PROFESSIONAL EVALUATION
INITIAL PROFESSIONAL DEVELOPMENT (IPD)
COMPETENCY-BASED ASSESSMENT
ENGLISH QUESTION PAPER
03 NOVEMBER 2018

TIME: **4h30min**
MARKS: **200**

CASE STUDY		MARKS
	MULTIPLE CHOICE QUESTIONS	50
	CASE STUDY QUESTIONS	150
TOTAL		200

INSTRUCTIONS TO CANDIDATES

1. **PLEASE NOTE THAT THE CASE STUDY QUESTIONS AND MCQ'S ARE INTEGRATED.**
2. Answer all the questions.
3. **BEGIN EACH CASE STUDY QUESTION ON A NEW PAGE.**
4. The multiple-choice questions must be answered in pencil on the schedule provided. (MCQ answer sheet)
5. The case study questions must be answered in the answer book.
6. No pencil (with the exception of MCQ's) or tippex may be used.
7. Financial calculators are permitted.
8. Cellular phones may **NOT** be used as calculators.
9. If you wish any part of your work not to be marked, draw a clear line through it.
10. The question paper may be taken with you at the end of the examination.

CASE STUDY

Read the following case study and answer all questions

Kitchen Troubles

Background

Chef Canbah Nukesamy fuses a feeling of personality which places her within South Africa's superior chefs. Canbah's enthusiasm for culinary began as a young lady experiencing childhood in a normal South African home where day by day exercises were arranged around mealtimes. So, it was no wonder that Nukesamy has joined the multimillionaire South African chef group with a flair for philanthropy. Nukesamy is also a firm favourite with the South African audience for her SABC series "Cooking with Canbah".

While she was filming her latest episode, she received an alarming phone call, the person on the other end had bad news and so Nukesamy ordered her crew to stop filming. The message was brutal: Nukesamy's chain operation "Eat-your-heart-out (Pty) Limited, trading as Canbah's Curry Den is at financial risk, if she does not adhere to a business rescue plan. Canbah's Curry Den was formed in 2010 and expanded from a single outlet in Grey Street, Durban to 10 restaurants by the end of 2017. The restaurant was in serious trouble on the brink of bankruptcy and so a business rescue plan was crucial.

The caller warned Nukesamy that the majority owners of businesses who are in distress do not apply for business rescue soon enough. A main reason for this is that business owners think that business rescue is an alternative to liquidation. In fact, liquidation and business rescue are not interchangeable and so Nukesamy must not waste time and grab the opportunity to apply for business rescue before it has come and gone.

"Eat-your-heart-out" (Pty) Limited was formed with an authorised share capital of 10,000 ordinary shares of no-par value of which 4,000 shares were issued at a value of R 10.00 per share. Nukesamy paid for the costs amounting to R 12,000 from her personal bank account to establish and register the business. However, these expenses were not recognised in the accounting records of the business – the accountant stated that expenses incurred prior to the business being registered and incorporated cannot be recognised as a business expense.

Question 1:

Which of the following statements regarding Business Rescue Practitioners in South Africa are true;

(a) Every Professional Accountant (SA) is a Business Rescue Practitioner

(b) Business Rescue Practitioners may be registered as such only after meeting certain requirements

(c) SAIPA is not a controlling body for Business Rescue Practitioners which is recognized by the CIPC

(d) None of the above

Question 2:

The issued share capital should be recognised in the financial statements in compliance with the accounting standards and legislation as follows:

(a) share capital of R 4,000 and share premium of R 36,000

(b) share capital of R 40,000

(c) authorised share capital of 10,000 shares with a zero monetary value

(d) (b) and (c)

Question 3:

The expenses incurred before the business was registered and incorporated must be recognised in the accounting records as:

(a) not recognised as they are not business expenses

(b) recognised as business expenses immediately after the business was registered

(c) recognised as an investment by Canbah Nukesamy

(d) recognised as additional shares issued to Canbah Nukesamy

Question 4:

If the expenses incurred before the registration and incorporation of the business were recognised in the accounting records as "business expenses", then the expenses should be recognised for tax purposes as:

(a) a general deduction incurred in the production income

(b) an exemption because the expenses incurred are of a capital nature

(c) a special deduction in terms of pre-incorporation expenses

(d) a capital loss that can be rolled forward to be written off against capital gains

Question A:

Record the journal entry, together with an appropriate narration, during the current reporting period in order to recognise the expenses incurred before the registration and incorporation of the business in compliance with the accounting standards. Ignore deferred tax implications, if any, for this question. *[3 marks]*

No Money

Nine months after the business rescue plan processes took place Nukesamy was interviewed in her palatial home in the luxurious Balito estate where she plainly stated:

> *We had simply run out of cash, which I never expected. That is just not normal, in any business. You have quarterly meetings. You do board meetings. You comply with the King Codes, prepare IFRS compliant financials and taxation returns. People are supposed to manage that stuff.*

Her surprisingly sharp tone indicated that someone had let her down. During the interview Nukesamy referred to Mr. Mohlaba Professional Accountant (SA) numerous times. Mr Mohlaba Professional Accountant (SA) is the independent reviewer of the financial statements and Nukesamy was questioning why the financial statements did not identify the cash flow risk the business landed itself in. She was upset as she firmly believed Mr Mohlaba should have raised this matter when the financials were discussed for the finalisation of the financial statements.

Question 5:

If the business is experiencing business failure even though good corporate governance is complied with, then fingers must be pointed to the board and management. What is the primary purpose of corporate governance (King IV)?
(a) prevent business failures
(b) holding the board accountable
(c) using the five capitals for integrated reporting
(d) improving effective decision-making and accountability

Question 6:

In the modern era where business failures, corporate mismanagement and fraud is common place a greater emphasis on corporate governance is emphasised. King IV has become the main driver of corporate governance in South Africa. What is the primary objective of the principles of King IV?
(a) the triple bottom line
(b) ethical leadership and transparency
(c) risk management
(d) sustainability

Question B:

Discuss whether "IFRS for SME's compliance financial statements" should have identified and highlighted the cash and bankruptcy risks the business faced after the financial statements were finalised and signed off? [4 marks]

Question C:

Advise Canbah Nukesamy if she can sue the Independent Reviewer, Mr. Mohlaba for signing off the financial statements when the business faced bankruptcy a few months later. [4 marks]

<u>Financial Woes following Nukesamy</u>

This type of situation was not a new experience for Nukesamy as she was in a similar position a few years back. Nukesamy was the General Manager at "The Famous Maharani Hotel" in Durban when the business owner, Leemsa Kharawjee, started having difficulties in paying creditors in the ensuing six months. She was obligated to consider whether to place her restaurant in business rescue. Her situation was dire and, in another interview, Kharawjee commented:

> *I had two hours to put money in and save the business or the whole thing would go to down the gutters that day or the next day. It was as bad and dramatic as that.*

Nukesamy's Current Situation

Last year Nukesamy's current net worth was in the region of R20 million. For her to save the business she had no choice but to instruct her bankers to inject R 5 million of her savings into the restaurants. A further R 2.5 million of her money would follow over the next few months. Even so, R 7.5 million is not the kind of money you fork out with no return on the investment. The prevailing market interest rate for the business loans is 11.5%. Nukesamy stated that the money forwarded should be repaid after five years from the effective date the loan was granted.

To ease its operating cash flow challenges, Nukesamy stated that the VAT, PAYE and other tax liabilities due should be delayed. For her it was more important to use the cash to generate an income for the business, rather than meet its tax obligations. She further stated that the tax obligations will be settled before the end of the year of assessment. But for now, the focus should be on making sure there is sufficient money to meet operating obligations. Mr. Mohlaba, the independent reviewer, was informed about this decision by the accountant and was concerned about the impact it would have on his professional integrity and ethics.

Question D:
Discuss the importance for management to request risk management reports and cash flow statements at the quarterly meetings to better enhance the decision taken.
[5 Marks]

Question E:
Outline the procedures that should be followed by Mr. Mohlaba when performing the independent review of the financial statements for the reporting period ended 28 February 2018 in compliance with ISRS 2400 – Review Engagement. *[7 marks]*

Question F:
Record the journal entry for the cash forwarded by Nukesamy in compliance with the accounting standard for the reporting period ended 28 February 2018, if the effect date of the loan as a financial instrument was 01 December 2017. *[6 marks]*

Question 7:
Mr. Mohlaba should take the following action relating to the action of Nukesamy to delay the payment of taxes due to SARS
(a) apply NOCLAR and inform SARS about the intended action to violate legislation
(b) apply NOCLAR and inform Canbah Nukesamy that her decision violates the laws
(c) resign as the independent reviewer for the company
(d) report the matter to SAIPA

Question 8:

The interest and penalties incurred in respect of the late payment of taxes should be recognised in the financial statements as:
(a) finance costs in the IFRS for SME compliant financial statements
(b) operating expenses in the IFRS for SME compliant financial statements
(c) a non-deductible expense in the calculation of taxable income
(d) (a) and (c)

Question 9:

The cost of financing for using the tax obligations to fund operating expenses should be calculated as follows:
(a) zero as using the cash payable to SARS is not a financing activity
(b) interest rate charged on the late payments
(c) interest and penalties charged as a percentage of the tax obligations
(d) none of the above

Land Issues:

In 2014 Nukesamy's company purchased land located in Scottburgh, the South Coast of Kwa-Zulu Natal at a bargain price of R500,000. The reason for this purchase was to build a beautiful restaurant with a children's exclusive party venue. Due to other expansions in other provinces, the company was only due to start the building project in September 2018. On 31 January 2018 Nukesamy received a notification letter from the South African government stating that the land would be expropriated with effect from 22 June 2018. On 30 June 2018, the government paid R 300,000 to the company in full and final settlement for the land.

Question G:

Discuss how the land should have been classified and recognised in the accounting records when it was purchased in 2014 in compliance with the accounting standards.

[3 marks]

Question H:

Discuss how the land should be classified in the financial statements for the reporting period ended 28 February 2018 in compliance with accounting standards.

[5 marks]

Question I:
Discuss, supported by calculations, the income tax implications for the expropriation of the land for the year of assessment ended 28 February 2019.
[6 Marks]

Discounted Deals
The following schedule of estimated costs was presented by Ms. Valuppi, the accountant, in respect of the most popular dish:

Selling price per unit	R 165,00
Ingredients – cost per unit	R 45.00
Variable operating costs per unit	R 9.80
Variable marketing expenses per unit	R2.00
Fixed operating expenses for the period	R 76,000
Fixed salaries and wages cost for the year	R 1,980,000
Fixed administrative expenses	R 265,000
Estimated units sold under normal trading conditions	3,200
Budgeted units sold for the month	3,350

Nukesamy decided to introduce a reward system at two of its restaurants. The scheme was set-up in such a way that it allowed customers who purchased a sit-down meal on Wednesday evenings, to receive a 20% discount for their next meal, provided that the next purchase is made within 30 days of the previous meal. It is estimated that 400 customers will purchase sit down meals on Wednesdays and that only 75% of the customers will exercise the option within 30 days from the day of purchase. The accountant stated that the revenue generated from the scheme should be recognised based on the cash received.

Question 10:
A newly qualified Professional Accountant (SA) stated that the high-low method should be used when:
(a) determining the cost per unit using the absorption costing method
(b) operating costs are classified as step costs
(c) operating costs are classified as mixed costs
(d) applying relevant costing techniques

Question 11:

State which ONE of the following answers is the most correct answer. When calculating the overhead absorption rate the following units should be used:

(a) budgeted units produced for the period
(b) actual units produced for the period
(c) estimated normal units produced for the period
(d) budgeted units produced for the period, if it deviates significantly from the normal units produced

Question J:

Calculate the profit margin for the most popular dish using the absorption costing method. *[5 marks]*

Question K:

Calculate the break-even point for the month if the incentive scheme is implemented by the company. *[5 marks]*

Question L:

Discuss whether the statement made by the accountant relating to the recognition of the incentive scheme to customers complies with the accounting standards. Provide reasons for your answer.
If any, recommend the appropriate recognition treatment. *[8 marks]*

Question M:

Discuss how the incentive scheme offered to customers should be recognised for income tax and VAT purposes in complies with the legislation requirements. *[5 marks]*

New Image

Nukesamy decided in April 2017 to give her restaurants a facelift. She re-decorated her restaurants nationwide and also bought brand new accessories for each restaurant. Nukesamy undertook this renovation without being aware of the financial troubles the business was encountering. She contemplated the following options for the acquisition of cutlery and crockery for the refurbished restaurants:

(a) importing the cutlery and crockery from India at a quoted customs duty value of R 109,000. Non-refundable duties and surcharges of R 23,200 will be payable upon the importation.

(b) purchasing similar quality and quantity of cutlery and crockery from a local supplier (registered vendor) for R135,200 (inclusive of VAT).

Question N:

Advise Nukesamy, using relevant costing together with supporting calculations, what option should be used to execute the investment in the acquisition of the cutlery and crockery in terms of its policy to implement its new image. *[7 Marks]*

Kitchen Equipment

The financial statements at 28 February 2017 reflected kitchen machinery and equipment with a carrying amount of R 732,500 (accumulated depreciation of R 465,600) was depreciated on a straight-line to a zero carrying amount over an estimated useful life of five years. During discussions between Nukesamy and Mr. Mohlaba, it was discovered that the kitchen machinery and equipment was depreciated based on the capital allowance as prescribed by the Income Tax Act. The accountant stated that the non-current assets are depreciated using the capital allowances prescribed by the Income Tax Act to eliminate the problems of providing for deferred tax. Following lengthy deliberations, it was accepted that the kitchen machinery and equipment should be depreciated to a residual value of R 120,000 over a remaining useful life of five years.

Question 12:

Change to the depreciation policy of the company in compliance with the accounting standards should be implemented by:

(a) adjusting the accumulated depreciation amount for previous periods

(b) only adjusting the depreciation in the fixed asset register

(c) requesting SARS to grant the capital allowances based on the policy of the business

(d) Implementing the change with effect from the beginning of the current reporting period

Question O:

Record the journal entries including the effect of deferred tax implementing the decision to implement the change in the depreciation policy relating to kitchen machinery and equipment for the reporting period ended 28 February 2018 in compliance with the accounting standards.

[7 marks]

Building Costs

During the reporting period ended 28 February 2015 the company revalued its buildings with a cost of R 18,000,000 to its gross replacement cost of R 25,000,000. The building is depreciated on a straight-line basis to a zero residual value over an estimated useful life of twenty years, which is equivalent to the capital allowance as prescribed by the Income Tax Act. The buildings were acquired during 2010 when the business was established – accumulated depreciation was calculated for five years up to the reporting period ended 28 February 2015. At the reporting date ended 28 February 2018, the recoverable amount of the buildings was estimated to be R 9,500,000.

Question 13:

The deferred tax resulting from the revaluation of non-current assets should be calculated using the tax rate for:

(a) capital gains tax

(b) normal business tax

(c) depending on the intention for the use of the asset

(d) depending on the intention of recovering the future economic benefits of the asset

Question 14:

An impairment loss for the buildings should be measured as the difference between the carrying amount and its recoverable amount, based on the following:

(a) carrying amount under historical cost and the recoverable amount

(b) carrying amount under the revaluation method and the recoverable amount

(c) carrying amount under the revaluation and the historical cost methods

(d) revalued non-current assets cannot be impaired

Question P:

Record the journal entries; including deferred tax (using the normal tax rate), relating to the impairment loss, if any, for the reporting period ended 28 February 2018 in compliance with the accounting standards.

[12 marks]

Question 15:

The balance of the revaluation surplus after accounting for the impairment of the building should be accounted for as:
(a) reverse of the balance against the cost of the asset
(b) reverse of the amount against Other Comprehensive Income (OCI)
(c) leave for the balance for future use
(d) amortise for the balance over the remaining useful life of the asset

<u>Vehicles</u>

On 01 June 2017 management deliberated on the acquisition of a delivery vehicle at a cost of R380,000 excluding VAT and a commercial vehicle for the managing director at a cost of R190,000 excluding VAT. The financial manager provided the following options to finance the acquisition of the vehicles:

(a) leasing the vehicles for a period of four years at half-yearly instalments of R 105,575 (including VAT) payable in arrears with an effective interest rate of 12%, or
(b) loan payable by annual instalments of R 240,000 payable in arrears for a period of five years with an effective rate of interest rate of 14%.

Question Q:

Advise management on which financing option would be the most beneficial to the business, in order to finance the acquisition of both vehicles.

[6 marks]

Question R:

Record the journal entries for the acquisition of the vehicles if finance leasing was used as a basis of financing, in compliance with the accounting standards.

[4 marks]

Question S:

Disclose the note for the financial lease creditor in the financial statements, for the reporting period ended 28 February 2018, in compliance with the accounting standards.

[10 marks]

Question 16:

The estimated useful life of finance leased assets should be limited to:
(a) a lease period
(b) the estimated useful lives for the category of assets
(c) the useful life as prescribed by the Income Tax Act
(d) the period which gives maximum tax benefits to the business

Learnership and Award Programmes

The company engages in a learnership programme, which is duly registered in accordance with the Skills Development Act, 1998. Currently the company employs two persons in the learnership programme. The total cost for the 2018 year of assessment with regards to the salaries of these employees amounted to R200 000. The total costs for training incurred for both these employees for the 2018 year of assessment amounted to R80 400 (inclusive of VAT).

The following information relates to the learners in the learnership programme:

(a) Anele Khosi: Anele holds an NQF level 6 qualification and started her learnership on 01 November 2017. The learnership was expected to be completed on 30 June 2018.
(b) Anand Naidoo: Anand holds an NQF level 7 qualification and started his learnership with Penny on 01 October 2017 and the learnership was completed successfully on 31 January 2018. Anand is a disabled.

The company has a policy of awarding staff who have worked for the company for at least ten years with an award for long service. One of their employees, Malcolm Napier, completed his tenth year of employment with the company at the end of February 2018. Malcolm received a prestigious watch valued at R 11,000 and a cash amount of R 15,000.

Question 17:

The long service award received by the employee should be treated in the individual tax return for the 2018 year of assessment as:
(a) exempted from gross income as it is capital in nature
(b) only including the cash received as part of gross income
(c) including the value of the total consideration received as part of gross income
(d) capital gains

Question 18:

The VAT implications for the business in respect of the long service awards granted to the employee are in order:
(a) to claim the input tax on the value of the watch and cash received
(b) to claim the input tax only in respect of the value of the watch
(c) to charge output tax on the value of the watch
(d) to have no VAT implication on the total value of the awards granted

Question T:
Calculate the normal tax deductions that Curry Den (Pty) Ltd will be able to claim with regards to the employment of Anele Khosi and Anand Naidoo for the year of assessment ended 28 February 2018.

[9 Marks]

Question 19:
The financial benefits to business employing staff on a learnership programme is:
(a) acquiring cheap labour
(b) improving its BBBEE rating
(c) implementing the principles of corporate governance
(d) additional tax incentives that reduce the tax obligation

The following schedule was presented by the financial manager for the reporting period ended 28 February 2018:

	2018	2017	2016	Industry average
Current ratio	1.8 : 1	2.3 : 1	2.1 : 1	1.7 : 1
Quick ratio	0.6 : 1	0.9 : 1	0.7 : 1	0.4 : 1
Cash Ratio	1.1 : 1	1.5 : 1	1.3 : 1	1.1 : 1
Gross profit margin	56%	65%	50%	50%
Net profit margin	11%	10%	9%	9%
Interest cover	3.1	5.6	6.7	2.8
Operation fixed cost ratio	75%	60%	60%	65%
Operating cash ratio	78%	83%	67%	56%
Gearing ratio (debt-equity ratio)	5 : 2	4.5: 2	6.3 : 2	2 : 1
Asset cover ratio	56%	86%	76%	50%

Question U:
Draft a report to Nukesamy analysing the financial performance and financial position under the following headings:
(a) liquidity *[4 marks]*
(b) profitability and operating risk *[5 marks]*
(c) solvency and financial risk *[5 marks]*

Investment Portfolio:

Nukesamy holds a large investment portfolio which has been managed by FinAdvice (Pty) Ltd since 2014. FinAdvice (Pty) Ltd is a South African tax resident company. The portfolio management company levies a monthly management fee of R 2,500 for the services rendered to Nukesamy.

Nukesamy's investment portfolio is as diverse as her company. She holds investments in various parts of the world. Two of her most profitable investments are Alltech Investments and Starplus International.

Alltech Investments is a tax resident in the United Kingdom (UK) with a financial year that ends on the last day of February. On 01 June 2017 a gross dividend of R 35,830 (correctly converted to Rand) accrued to Nukesamy from Alltech Investments Plc (Alltech Investments). No foreign taxes were paid on the foreign dividend. Nukesamy holds 6% of the voting rights and equity shares of Alltech Investments.

Her second most profitable investment asset are her shares at Starplus International. Starplus International is listed on the Johannesburg Securities Exchange (JSE) and it is a company tax resident of Germany. Nukesamy holds 1% of the voting rights as well as equity shares. On 01 November 2017 a gross cash dividend of R20 000 (correctly converted to Rand) accrued to Nukesamy from Starplus International. The foreign tax paid on the foreign dividend amounted to R 2,000 and was correctly converted to Rand.

Question V:

Discuss the income tax implications, supported by calculations, of the above dividend transactions for Nukesamy for the year of assessment ended 28 February 2018.

[7 marks]

Settlement Discount:

It has been decided that the business should make maximum use of settlement discounts offered by suppliers. A **settlement discount** is where a business offers another business a **discount** when an invoice is paid early. This is usually a percentage **discount** if an invoice is paid within a specified number of days. In this case, the supplier granted the company a trade discount of 4% and an early settlement discount of 6.5% if the account is settled within 30 days from the invoice date. During June 2017 the business acquired goods with a cost of R 254,000 (including VAT). The accounting records indicate that the company made maximum use of the settlement discount offered by the supplier in respect of every purchase. However, due to the cash flow challenges the business encountered, the company settled the purchase only in June 2018, which was only settled after sixty days as per the terms and conditions.

Question W:

Record the journal entries for the above purchase transaction from initial recognition to the settlement of the supplies account, in compliance with the accounting standards.

[8 marks]

Question 20:

In terms of the VAT ACT, the input tax on the purchase transaction should be based on:
(a) R 254,000 (inclusive of VAT)
(b) R 198,253 (excluding of VAT)
(c) R 243,840 (inclusive of VAT)
(d) R 213,652 (inclusive of VAT)

Question 21:

The International Standard for Quality Control – ISQC1 is applicable to:
(a) Every member of a member body of the IFAC – International Federation of Accountants
(b) Only for Registered Auditors (SA)
(c) Any person who accepts appointment as Independent Reviewers
(d) None of the above

Question 22:

Identify the correct statement The Public Interest Score of a Company is:
(a) Prescribed by statute
(b) Used to determine the type of engagement that must be performed
(c) Used to determine the accounting framework to be applied
(d) All of the above

Question 23:

With reference to the Companies Act, Act 71 of 2008, the preparer of Annual Financial Statements:
(a) Need not be stated on the Financial Statements
(b) Must be a director of that company
(c) May be independently appointed
(d) Is also the Independent Reviewer thereof

Question 24:

Which of the following statements is false;
Continuous Professional Education for the Professional Accountant (SA) is
(a) compulsory
(b) solely at the discretion of the Professional Accountant (SA)
(c) affecting the Professional Accountant's (SA) good standing status at SAIPA
(d) a lifelong learning process

Question 25:

Which of the following statements is true;

The Close Corporation Act's requirement to appoint Accounting Officers to Close Corporations:

(a) has been recalled by the Companies Act, Act 71 of 2008

(b) is still applicable, even if the Close Corporation is independently reviewed

(c) has no consequences on the limited liability status of the Close Corporation and its members should an Accounting Officer not be appointed

(d) None of the above

ANNEXURE

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 28 FEBRUARY 2018

Taxable Income		**Rates of Tax**
From **R**	**But does not exceed** **R**	**R**
0	189 880	0 + 18% of each R1
189 881	296 540	34 178 + 26% of the amount above 189 880
296 541	410 460	61 910 + 31% of the amount above 296 540
410 461	555 600	97 225 + 36% of the amount above 410 460
555 601	708 310	149 475 + 39% of the amount above 555 600
708 311	1 500 000	209 032 + 41% of the amount above 708 310
1 500 001		533 625 + 45% of the amount above 1 500 000

TABLE 2

TURNOVER TAX DUE BY MICRO BUSINESSES IN RESPECT OF YEARS OF ASSESSMENT ENDING 28 FEBRUARY 2018

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 2018

Type of company	**Rate of tax**
Small business corporations	
Taxable income:	
R0 – R75 750	0%
R75 751 – R365 000	7% of the amount over R75 750
R365 001 – R550 000	R20 248 + 21% of the amount over R365 000
Exceeding R550 000	R59 098 + 28% of the amount over R550 000
Personal service provider companies	28%
Companies	28%
Dividends Tax (effective from 1 April 2012)	15%
Dividends Tax (effective from 22 February 2017)	20%

TABLE 4

REBATES: YEARS OF ASSESSMENT ENDED LAST DAY OF FEBRUARY

	2018 R
Primary	13 635
Secondary (65 years of age or older)	7 479
Tertiary (75 years of age or older)	2 493

TABLE 5

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

Under 65 years	2018 R
Taxpayer only	303 per month
Taxpayer plus one dependent	606 per month
Additional dependants	204 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 – 85 000	28 492	91.2	32.9
85 001 – 170 000	50 924	101.8	41.2
170 001 – 255 000	73 427	110.6	45.4
255 001 – 340 000	93 267	118.9	49.6
340 001 – 425 000	113 179	127.2	58.2
425 001 – 510 000	134 035	146.0	68.4
510 001 – 595 000	154 879	150.9	84.9
Exceeding 595 000	154 879	150.9	84.9

TABLE 7

Rental value of use of residential accommodation: $(A - B) \times \frac{C}{100} \times \frac{D}{12}$

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

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 28 FEBRUARY 2018

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 28 FEBRUARY 2018

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%
From 1/12/2015	7.25%
From 1/02/2016	7.75%
From 1/04/2016	8%
From 1/08/2017	7.75%

TABLE 11

Effective from 1 April 2018, the VAT rate increases to 15%.

Therefore, the tax fraction (as defined in section 1(1) of the VAT Act) becomes 15/115.

TABLE 12 Employment Tax Incentive

Monthly remuneration	Per month during the first 12 months of employment	Per month during the next 12 months of employment
Less than R2 000	50% of monthly remuneration	25% of monthly remuneration
R2 000 or more but less than R4 000	R1 000	R500
R4 000 or more but less than R6 000	Formula R1 000 – (0.5 × (Monthly remuneration – R4 000)	Formula R500 – (0.25 × (Monthly remuneration – R4 000)
R6 000 or more	Nil	Nil