QUESTION ONE

In *Natal Estates Ltd v SIR* a taxpayer who subdivided farm land and sold the erven was held to be liable for income tax on the proceeds. In *Berea West Estates (Pty) Ltd v CIR*, a taxpayer who subdivided land and sold it was held not to be liable. In *Elandsheuwel Farming Edms Bpk v SBI*, a company which sold a farm without subdividing it was held to be taxable on the proceeds. Explain the *ratio* of each of these three decisions and discuss the extent (if any) to which these decisions are in conflict with each other.

(30 marks)
QUESTION TWO

It used to be widely believed, amongst tax lawyers, that an amount, received by or accruing to a taxpayer did not have the quality of “income” (and therefore did not have to be included in the taxpayer’s gross income) unless it was either money, or capable of being turned into money.

YOU ARE REQUIRED TO –

(a) Explain the basis of the aforementioned belief, in other words, on what legal principles or decisions of the courts was it based?

(b) Explain whether (and if so how) the law in this regard has been changed by the 2007 decision of the Supreme Court of Appeal in *Commissioner for the South African Revenue Service v Brummeria Rennaissance (Pty) Ltd.*

(There is no division of marks between (a) and (b) and the answer will be marked as a whole.)

(30 marks)

QUESTION THREE

*In Port Elizabeth Electric Tramway Co Ltd v CIR*, the taxpayer company was held to be entitled to deduct damages payable by it as the result of a motor accident involving one of its buses. In *Joffe and Co (Pty) Ltd v CIR*, it was held that the taxpayer company was not entitled to deduct damages which became payable as the result of an accident which occurred in the course of the construction of a building. Explain the principles which underlie the decisions in these two cases and discuss whether they are in conflict with one another.

(30 marks)