



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

**FACULTY OF BUSINESS, ECONOMICS AND  
ACCOUNTING**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**MAIN EXAMINATION PAPER**

<b>COURSE TITLE</b>	<b>TAX LAW AND PRACTICE</b>
<b>COURSE CODE</b>	<b>CAC 206</b>
<b>DURATION</b>	<b>3 Hours</b>
<b>LEVEL</b>	<b>2.2</b>
<b>DATE</b>	<b>07 FEB 2022</b>

**INSTRUCTIONS TO CANDIDATES:**

1. No cell phones are allowed in the examination venue.
2. Answer **all** questions.
3. Non-programmable calculators may be used
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets [ ]
6. You may bring into the examination unmarked copies of:

**INCOME TAX ACT (CHAPTER 23:06)**

**CAPITAL GAINS TAX (CHAPTER 23:01)**

**FINANCE ACT (CHAPTER 23:04)**

**VAT ACT (CHAPTER 23:12)**

### QUESTION ONE

Mr Gutu, who is 50 years old, purchased a principal private residence (PPR) and incurred a cost of \$45 000 Zimbabwe Dollars in August 2008. This property was sold on 30 June 2016 and US\$90,000.00 was realized.

#### Required

- a) How much capital gains tax is payable?
- b) If Mr Gutu used US\$50,000.00 to buy another PPR, what will be the capital gains tax payable?

Assuming the property referred to in a) and b) above was purchased on 10 May 2010 for US\$60,000.00 and sold on 30 June 2017 for US\$90,000.00

- c) How much is the capital gains tax payable?
- d) If Mr Gutu used US\$75,000.00 to buy another PPR, compute the capital gains tax payable?
- e) If Mr Gutu used US\$100,000.00 to buy another PPR, compute the capital gains tax payable. **(25 marks)**

### QUESTION TWO

(a) A friend has been in business for many years and his business consists solely of the supply of VAT Zero-rated goods and services. Advise him what is meant to be trading in zero-rated goods and services and its effects on VAT liability and registration. **(7 marks)**

(b) The friend also operates another business in Bikita selling car parts, registered for VAT purposes as Muredzi Spares (Pvt) Ltd. During September 2017 the business had the following transactions (all amounts exclude VAT):

	US\$
Sales	864 000
Local sales	800 000
Mozambique	64 000
Purchases local	469 000
Purchases of spare parts from Japan	80 000
Purchases of spares from South Africa	20 000
Wages	12 000.
Insurance	6 000
Accounting fees	5 000
New car (passenger motor vehicle)	25 000
New machine to make some spares	125 000

Diesel for car	8 000
Petrol for truck	1 000
Lease payment for machine	4 000
Fiscal device	1 500
Teas & Refreshments	5 500

**Required**

Calculate the VAT liability or refund for Muredzi Spares (Pvt) Ltd for the month of September. **(18 marks)**

**QUESTION THREE**

A company starts mining operations in year 1 which was not productive. The life of the mine is estimated at 6 years from year 2 when the mine begins to produce minerals.

The following expenditure was incurred in year 1: \$

Buildings	90,000.00
Plant	35,000.00
Shaft sinking	20,000.00
Goodwill written-off	9,000.00
Salaries and wages	15,600.00
Administration expenses	10,000.00
Mazda 626 sedan	<u>11,500.00</u>
	<b><u>191,100.00</u></b>

In year 2 minerals are sold for \$610,000.00 and old plant equipment was disposed realizing \$11,200.00. The following expenditure was incurred in year 2:

	\$
Machine	12,000.00
Goodwill written-off	9,000.00
Running expenses	35,000.00
Shaft sinking	25,000.00
Administration costs	23,500.00
Salaries and wages	18,900.00.

**Required:**

Calculate the taxable income for the company for year 2 when using the Mixed Method to compute capital redemption allowance (CRA): **(25 marks)**



Rent and rates	100 000	
Water and electricity	-39 000	(911 100)
Net profit		<b>596 700</b>

Notes

1) Salaries and wages comprised the following:

- Susan 60 000
- Sarah 60 000
- General staff 150 000
- Contract workers wages 30 000

2) Repairs were made up of the following:

- Extension of warehouse for finished goods 70 000
- Replacement of worn out machinery 65 000
- Consultant's fees for servicing of machinery 35 000
- Pre-payments to suppliers of equipment maintenance services 30 000

3) Donations were made to the 12th ZANU PF People's Congress held in Mutare.

4) General expenses comprised the following:

Penalty for late payment of VAT	3 000
Pension contributions – staff	15 000
- Susan	66 000
- Sarah	66 000

5) The profit on disposal was realized from the sale of equipment for \$ 700. It was initially purchased for \$ 1 000 and its I.T.V at the time of sale was \$ 400.

6) The partnership profit sharing ratio is 4:5 respectively.

Required:

**Calculate each partner's taxable income for the year ended 31 December 2017.  
(25 marks)**

END OF EXAMINATION PAPER