

**PROFESSIONAL EVALUATION
ENGLISH QUESTION PAPER
5 November 2016**

TIME: 4h30min
MARKS: 200

SECTION A	MULTIPLE CHOICE	MARKS
	TOTAL SECTION A	50
SECTION B	CASE STUDY	
	TOTAL SECTION B	150
TOTAL		200

INSTRUCTIONS TO CANDIDATES

1. Answer all the questions.
2. **BEGIN EACH QUESTION ON A NEW PAGE.**
3. Section A must be answered in pencil on the schedule provided.
4. Section B must be answered in the answer book.
5. No pencil (with the exception of Section A) or tippex may be used.
6. Financial calculators are permitted. Cellular phones may **NOT** be used as calculators.
7. If you wish any part of your work not to be marked, draw a clear line through it.
8. The question paper may be taken with you at the end of the examination.

SECTION A MULTIPLE CHOICE QUESTIONS**[50 marks]****Read the following extract and answer Questions 1 to 5**

The following extract refers to the Accounting Officer's Report to Gatesville Bussing CC:

**To GATESVILLE BUSSING CC
ACCOUNTING OFFICER'S REPORT**

We have performed the duties of the accounting officer to GATESVILLE BUSSING CC as required by Section 62 of the Close Corporations Act, 1984. Accordingly, we do not imply or express an opinion or any other form of assurance on the annual financial statements.

Compilation engagement

In addition to our duties as accounting officer and on the basis of information provided by the member, we have compiled, in accordance with the International Standards on Related Services applicable to compilation engagements, the annual financial statements set out on pages x to xx for the year ended 29 February 2016.

These annual financial statements comprise of the statement of financial position as at 29 February 2016, statement of comprehensive and other income and statement of cash flows for the year then ended. The management of Gatesville Bussing CC is responsible for these annual financial statements.

Duties of the accounting officer

We have determined that the annual financial statements are in agreement with the accounting records, summarized in the manner required by section 58(2)(d) of the Act and have done so by adopting such procedures and conducting such enquiries in relation to the accounting records as we considered necessary in the circumstances. We have also reviewed the accounting policies which have been represented to us as having been applied in the preparation of the annual financial statements, and we consider that they are appropriate to the business.

1. The "Duties of Accounting Officer" section of the report is best described as:
 - a. Negative Assurance statement
 - b. An agreed-upon procedure engagement
 - c. An audit engagement
 - d. All of the above

2. The impact of Schedule 3 to the Companies Act, Act 71 of 2008 on the Accounting Officer's Report, as extracted above, means that the Accounting Officer:
 - a. Has a duty to prepare and compile the Annual Financial Statements referred to
 - b. Is regarded as an internal compiler of the Annual Financial Statements
 - c. Has independently compiled the Annual Financial Statements
 - d. None of the above

3. The Accounting Officer's Report extracted above does not refer to any prescribed Accounting Framework, for example IFRS, IFRS for SME, SA GAAP; therefore users of the Annual Financial Statements may assume that:
 - a. Full International Financial Reporting Standards was applied in the presented Annual Financial Statements
 - b. The International Financial Reporting Standards for Small, Medium Enterprises was applied in the presented Annual Financial Statements
 - c. The South African Generally Accepted Accounting Practices was applied in the presented Annual Financial Statements
 - d. None of the above

4. The Report issued by the Accounting Officer means that, the presentation of the Annual Financial Statements is the responsibility of:
 - a. The members of Gatesville Bussing CC
 - b. The Accounting Officer of Gatesville Bussing CC
 - c. The internally appointed bookkeeper at Gatesville Bussing CC
 - d. None of the above

5. Given the report above, which of the following descriptors should be appearing on the first page of the Annual Financial Statements:
 - a. Not audited, not reviewed, independently compiled
 - b. Not audited, not reviewed, internally compiled
 - c. Not audited, independently compiled and reviewed
 - d. Unable to say as too little information is available

Refer to the Statement of Cash Flows below and answer Questions 6 to 15:

GATESVILLE BUSSING CC			
STATEMENT OF CASH FLOWS			
for the year ended 29 February 2016			
	Note	<u>2016</u> <u>R</u>	<u>2015</u> <u>R</u>
Cash flows from operating activities		924,539	907,030
Cash receipts from customers		5,920,758	4,943,974
Cash paid to suppliers and employees		(4,724,055)	(3,868,467)
Cash generated by operating activities	1	1,196,703	1,075,507
Interest received		-	-
Interest paid		(272,164)	(152,319)
Taxation Paid		0	(16,158)
Cash flows from investing activities		(506,000)	(458,450)
Fixed assets acquired		(506,000)	(458,450)
Cash flows from financing activities		(655,133)	(531,001)
Investments Made		(369,811)	-
Loans raised		(285,322)	(531,001)
(Decrease) in cash and cash equivalents		(236,594)	(82,421)
Cash and cash equivalents at beginning of the year		(40,170)	42,251
Cash and cash equivalents at end of the year		<u>(276,764)</u>	<u>(40,170)</u>
NOTES TO THE CASH FLOW STATEMENT			
(1) Reconciliation of loss on ordinary activities with cash generated from operations .			
Profit on ordinary activities		124,981	131,895
Adjusted for non-cash flow items		887,385	648,385

Depreciation	887,385	648,385
Interest Paid	272,164	152,319
Changes in working capital	(87,827)	142,908
Decrease in Creditors	(31,199)	(2,000)
Increase in Debtors	(56,628)	144,908
	<hr/>	<hr/>
	<u>1,196,703</u>	<u>1,075,507</u>

6. From the available information, Gatesville Bussing CC most probably has:
- An overdraft facility arranged with their bankers
 - Cash on Hand
 - Cash in the Bank
 - All of the above
7. The cash generated by operating activities is positive, hence:
- The business is not generating sufficient cash for self-funding of its operations
 - The business is generating sufficient cash to self-fund operating activities, despite utilizing overdraft facilities
 - The business is unable to pay finance servicing costs
 - None of the above
8. As Taxation Paid in 2016 is R0 (R16,158 – 2015) it means that Gatesville Bussing CC:
- Is not registered for VAT with SARS
 - Did not deduct PAYE or UIF from their employees
 - Did not make any provisional tax payments during 2016
 - Is not a registered income tax paying entity

9. It appears as if Gatesville Bussing CC had not paid any dividend to its members. If a dividend was paid, it would have been reflected in the Statement of Cash Flows, under or included in:
- Cash paid to suppliers and employees
 - Cash flow from operating activities
 - Cash from investing activities
 - Cash from financing activities
10. Year-on-year the interest paid increased by 78.7%. The increase in interest paid implies that:
- The additions to Property, Plant and Equipment in both years were financed by means of loans
 - The entity consistently utilized its overdraft facilities during the 2016 year
 - Both (a) and (b) are possible
 - Neither (a) nor (b) can be determined from available information
11. On investigating the Depreciation charge for the 2 years, it was found that the Gatesville Bussing CC depreciates the Busses acquired at the same rate as is allowed for the wear and tear allowances stipulated in the Income Tax Act. Busses are generally acquired for about 10 years or so, according to the members of the CC. Therefore:
- The depreciation policy presented as having been applied, was not applied
 - The wear and tear allowance rates prescribed by SARS is an acceptable policy to be applied in this instance
 - Whether or not the depreciation policy or the wear and tear allowance for busses is applied, does not affect cash flows
 - All of the above
12. As the bank account of Gatesville Bussing CC was in a credit balance at the end of both financial years, and on the basis of this Statement of Cash Flows, the Accounting Officer may conclude that:
- The entity is technically insolvent
 - The entity cannot pay its creditors when it falls due
 - The entity is illiquid
 - Can't come to any conclusion regarding solvency and liquidity without additional information

13. The operating cash flow ratio is an indication of the entity's ability to:

- a. Generate a positive cash flow from operating activities
- b. Pay its short-term obligations when they are due
- c. Convert its profits into cash or cash equivalents
- d. Generate sufficient cash to pay interest and dividends to investors

14. The cash interest cover ratio for the reporting period ended 2016 is:

- a. 4.4 times
- b. 2.5 times
- c. 3.4 times
- d. 21.8 times

15. The cash re-investment ratio measures the ability of the organization to generate cash from the acquired resources for expansions and replacement purposes. The ratio for the reporting period ended 2016 is:

- a. 198%
- b. 129%
- c. 236%
- d. 182%

Refer to the following extract and answer Questions 16 to 19:

Thabo Myeni, Professional Accountant (SA), is the CFO of Komatipoort Municipality. The Municipality placed a tender advertisement for a company to clean and maintain schools in the area. The company, Creative Enterprises CC, was awarded the tender with an annual value of R 3.6 million. The CEO of this company is Mrs. Myeni (the wife of Thabo Myeni).

The matter was raised by the Auditor-General about the tender being awarded to the business owned by a family member of a senior employee of the municipality. An investigation committee chaired by Thabo Myeni reviewed the tender process and recommended that all procedures were followed and that there was nothing suspicious in awarding of the above tender to Creative Enterprises CC.

16. As a member of the South African Institute of Professional Accountants, Thabo Myeni, could be cited by SAIPA for:

- a. misconduct
- b. violation of the Code of Professional Ethics
- c. nepotism
- d. violation of the regulations of the Municipal Finance Management Act (MFMA)

17. The appointment of Thabo Myeni as chairperson of the investigation committee may result in:
- a. a conflict of interest
 - b. violation of the independence as a Professional Accountant (SA)
 - c. influencing the decision of the committee
 - d. ethical dilemma
18. Which of the following is the best indication of the threats to the Code of Professional Ethics:
- a. self-interest threat
 - b. self-review threat
 - c. advocacy threat
 - d. intimidation threat
19. What advice would you have given Thabo Myeni to avoid the ethical dilemma resulting from the tendering process mentioned above:
- a. eliminate the tender submitted by Creative Enterprises
 - b. re-issue the tender for new applications
 - c. disclose a potential conflict of interest to the tendering committee
 - d. canvas amongst the tender committee members on behalf of his wife's business

Refer to the following extract and answer Questions 20 – 25

Nawal & Bosman Accounting Service, registered as an Accredited Training Centre (ATC) with SAIPA, was appointed as the Professional Accountants of Edu-developers.

Edu-developers are defined as entities that provide training and tuition services to learners and corporates. The center has an estimated annual turnover of R45 million.

This was a “major catch” in terms of the fees that will be generated from the services that will be performed, viz. accounting, taxation and administrative services. The principal member (Nawal) was concerned that the services rendered to the clients must be “the best the industry could offer” in order to have secured the clients as part of its core client base.

20. Nawal insisted that the client should be bound with a contract unlike the other clients with whom the business has a gentleman's agreement (verbal agreement). The contract that should be completed is a:
- a. Service Level Agreement (SLA)
 - b. Engagement Letter
 - c. Client Relationship Agreement
 - d. Business Contract

21. The contract for the services to be rendered to Edu-developers must **not** include:
- a. Basis of fees and the payment terms
 - b. Responsibilities of the services provider (Nawal & Bosman)
 - c. The ownership of the accounting records and working papers
 - d. Code of Professional Conduct
22. The service provider (Nawal & Bosman) can refuse to release the following on termination of the relationship with a client:
- a. Accounting records if they are maintained by the service provider
 - b. Working papers for the preparation of the financial statements
 - c. SARS e-filing profile
 - d. All of the above
23. In order to maintain the quality of the services rendered by Professional Accountants, it is important to implement the following in a practice:
- a. Risk management strategies
 - b. Workflow strategies and supervision
 - c. ISQC 1
 - d. Engagement Letter
24. The fundamental principles of ISQC 1 does not include the following:
- a. Leadership responsibility
 - b. Software that can compile financial statements in compliance with IFRS
 - c. Engagement performance
 - d. Independence and ethical requirements
25. The following should not be included in the engagement performance checklist to comply with the requirements of ISQC 1:
- a. Monitoring of the work performed
 - b. Methodology applied to execute the engagement
 - c. Competency of the staff rendering the service
 - d. Competitive fees charged for the services rendered

SECTION B CASE STUDY QUESTION

CASE STUDY:

[150 MARKS]

Background:

Hash-Singh CC, a formalised business entity, which was registered in December 1984, trades as Koo-lee Foods. It is a food manufacturing company based in Julius Industrial Park. This Industrial Park is situated in Rustenburg which is in the North West Province of South Africa. The business was founded in 1942 by the offspring of the Gani family who were sent as indentured labourers to South Africa from India. The business was built with the vision of establishing the spirit of entrepreneurship within the family and also to firmly entrench its position in the mainstream economy of South Africa.

Vision and mission statements:

Vision: To be the country's most admired business in providing affordable food products to the South African public

Mission statement: We aim to be the leading food manufacturer in South Africa. Furthermore, we aim to provide affordable products that will help with food security as well as alleviate poverty in South Africa.

Restructuring of the business:

The business has grown and diversified under the leadership of 4 generations and is now in a position to expand beyond being recognised as just a family business. Currently the only two members of the close corporation – Hash Ali (the CEO) and Sikh Singh (the MD) hold interests of 60% and 40% respectively. Hence, these two members agreed to convert the business from a close corporation into a private company with effect from 01 October 2015.

The rationale for the proposal was that one of the senior family members of the close corporation had recently married into an indigenous South African royal family from the North West Province. The strategy for the proposal was to provide 20% of the share capital to African blacks who have been working in the family business for the past 50 years.

After extensive and somewhat turbulent deliberations the management team under the leadership of the grand patriarch made the decision to register the new company under the name Lekkerbek Foods (Pty) Ltd (hereinafter referred to as "Lekkerbek Foods"). The grand patriarch decided to ask his son and an external Professional Accountants (SA) firm for two financing proposals for the company. He then asked his nephew, Mr Rajah Singh, who is also the head of the Accounting Department at Lekkerbek Foods, to interpret and advise him on the two proposals.

Proposals

Proposal 1:

The son of Hash Ali, who is an accountant with a bookkeeping qualification, recommended that 50 000 par value shares of R1 each be issued to the current members of the close corporation at a premium of 50 cents per share. He also proposed that 10 000 ordinary shares be issued at a premium of R1 to a trust registered for the African Black employees.

Proposal 2:

The external Professional Accountants, Azma & Zuane Inc., informed the board that the Companies Act 71 of 2008 no longer permits companies to have par value shares and thus recommended that the shares be changed to no par value shares. They also stated that the members of the close corporation can either acquire the shares by paying the issued price for it or the company can issue the shares utilising the shareholders' loan accounts.

Decision:

On the advice of Mr Singh, the members decided to implement the financial proposals made by the Professional Accountants, Azma & Zuane Inc. The cash was received in respect of the shares issued for the recommended consideration in proposal 1. Mr Singh further informed the shareholders (currently Hash Ali and Sikh Singh) that in terms of the proposal of the Professional Accountants they will be entitled to a refund of the cash paid for the shares, as the share capital must be reduced to a zero based on the principle of no par value shares.

Lekkerbek Foods was registered as a VAT vendor on the 31st of October 2015 and is classified as a Category A vendor for VAT purposes. The company has a financial year end on the last day of February every year. Lekkerbek Foods cannot be classified as a small business corporation for income tax purposes. It is a proudly South African resident company and can state that all its shareholders as well as employees are South African residents. The SARS Commissioner regards the production of food products as a food manufacturing process.

All amounts in the following questions exclude VAT unless otherwise stated:

Question 1:

Discuss which of the proposals suggested complies with the provisions of the Companies Act, Act 71 of 2008. Your discussion must be limited to the class and type of shares that will be issued in the formation of the company.

[2 marks]

Question 2:

Mr Rajah Singh advised his clients that the shareholders will be entitled to a refund of the cash paid by them for the no par value shares. This is because they have no value to be disclosed in the financial statements.

Discuss whether this interpretation and advice is true and correct in terms of the provisions of the Companies Act (Act 71 of 2008). [5 marks]

Question 3:

Record the journal entries that implement Proposal 1 from the case study above (narrations are required). [6 marks]

Question 4:

Disclose the information relating to share capital in the financial statements of Lekkerbek Foods for the reporting period ended 29 February 2016 in compliance with the accounting standards and Companies Act. [6 marks]

Question 5:

The Professional Accountants (Azma & Zuane Inc.) recommended utilising the shareholders' loan accounts for the purchase of shares in the company.

Discuss whether or not this recommendation complies with the Companies Act (Act 71 of 2008). [3 marks]

The Business Model

Lekkerbek Foods is one of the major employers, and its employees account for approximately 40 percent of the work force, in the Rustenburg area. The other inhabitants are employed in occupations serving the mining economy of the region and the informal sector such as street vendors and 'spaza shops'.

Hash Ali who regards himself as a social entrepreneur expanded the business by concluding supply chain management agreements and outsourced support services to start-up and SME businesses in the area as part of his transformation and growth strategy. Through this strategy he has developed a business community social networking system. This system has helped develop a close knit community in which employees socialise with one another on a personal level, their children attend school together and families meet on a regular basis.



The Accounting Department

The Head of the accounting department at Lekkerbrek Foods, Mr. Rajah Singh, has no formal accounting qualifications but he has 30 years of working experience as an accountant in the business. Mr Singh gets technical support on business and financial reporting matters from his trusted high school teacher, Mr Pillay. Mr Pillay retired about 10 years ago from his teaching profession and so his knowledge of accounting practices are outdated.

The senior staff in the accounting department are appointed based on sanguine (blood) lineage and generation hierarchy of the family tree. Often, the workplace occupational development of these appointments are under the tutelage and mentorship of Mr Singh. There has been continued resistance from Mr Singh to implement a fully automated accounting information system, despite requests by the board to look at a more integrated accounting solution that feeds into the business as whole.

Question 6:

Identify and motivate the potential financial information risks in the preparation of financial statements, that may result as a consequence of the Accounting Staff Recruitment Policy as well as the structure of the accounting department.

[8 marks]

Question 7:

Discuss the factors/elements that must be taken into consideration when determining whether the company requires a compilation, independent review or audit pursuant to the requirements of financial reporting in terms of the Companies Act, Act 71 of 2008.

[5 marks]

Question 8:

Discuss whether the Professional Accountants (SA) provide any type of “assurance” when performing a compilation engagement for their clients.

[3 marks]

Manufacturing Operations

The manufacturing department of Lekkerbek Foods Pty (Ltd.) uses marginal costing methods in determining the unit cost of their products. The accounting department prepares the inventory records using a costing method based on materials purchased and disregards manufacturing overhead costs in the calculations. The following was an extract from the draft financial statements prepared by Mr. Rajah Singh:

“Accounting Policies:

Inventory –

Inventory consists of raw materials, work-in-progress and finished goods which are measured at the marginal costing method and costs exclude production overheads using the last-in-first-out method.”

Question 9:

Provide a critique of the accounting policy for inventory included in the financial statements by Mr. Rajah Singh, in terms of, the financial reporting standards.

[6 marks]

Question 10:

Discuss the main differences between the marginal costing and absorption costing methods of valuing inventory in a manufacturing business. [4 marks]

Question 11:

Discuss whether the company can adopt marginal costing as a basis of measurement of inventory in the financial statements in order to comply with the accounting standards. [3 marks]

Question 12:

Discuss the consequences and financial implications of using the marginal costing method of valuing inventory in the Statement of Financial Performance and the Statement of Financial Position of the business. [4 marks]

Acquisition of Warehouse

The following information was extracted from the fixed asset register and appended notes for the reporting period:

A used warehouse with a cost of R1 200 000 and an open market value of R1 300 000 (fair value of R1 560 000) was purchased on 01 March 2015 from Mr. Moyo, a non-VAT vendor. Mr. Moyo is a South African resident. The warehouse is situated in Rustenburg. The correct transfer duty was paid on 15 April 2015. The property was registered in Lekkerbek Foods's name on the 03 May 2015 and the full purchase price of R1 200 000 was paid on the same date. Mr. Moyo is not a connected person to Lekkerbek Foods. The company took occupation of the warehouse on 4 May 2015 and 90% of the warehouse was leased to tenants in the area and the remaining section was used by the company for the storage of goods returned by customers. On 1 December 2015, Ms. Garuneesa Radebe-Ali the senior manager for Inventory Management recommended that 70% of the warehouse be used by the company as a centralized distribution point in order to mitigate the current risks and improve controls over logistics. The board agreed to implement the recommendation and appointed attorneys to terminate the lease agreements with some of the tenants. The total costs incurred to implement the recommendations amounted to R 68 400 (inclusive of VAT) and R 226 200 (inclusive of VAT) for legal fees and penalties for cancellation of the lease agreements respectively. Lekkerbek Foods received the invoice from the attorneys and the respective tenants on 20 December 2015 but only paid the respective amounts in full on 10 February 2016. At the date the company took occupation of the warehouse its fair value was R 1 750 000.

Question 13:

Discuss the income tax and VAT consequences, supported by calculations, of the purchase of the warehouse for the 2016 year of assessment. [14 marks]

Question 14:

Discuss how the legal costs and penalties paid by the company to implement the recommendation to occupy the warehouse should be treated for income tax and VAT purposes for the 2016 financial year of assessment. [6 marks]

Question 15:

Discuss how the implementation of the recommendation affects the recognition and measure of the warehouse in the financial statements in compliance with the financial reporting standards. [7 marks]

Question 16:

Record the journal entries to implement the Board's decision relating to the warehouse, in compliance with the financial reporting standards. [8 marks]

DELIVERY VEHICLE

On 01 August 2012 a delivery vehicle (not defined as a motor car) was purchased and this costed Lekkerbek Foods R340 000. On 31 August 2015 this delivery vehicle was involved in a major accident.

The insurance valuer regarded the vehicle as irreparable and that an amount of R 140 000 was paid in respect of the claim on 01 September 2015. The company sold the damaged vehicle to a "chop-shop" at a price of R62 700 (inclusive of VAT) on 01 September 2015. On 01 October 2015, a double cab bakkie (a motor car as defined), was purchased as a replacement delivery vehicle for R342 000 (inclusive of VAT), using all the proceeds from the insurance pay-out and the sale of the delivery vehicle. The balance was settled from the bank account of Lekkerbek Foods. The new delivery vehicle was brought into use immediately. It should be noted that delivery vehicles are depreciated at the same rate as the wear and tear allowance for income tax purposes. In terms of Interpretation Note 47, delivery vehicles are written off over a period of four years.

Question 17:

Calculate the effects of the above transactions on the taxable income of Lekkerbek Foods (Pty) Ltd for the 2016 year of assessment. You may assume the taxable income of Lekkerbek Foods is R12 500 000 before taking the above transactions into account. [11 marks]

Question 18:

Record the journal entries to recognize the destruction (insurance claim) and disposal of the vehicle in compliance with the financial reporting standards.

[8 marks]

Machinery Costs

At 01 March 2015 (the beginning of the current reporting period) the board decided that certain machinery used in the production process with a historical cost and carrying amount of R1 740 000 and R1 015 000 should be revalued. The gross replacement cost was estimated to be R2 400 000 and the estimated useful life and residual values were considered to be ten years and R180 000 respectively. The machinery was depreciated on the straight-line basis to reduce the carrying amount to its residual value of zero over an estimated useful life of 6 years.

Question 19:

Discuss the difference, if any, between the revaluation and fair value methods of measuring the carrying amounts of assets in the financial statements.

[6 marks]

Question 20:

Record the journal entries to implement the revaluation of the machinery for the reporting period ended 29 February 2016 in compliance with the financial reporting standards.

[10 marks]

Question 21:

Advise the board how the revaluation surplus should be treated over the remaining useful life of the machinery in the financial statements to comply with the financial reporting standards.

[6 marks]

Personal Use

Sikh Singh was given an iPad for personal use from 1 April 2015 for the remainder of the iPad's useful life. The iPad costed Lekkerbek Foods R7 980 (inclusive of VAT) on 1 March 2015. The iPad has a useful life of 3 years.

On 15 December 2015, Sikh Singh took trading stock for his own personal use which costed Lekkerbek Foods R7 500 and has the market value of R10 000.

Question 22:

Discuss, supported by calculations, the normal tax implications for Sikh Singh for the right of use of the iPad for the year of assessment ended 29 February 2016. [3 marks]

Question 23:

Discuss, supported by calculations, the normal tax implications for Lekkerbek Foods of the trading stock taken for personal use by Sikh Singh, the managing director of the company. [6 marks]

Other Matters:

Question 24:

In a short paragraph clearly explain why a company might use various sources of financing? [5 marks]

Question 25:

Why is it important that potential investors should consider non-financial factors before making their investment decisions?

Justify your answer with clear examples. [5 marks]

[GRAND TOTAL: 150]

END OF EXAM

Annexure A - Tax Tables

TABLE 1

RATES OF NORMAL TAX PAYABLE BY PERSONS OTHER THAN COMPANIES AND TRUSTS (BUT INCLUDING SPECIAL TRUSTS AS WELL AS INSOLVENT AND DECEASED ESTATES) IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Taxable Income		Rates of Tax
From R	But does not exceed R	R
0	181 900	0 + 18% of each R1
181 901	284 100	32 742 + 26% of the amount above 181 900
284 101	393 200	59 314 + 31% of the amount above 284 100
393 201	550 100	93 135 + 36% of the amount above 393 200
550 101	701 300	149 619 + 39% of the amount above 550 100
701 301		208 587 + 41% of the amount above 701 300

TABLE 2

TURNOVER TAX DUE BY MICRO BUSINESSES IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Turnover		Rates of Tax
From R	But does not exceed R	R
0	335 000	0
335 001	500 000	0 + 1% of the amount above 335 000
500 001	750 000	1 650 + 2% of the amount above 500 000
750 001	1 000 000	6 650 + 3% of the amount above 750 000

TABLE 3**RATES OF TAX FOR COMPANIES AND CLOSE CORPORATIONS (OTHER THAN MINING COMPANIES AND LONG-TERM INSURERS AND RETIREMENT FUNDS)**

Financial years ending during the period of twelve months ending 31 March 2016

Type of company**Rate of tax****Small business corporations**

Taxable income:

R0 – R73 650	0%
R73 651 – R365 000	7% of the amount over R73 650
R365 001 – R550 000	R20 395 + 21% of the amount over R365 000
Exceeding R550 000	R59 245 + 28% of the amount over R550 000

Personal service provider companies 28%**Companies** 28%**Secondary tax on companies**

until 31 March 2012	10%
Dividends Tax (effective from 1 April 2012)	15%

TABLE 4**REBATES: YEARS OF ASSESSMENT ENDED LAST DAY OF FEBRUARY**

	2016
	R
Primary	13 257
Secondary (65 years of age or older)	7 407
Tertiary (75 years of age or older)	2 466

MEDICAL SCHEME FEES TAX CREDITS: YEARS OF ASSESSMENT ENDED LAST DAY OF FEBRUARY

Under 65 years	2016 R
Taxpayer only	270 per month
Taxpayer plus one dependent	540 per month
Additional dependants	181 per month

TABLE 6

SCALE OF VALUES - TRAVEL ALLOWANCE

Value of the vehicle	Fixed cost	Fuel cost	Maintenance cost
R	R per annum	c per km	c per km
0 – 80 000	26 105	78.7	29.3
80 001 – 160 000	46 505	87.9	36.7
160 001 – 240 000	66 976	95.5	40.4
240 001 – 320 000	84 945	102.7	44.1
320 001 – 400 000	102 974	109.9	51.8
400 001 – 480 000	121 886	126.1	60.8
480 001 – 560 000	140 797	130.4	75.6
Exceeding 560 000	140 797	130.4	75.6

TABLE 7

Rental value of use of residential accommodation: $(A - B) \times \frac{C}{D}$

100 12

S10A: Capital portion of a purchased annuity: $Y = \frac{A}{B} \times C$

B

S10A: Capital portion on termination or commutation: $X = A - D$

TABLE 8

TABLE OF TAX LIABILITY ON RETIREMENT FUND LUMP-SUM BENEFITS IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Taxable amount	Rate of tax
Up to R500 000	0% of taxable income
Exceeds R500 000 but not R700 000	R0 + 18% of taxable amount above R500 000
Exceeds R700 000 but not R1 050 000	R36 000 + 27% of taxable amount above R700 000
Exceeds R1 050 000	R130 500 + 36% of taxable amount above R1 050 000

TABLE 9

TABLE OF TAX LIABILITY ON RETIREMENT LUMP-SUM WITHDRAWAL BENEFITS IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Taxable amount	Rate of tax
not exceeding R25 000	0% of taxable income
Exceeds R25 000 but not R660 000	R0 + 18% of taxable amount above R25 000
Exceeds R660 000 but not R990 000	R114 300 + 27% of taxable amount above R660 000
Exceeds R990 000	R203 400 + 36% of taxable amount above R990 000

TABLE 10

PRESCRIBED INTEREST RATES FOR FRINGE BENEFITS (per annum)

From 1/03/2011	6.5%
From 1/08/2012	6%
From 1/02/2014	6.5%
From 1/08/2014	6.75%
From 1/08/2015	7%