(14 marks)**
- 4.2 Calculate the taxable income and the tax payable by Matsapa Ltd for the year ended 31 December 2019. **(8 marks)**

**Total: 22 marks**

### Question 5.1

Dikatso is a cattle farmer in Kumakwane; his farming results for the year ended 30 June 2020 were as follows:

	P
Sales to the Botswana Meat Commission (BMC)	1,800,000
Purchases	865,000
Salaries and wages (refer to 4 below)	244,000
Fencing	55,000
Vehicle expenses	77,000
Cattle feed	140,000
Construction of dam	69,000
Construction of farm buildings	70,000
Construction of dwelling houses for 3 farm workers	120,000
Bank interest received (net of withholding tax of P2,420)	29,580

#### Other information:

1. The opening stock of cattle was 438 heads of cattle and the closing stock was 472 heads of cattle.
2. Dikatso slaughtered 10 cows for personal consumption.
3. Dikatso donated 20 cows for a friend's 60<sup>th</sup> birthday celebration.
4. Salaries and wages included P120,000 taken as Dikatso's salary for the year.
5. Dikatso has a farming loss brought forward from the year to 30 June 2019 of P140,000.
6. Dikatso received P157,950 from a part-time lecturing job. The employer was responsible for her tax liabilities and any PAYE was paid to BURS.
7. The standard value of one head of cattle is P430 and the open market value of one head of cattle was P4,500.

**Requirement:**

- (a) Compute Dikatso's chargeable income or loss from his farming business for the year ended 30 June 2020. **(10 marks)**
- (b) Calculate her taxable income from all sources of income for the tax year ended 30 June 2020. **(4 marks)**
- (c) Calculate the tax payable or refundable by or to Dikatso for the year ended 30 June 2020. **(3 marks)**

**Question 5.2**

Gosego is the accountant at Brilliant Ltd, a company listed on the Botswana Stock Exchange (BSE). Gosego has just completed her second contract with the company. She was entitled to a gratuity at 27.5% over the 3 years. Her salary for the previous 2 years were as follows:

Year ended 30 June 2019	P517,500
Year ended 30 June 2018	P450,000

**Employment package**

Her employment package, in addition to her gratuity, for the tax year ended 30 June 2020 was:

	<b>P</b>
Salary	621,000
Employer's contribution to provident fund	24,840
Company car including petrol: Cost	420,000
Company provided housing: Rateable value	530,000
Employer's medical aid contribution	45,000
Performance bonus	100,000
Company provided house furniture: Cost	80,000
School fees for her two children	120,000

**Additional information:**

- PAYE deducted at source during the year amounted P238,500.
- Gosego was given an entertainment allowance of P144,000. She spent P100,000 on business entertainment on behalf of her employer.
- Gosego's only other income was from a property she owned in Gaborone. During the year ended 30 June 2020, she received rental income of P153,900 after withholding tax of P8,100.

**Requirements:**

(a) Calculate Gosego's employment income, including the taxable gratuity, for 2019/20.

**(12 marks)**

(b) Calculate Gosego's income tax payable, including the tax on the gratuity, for 2019/20.

**(2 marks)**

**Total: 31 marks**