

UNIVERSITY OF ESWATINI  
DEPARTMENT OF ACCOUNTING AND FINANCE  
SUPPLEMENTARY (RE-SIT) EXAMINATION PAPER JANUARY 2020

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM 111/ B.COM LEVEL 4

TITLE OF PAPER : INTRODUCTION TO TAXATION

COURSE CODE : ACF315/ AC318 (S/ RE-SIT) JANUARY 2020

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- 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 all the necessary workings.
  - 5 Round off as you deem appropriate.

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and 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 INVILATOR OR SUPERVISOR.

SPECIAL REQUIREMENTS: CALCULATOR

**QUESTION 1**

- a) There are two categories of government revenue which include tax revenue and non-tax revenue and each has advantages and disadvantages. List five disadvantages of non-tax revenue. (10 Marks)
- b) Define direct tax and give four examples of direct taxes? (10 Marks)
- c) Differentiate between sales tax and value added tax (5 Marks)

**Total: (25 Marks)**

**QUESTION 2**

- a) Fish Ltd sells fish to the Stella Fish Factory for E100.00 before VAT. The Stella Fish Factory processes the fish (and in so doing adds value to the product). Stella Fish Factory sells the fish to a Nord Fish shop for E230.00 before VAT. Nord Fish shop sells it to a customer for E350 (including VAT). Assume that all the businesses are VAT vendors and that the VAT rate is 15%. What is the net VAT payable by Fish Ltd, Stella Fish Factory and Nord Fish Shop? (6 Marks)
- b) Mr. Veli Maphosa is 50 years old and has an annual taxable income of E90, 000 earned over one year
- what is the average tax rate for Mr Maphosa? (6 marks)
  - What is Veli Maphosa's marginal tax rate. (2 Marks)
- c) Differentiate between tax avoidance and tax evasion. Give an examples of each? (6 Marks)

**Total: (20 Marks)**

### QUESTION 3

- a) The Eswatini Revenue Authority has included you as part of a team to suggest ways to broaden the country's tax base. List three ways that the SRA can use to widen the country's tax base? (6 Marks)
- b) Briefly explain how the Government of Eswatini can use taxation as an instrument of monetary policy? (5 Marks)
- c) Write short notes on:
  - i. Progressive tax (3 Marks)
  - ii. Regressive tax (3 Marks)
  - iii. Proportional tax (3 Marks)

**QUESTION 4**

According to the definition of gross income, receipts and accruals of a capital nature are to be excluded from gross income. You are given the following transactions for which you have to indicate whether they are of a revenue or capital nature and if they form part of gross income as per section 7 of Swaziland Income Tax Order of 1975:

- a) Mr. Alpheus Malinga owns two residential houses both of which were used by His family for residential purposes. One is at Tubungu which he purchased in 2001 for E500 000 and the other he built at Zulwini at a total cost of E1,300,000. As he is now relocating to work in South Africa, He sold the house at Tubungu for E1,500,000 and His house at Zulwini is now valued at E2,000,000 which he has decided to keep and rent out at a monthly rental of E10 000 per month.
- b) Mr. Alpheus Malinga has invested the E1 500 000 with First National Bank in a notice account and the bank has contracted to pay him interest income at the rate of 10% per annum.
- c) Prior to His departure to South Africa he won a prize for the being the best farmer of the year in the country and was awarded a sum of E250 000.
- d) His Child Ria Dlamini aged 13 years received interest income of E200 000 from E2 000 000 invested for him by Alpheus Malinga at Standard Bank.
- e) Mr. David Mondlane who own a garage acquires old cars and sells them at a profit. He recently made a profit of E2 000 000 from selling the old repaired cars.

**Total: (25 Marks)**

Rates of normal tax in the case of persons other than companies or trust shall be as follows:

Taxable income		Rate of tax
Exceeds	But does not exceed	
E	E	E
0	60 000	0+20% of the excess over 0
60 000	80 000	12 000+25% of the excess over 60 000.
80 000	100 000	17 000+30% of the excess over 80 000
100 000	-	23 000+33% of the excess over 100 000