UNAM
UNIVERSITY OF NAMIBIA

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School	School of Accounting		
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FIRST OPPORTUNITY EXAMINATION

Examiner	Prof. E. WEALTH
Moderator	Ms. E. MACHAYA

This question paper consists of **6 pages** (including this front page).

Instructions

1. Make sure that you are writing the correct examination paper.
2. *To earn full marks support your answers with calculations and reasons where applicable.*
3. Start each question on a new page.
4. No pencil work will be marked.
5. Answer all questions.
6. Use of a non-programmable pocket calculator is permissible.

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QUESTION 1 **[36 MINUTES] [20 MARKS]**

Carefully scrutinize the following statements presented to you and indicate whether each statement is true or false. Each question carries one mark.

1. Before any expense may be deducted in the determination of taxable income it must actually produce income in the same year of assessment.
2. Namibian dividends received by non-residents are exempt from normal tax.
3. The tax-free threshold for individuals in Namibia is N$50 000.
4. Assessed losses are carried forward indefinitely in Namibia.
5. Capital allowances are non-deductible because they are expenses of a capital nature.
6. A manufacturing company repainted its worn-out factory walls. This expenditure is deductible for tax purposes.
7. Because employment is not a trade, no expenditure relating to employment may be deducted under s17.
8. Recoupment on sale of a capital item constitutes gross income.
9. In order to be 'actually incurred', an expense must be paid.
10. A restraint of trade payment is a capital receipt in the hands of the recipient, but included as gross income in his hands.
11. The word 'amount' as used in the definition of gross income requires that the receipt or accrual must have a monetary value.
12. The receipt or accrual of rentals by a property owner does not constitute a 'trade' being carried on by him.
13. Income from dividends and interest constitute trade.
14. A natural person received interest from Nampost during the current year of assessment. Such interest is exempt income.
15. The Namibian tax system is based on the source principle and not the residence principle, meaning all residents and non-residents are taxed on the same basis in respect of income.
16. If compensation is given out of the taxpayer's negligence, then that expense will not be incurred in the 'production of income'
17. If a taxpayer sells his only house and this is the first time that he has ever sold fixed property, it means that the proceeds must be capital in nature
18. Leasehold improvements made by a lessee to the property of a lessor are included in the lessor's gross income only when completed.
19. If an asset is sold at a profit, this is evidence that the proceeds on disposal represent gross income.
20. To be included in the taxpayer's gross income in a year of assessment, the receipt or accrual must occur during that year of assessment.

QUESTION 2 **[54 MINUTES] [30 MARKS]**

James Nakale, a Namibian resident, retired on 30 June 2025 at the age of 60 years. He has worked as a translator for a total of 30 years for a Chinese company. During his career, he has worked for 10 years in China, 5 years in Zambia and the remaining years in Namibia. He permanently moved to Namibia in 2010 and has been working at the Windhoek branch since then.

The following information relates to his 2026 year of assessment:

	Note	N$
Salary from Employer	1	???
Housing Benefits	2	???
Lump sum from Employer	3	355,000
Rent received from his commercial property	10	28,000
Interest received	4	62,200
Dividends received from a local company		30,000
Education Policy Income	5	240,000
Pension received	6	???
Annuities received	7	16,000
Receipts from gambling	9	6,400
Alimony received	8	???
Restraint of trade		36,000

Additional information:

1. James Nakale received a monthly salary of N$90,000.
2. His employer granted him a housing loan of N$900,000 in terms of an approved housing scheme. According to the agreement, the interest James Nakale would pay is 7% per annum on the loan granted. The outstanding balance on the loan became due and payable on retirement. Assume an official interest rate of 15%.
3. Upon retirement, James Nakale received a lump sum from his employer that included a long service award of N$180,000 as well as his leave day's pay-out of N$65,000.
4. During the year James Nakale received interest from his investments. These were received as follows:

• Investment in Treasury Bills issued by the Republic of Namibia	N$ 50,200
• Interest from Nampost Post office account	N$ 3,000
• Interest from Bank Windhoek savings account	N$ 9,000
	N$ 62,200

5. On 01 August 2025, James Nakale received a lump sum upon the maturity of an education policy taken out for the education of his children. In the current year, he had contributed N$70,800 towards the education policy. N$120,000 was spent on tuition fees of his 21 year old daughter studying at NUST, N$80,000 on tuition fees of his 28 years old son studying at UNAM and the remaining N$40,000 was not used for educational purposes.
6. James Nakale received a monthly pension of N$14,000 as of 1 August 2025. The pension relates to the 30 years of service for the Chinese company. He had made pension contributions amounting to N$98,000 for the 2026 year of assessment.
7. James Nakale receives a monthly annuity from Sanlam (Pty) Ltd for which he paid N$840,000. The contract was concluded on 31 December 2025, and the first annuity of N$8,000 was received 2 January 2026. Assume a life expectancy of 14 years.
8. James Nakale also received N$10,600 monthly income as part of a divorce settlement from his ex-wife for the maintenance of their children. The payments on the settlement started 1 July 2025.
9. James Nakale was lucky to win in his first gambling match.
10. James Nakale incurred the following expenses in maintaining his commercial property:
    (i) Repainting the property at N$3,200
    (ii) Repairing damaged windows at N$1,150
11. James Nakale incurred N$485 in insurance premiums towards his personal vehicle.
12. During the year as he was driving to his doctor for his regular medical check-ups, he was fined an amount of N$350 for over speeding.

Required: Calculate James Nakale's tax liability for the year ended 28 February 2026. Show all workings and support your answers with brief reasons where possible and also indicate with brief reasons where there are no tax implications or adjustments.	**(30 marks)**

QUESTION 3 [27 MINUTES] [15 MARKS]

You are a tax consultant. The following tax matter is presented to you.

Matter

On 25 December 2025 Mr Kefas Pandeni (a 25 -year-old male) decided to buy a small house, renovate it and rent it out in order to earn additional income. The purchase price was N$1 500 000. Although the property is old, it only required limited work before it could be let. The renovations were started on 1 January 2026 and completed on 25 February 2026.

The first tenant moved in on 1 March 2026 (paying a monthly rental of N$9 000), after Kefas had effected the following renovations:

	N$
Replacement of damaged carpets with wooden floors	20 000
Installing a security system	35 000
Painting of the exterior and interior walls of the house	20 000
Landscaping the garden (the house did not have a garden before, only grass)	15 000
Total cost	**90 000**

Required: Write an email to Mr Kefas Pandeni explaining to him with reference to section 17(1) (d) and case law, whether the renovation expenses he incurred will be deductible for income tax purposes during his 2026 year of assessment.	**(15 marks)**

QUESTION 4 [36 MINUTES] [20 MARKS]

Sharon Williams is a non-resident; she is a resident of the USA, and works as an administrator in the US embassy office in Windhoek, Namibia. Her salary gets paid by the US Head Office in Washington DC (USA) into her bank account in the USA.

Her income for the year was as follows:

	Note	NAD
Salary		930 000
Dividend income	1	79 400
Revenue from contract work	2	52 000
Interest received	3	12 000
Royalties received	4	36 500

Notes:

1. The dividends earned by Sharon Williams are from her share investments in Bank Windhoek shares. These were paid out to her during August 2025.
2. Sharon Williams owns a small luxury ship. In her spare time, she uses the ship to work on small contractual work delivering goods from Walvis Bay to Lüderitz.

3. The interest received was from a NamPost Savings Bank Account she opened when she arrived in Namibia.
4. During her stay in Namibia, Sharon Williams wrote a book titled: "My Namibian Experience". A local publisher agreed to publish and market her book and pays her royalties.

Required: Calculate Sharon Williams' taxable income for the 2026 year of assessment. (Include reasons and explanations for all the amounts in your answer)	**(20 marks)**

QUESTION 5 **[27 MINUTES] [15 MARKS]**

Jost (Pty) Ltd ("Jost") is a manufacturer that operates a factory. The company has a 28 February financial year-end.

The management of Jost decided to replace the cement floor of the factory with tiles after the floor sustained damage during the company's manufacturing operations.

Dirk Olivier, a contractor, submitted a quotation for N$150 000 to perform the work. Jost accepted the quotation.

Jost and Dirk agreed that payment for the work will not be made in cash, but by the issue of 100 Jost shares to Dirk.

Dirk Olivier completed the work on 15 January 2025 and 100 Jost shares were allotted to Dirk on the same date. The market value of Jost shares was N$1 500 per share on this date.

Required: a) Discuss whether the above-mentioned transaction will result in any gross income in the hands of Dirk Olivier. b) Discuss whether the above-mentioned transaction will result in any deduction for Jost (Pty) Ltd. Your answer should refer to applicable case law (court cases).	**(5 marks)** **(10 marks)**

APPENDIX

INDIVIDUAL INCOME TAX	
TAXABLE INCOME (N$)	**ANNUAL RATES OF TAX (N$)**
0 – 100 000	Not taxable
100 001 – 150 000	18% for each N$ above 100 000
150 001 – 350 000	9 000 + 25% for each N$ above 150 000
350 001 – 550 000	59 000 + 28% for each N$ above 350 000
550 001 – 850 000	115 000 + 30% for each N$ above 550 000
850 001 – 1 550 000	205 000 + 32% for each N$ above 850 000
Above 1 550 000	429 000 + 37% for each N$ above 1 550 000

THE END