

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**MAIN EXAMINATION PAPER - ACADEMIC YEAR 2018/2019**

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<b>PROGRAMME OF STUDY</b>	<b>Bachelor of Commerce</b>
<b>YEAR OF STUDY</b>	<b>Year 3 (Full Time/Part Time)</b>
<b>TITLE OF THE PAPER</b>	<b>Principles of Taxation</b>
<b>COURSE CODE</b>	<b>ACF 315 /AC 318</b>
<b>TIME ALLOWED</b>	<b>Three (3) Hours</b>

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**INSTRUCTIONS**

1. There are FOUR (4) questions, ANSWER ALL.
2. Begin the solution to each question on a new page.
3. The marks awarded for a question are indicated at the end of each question.
4. Show your necessary workings.

**NOTE:** You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with layout and presentation of your answer.

**THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR / SUPERVISOR.**

**SPECIAL REQUIREMENT: CALCULATOR**

## QUESTION 1

Peterous Shongwe had the following income particulars for the year ended 30<sup>th</sup> June, 2019.

### A. SALARY AND BENEFITS

1. He was employed as from 1.7.2018 up to 30.6.2019 on a monthly salary of 9,000.
2. He had a hardship allowance of E2, 000 per month.
3. He got a Christmas bonus of E1 0,000.
4. He received an alimony payment E 15,000 from his former wife.
5. His employer provided him a car for official and personal use. It had a capacity of cc 2,500, and it cost E150, 000 before VAT. He contributed E400 p.m. for its maintenance.
6. He was provided by his employer a 4 bed room house in a prime location of Coates Valley, Manzini. The house had a lot of 1,450 and a floor area of 240 sq.m. He contributed E500 p.m. for the maintenance of the house.
7. The employer provided and paid for:
  - A maid at E1,200 p.m.,
  - A gardener at E1,000 p.m.,
  - Two security guards at E1,500 p.m. per a security guard,
  - A telephone at E500 p.m., and
  - Electricity at E400 p.m.
9. He was advanced E20, 000 for entertainment of business customers. He accounted for only E16, 000.
10. On 1.7.2018 the employer extended a loan of E100,000 at 10% interest, the Central bank discount rate was 5 %.
11. The employer paid E 5,000 as education expense, and E5, 000 as transport costs for Mr. Shongwe's children.
12. The employer contributed 15% of Mr Shongwe's basic salary as a pension with the employer's pension fund.

### B. OTHER INCOME

1. Mr Shongwe acts as the Ambassador of Mauritius in Swaziland. He was paid E56, 000 for that job.
2. He was rewarded E25, 000 as copyright royalties for the education modules he had previously written.
3. He rented out a house in Mbabane for E24, 000. Its annual maintenance was E9, 000.
4. He leased out construction equipment for E19, 000. The repair cost of the equipment was E3, 000.
5. He received E 5,000 as interest income from a permanent period shares with Swaziland Building Society, E 2,000 from the savings account with Swaziland Development and Savings Bank, and E6, 000 as interest income from a fixed deposit account with Standard Bank.
6. He received war benefit related to his late father of E 5,000

### C. MR. SHONGWE'S EXPENDITURE

1. He incurred E6, 000 as medical expenditures at Manzini clinic.
2. He incurred E4, 000 repairing his accident damaged vehicle. The vehicle was fully insured.
3. He incurred E2, 000 membership fees to a club in Pretoria, where is a guest speaker at a fee.
6. Mr. Shongwe had been deducted E25, 740 as PA YE by his employer.

### REQUIRED:

Compute the tax payable by Mr Shongwe for the year ended 30<sup>th</sup> June, 2019. (40 Marks)

Total 40 Marks

## QUESTION 2

Swazi incorporated is a holding company operating in Swaziland and has interests in meat products, milling as well as property. During the month of November 2017, Swazi Incorporated entered into the following transactions throughout the three business units.

### MEATS

- i. Imported a meat processor from South Africa for R500 000
- ii. Bought saw blades from Swazi Implements, a company based in Matsapha for E30 000. Swazi blades is not registered for VAT
- iii. Bought five heifers for Mr Dlamini whose farm recently registered for VAT under TIN number 100123456. The heifers cost E20 000 inclusive of VAT
- iv. Received an invoice from KPMG for audit services for E33 000 including VAT
- v. Received an invoice for E25 000 from Ngwane abattoirs for cattle slaughtering and dressing
- vi. Bought 500 broilers from Swazi Chickens for E15 500 before VAT
- vii. Exported beef and chicken to SA for E150 000 and pork to the USA for E200 000
- viii. Sold meat worth E 150 000 to the local market and forgot to charge VAT
- ix. Was fined E25 000 by the department of health for failing to meet the hygiene standards

### MILLING UNIT

- i. Bought five tons of maize from local farmers who are not registered for VAT worth E225 000
- ii. Exported 2.5 tons of this maize to Mozambique at a 25% profit margin and milled the rest of the maize but could not find a buyer during the month
- iii. Repaired the milling grinder at a cost of E3 500 before VAT
- iv. Bought a twin cab vehicle for use by the Unit manager for E350 000

## PROPERTY

- i. Received the final certificate for the completion of a building complex. The previous certificate indicated the building was 85% complete and the total cost of construction was E15million including VAT.
- ii. Parts of the complex were already being leased out and for the month of November, they received rentals of E1 350 000 before considering VAT. 65% of this amount was in respect of offices and supermarket space while the remainder was for residential.
- iii. Since the company is responsible for all electricity costs for all its buildings, the total bill was E 100 000 before considering VAT

## ADDITIONAL INFORMATION

- Fuel costs for all business units was E45 000
- Telephone costs were E4 500 for fixed lines and E16 000 for mobile phones
- The business received E 3500 in interests from all its accounts with local banks

**\*\*Assume VAT is not included in any amounts where nothing has been said of VAT for transactions attracting VAT**

## Required

Calculate and indicate the amounts of Input and Output VAT for each of the transactions given above indicating clearly in the table where VAT input is denied (**D**), where there is zero rating (**Z**) and where exempt (**E**). Calculate the VAT Due/Refund for the month of November. Use the following format (20 Marks)

Item	Transaction	Amount Inc. VAT where applicable	Input	Output
1.				

Total 20 Marks

### QUESTION 3

Identify and briefly explain five strategies of tax planning that can be employed by individuals in Swaziland

**20 Marks**

**Total 20 Marks**

### QUESTION 4

a. What is the difference between a zero-rated supply and an exempt supply under VAT

**4 Marks**

b. List eight zero rated supplies and eight exempt supplies under the VAT Act of Swaziland

**16 Marks**

**Total 20 Marks**

**END OF PAPER**

### APPENDIX

#### 1. HOUSING BENEFIT

Rental Category	Floor Area	Area A Taxable Benefit / Month (E)	Area B Taxable Benefit / Month (E)	Area C Taxable Benefit / Month (E)
Prime location 3-5 bedrooms , 2-3 bathrooms Double garage , Servant quarters Secure perimeter 1 500 sq.m and above lot	250sq.m and above	4 607	3 915	2 740
As above, but smaller	200sq.m and above	4 145	3 524	2 465
3 Bedrooms , 2 Bathrooms A garage , Servants quarters Secure perimeter 700 sq.m and above lot	150sq.m and above	3 686	3 133	2 193