



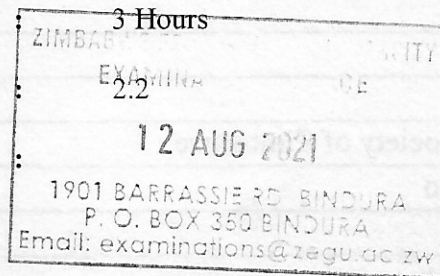
ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 206
COURSE TITLE : TAX LAW AND PRACTICE
DURATION : 3 Hours
LEVEL : 2.2
DATE : 12 AUG 2021



INSTRUCTIONS TO CANDIDATES:

1. Answer ALL FOUR questions .
2. Each question carries 25 Marks.
3. Start each question on a new page of your answer sheet

QUESTION ONE

Chamboko and Khumalo are legal practitioners operating in Harare. Their profit sharing ratio is 3:2 respectively. The partnership's business activities for the year ended 31 December 2020 were as follows.

Revenue		55 680
Cost of Revenue		(36 900)
Gross profit		18 780
Rental income from a joint owned property in USA		600
Interest received from a commercial bank		58
Bad debt recovered		750
		20 188
Less expense		
Salaries -staff	4 000	
-Chamboko	3 000	
-Khumalo	3 500	
Depreciation	790	
Advertising	300	
Bad debts	80	
Dividends declared	2 000	
Joint life policy	100	
Subscriptions to Law Society of Zimbabwe:		
- Chamboko	150	
- Khumalo	150	
Rent, rates and electricity	110	
General expenses	230	
Subscriptions to Golf Club-Chamboko	100	
- Khumalo	130	
Medical aid contributions- Chamboko	360	
- Khumalo	300	
Pension contributions- Chamboko	240	
- Khumalo	180	(15 720)
Net revenue		4 468

Additional Information:

- i. Part of the general expenses of \$US150 was a penalty paid to ZIMRA for late remittance of Value Added Tax.
- ii. Drawings made by the partners: Chamboko US\$1900;
Khumalo US\$2300
- iii. Fixed assets at hand as at 1 January 2020 were as follows:

	Cost	ITV
Office furniture	600	150
Office Equipment	1 500	150
2 Nissan Hard body Twin cabs for partners (2700cc)	20 000	4 000

Required:

a) Compute the joint partnership's taxable income for the year ended 31 December 2020.

[18marks]

b) Compute the minimum tax payable by each partner for the year ended 31 December

[7marks]

[Total 25marks]

QUESTION TWO

Peter disposed of the following marketable securities and a factory building during the year ended 31 December 2020:

	Date acquired / constructed(US\$)	cost(US\$)	Market value(US\$)
Marketable securities			
15 000 quoted shares	2016	15 000	30 000
10 000 unquoted shares	2015	5 000	10 000
2 000 unquoted bonus shares	2018	0	2 000
Factory building:			
Land	2014	100 000	150 000
Factory building	2015	120 000	180 000
Factory wall	2017	30 000	50 000

Peter donated the 15 000 quoted shares to his two sons on 5 May 2020. He then sold the unquoted shares together with the bonus shares at their market value on 15 May 2020.

The sale proceeds of the land, factory building and factory wall were paid in accordance with the agreement of sale signed on 10 June 2020.

Required:

Calculate the capital gains tax (CGT) payable by Peter for the year ended 31 December 2020. Your answer should include brief explanations of your treatment of the donated shares and the sale of the bonus shares.

[25

marks]

[Total 25marks]

QUESTION THREE

SEKAI Limited is a category C value added tax (VAT) registered operator. The following information refers to SEKAI's trading operations for the month of May 2020. All figures are stated inclusive of VAT, where applicable.

(1) Turnover	US\$
Supply of standard rated goods	30 00
Supply of zero rated goods	10 00
Defective goods returned	<u>(8 000)</u>
	32 000

10% of the defective goods returned are zero rated.

(2) Purchases (all standard rated)	US\$
Domestic goods to make taxable supplies	18 000
Goods returned for poor quality	<u>(4 000)</u>
	14 000

Domestic goods valued at US\$6 000 were procured from non-VAT registered traders.

(3) Non-current assets purchased	US\$
Passenger motor vehicle, engine capacity, 3 300cc	20 000
Furniture and fittings	12 000
Computer equipment	<u>3 000</u>
	35 000

The passenger motor vehicle was allocated to the Human Resources manager.

(4) Other expenses	US\$
Salaries and wages	10 000
Medical aid contributions	2 000
Office building rent	6 000
Depreciation	3 500
Stationery	1 800
Repairs and maintenance	2 500
Interest on overdraft	<u>1 500</u>
	27 300

The office building rent was paid to the owner, Mr Moyo, who is not registered for VAT.

Required

(a) Calculate the non-deductible input value added tax (VAT) for SEKAI Limited for the month of May 2020. [6 marks]

(b) Calculate the VAT payable by or refundable to SEKAI Limited for the month of May 2020. Note: You should indicate by the use of a zero (0) any amounts on which VAT is not chargeable or not reclaimable. [19 marks]

[Total 25marks]

QUESTION FOUR

a) A company had an unredeemed balance of capital expenditure of \$200,000 as at 1 Jan 2016. Current capital expenditure is \$120,000; during the year the company sold machinery for \$40,000. The mine estimates its life of mine to be four years from the end of the year of assessment. Calculate the capital redemption allowance for all the four years [10 marks]

b) "Low rate of corporate taxation attracts more Foreign Direct Investment." Discuss [15marks]

[Total 25marks]

END OF EXAMINATION QUESTION PAPER