



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 215 04 JUL 2022
COURSE TITLE : TAXATION
SPECIAL REQUIREMENTS : INCOME TAX ACT
FINANCE ACT
VAT ACT AND CAPITAL GAINS ACT
DURATION : 3 Hours
LEVEL : 2.1
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **ALL** questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

QUESTION ONE

CB (Private) Limited has a staff compliment of four permanent employees. The employees' basic annual salaries for the year ended 31 December 2021 are detailed below:

	US\$
Employee 1	3 200
2	6 000
3	8 500
4	9 000
	<hr/>
	26 700

CB (Private) Limited is registered with the National Social Security Authority (NSSA) in terms of the statutory requirements. The company has always remitted the monthly NSSA contributions within the stipulated deadlines except for the months of October and November 2021, both of which amounts were still outstanding as at 31 December 2021.

Required:

- (a) State by when employers are required to register with the National Social Security Authority (NSSA). [1 mark]
- (b) State by when CB (Private) Limited should have remitted the NSSA contributions for the months of October and November 2021. [1 mark]
- (c) State the measures put in place by the NSSA to ensure compliance with the stipulated remittance deadlines. [2 marks]
- (d) (i) Calculate the amount which should have been remitted to the NSSA by CB (Private) Limited for the month of October 2021, together with any additional amount due as at 31 December 2021 as a result of the measures detailed in (c) above. [4 marks]
- (ii) Calculate the ordinary contributions which should have been remitted to the NSSA by CB (Private) Limited for the year ended 31 December 2021. [2 marks]
- [10 marks]

- a) Nobahle is a Zimbabwean who has been out of the country for some time now. He approaches you for advice on whether the following amounts are taxable or not. Advise him with the aid of celebrated cases or appropriate law if possible on the following:

- 1) Director's fees received from a company, with its head office in Zimbabwe but has a representative office in Botswana where he used to work as an executive director, the amount is \$3 000 [2 marks]
- 2) He received royalties from a book he wrote whilst outside Zimbabwe [2 marks]
- 3) He received rent income from a property in Zambia. [2 marks]
- 4) He is receiving an annuity of \$200 out of a contract he signed whilst ordinarily resident in Zimbabwe. [2 marks]
- 5) He received dividends from a South African Company of \$9 000, net of \$1 000 expenses. [2 marks]

b) In January 2015 Tamuka acquired a lorry for \$16 000 which was to be used for the purpose of trade. The taxpayer elected to claim the maximum allowances available in terms of the 4th schedule. In June 2018 the lorry was scrapped as it had been involved in an accident and was damaged beyond repair. The taxpayer sold the scrap to a local garage for an amount of \$2 000.

Required

Calculate the scrapping allowance available to the taxpayer [5 marks]

[TOTAL 25 marks]

QUESTION TWO

Peter disposed of the following marketable securities and a factory building during the year ended 31 December 2021:

	Date acquired/ constructed	Cost (US\$)	Market value (US\$)
Marketable securities:			
15 000 quoted shares	2017	15 000	30 000
10 000 unquoted shares	2016	5 000	10 000
2 000 unquoted bonus shares	2019	0	2 000
Factory building:			
Land	2015	100 000	150 000
Factory building	2016	120 000	180 000
Factory wall	2018	30 000	50 000

Peter donated the 15 000 quoted shares to his two sons on 5 May 2021. He then sold the unquoted shares together with the bonus shares at their market value on 15 May 2021.

The sale proceeds of the land, factory building and factory wall were paid in accordance with the agreement of sale signed on 10 June 2021.

Required:

Calculate the capital gains tax (CGT) payable by Peter for the year ended 31 December 2021. Your answer should include brief explanations of your treatment of the donated shares and the sale of the bonus shares. [25 Marks]

[TOTAL 25 MARKS]

QUESTION THREE

Richard Skill was a teacher at a public school for ten years until his resignation on 31 July 2021. His employee's tax certificate (form P6) for the seven-month period to 31 July 2021 is detailed below:

	Note	US\$
Earnings		
Salary		12 500
Cash in lieu of leave		2 400
Accommodation allowance		3 000
Transport allowance		1 800
Educational benefit	1	6 000
Deductions		
Pension contributions	2	5 300
Professional subscriptions		500
Life insurance policy		700
Medical aid contributions		1 500
PAYE		4 500

Notes

- 1 The educational benefit is in respect of the tuition and levies for Richard's four minor children.
- 2 Included in the pension contributions is Richard's NSSA contributions for the period. Richard has always been a part-time special needs teacher at a private college close to his home. The details of his earnings and deductions from this employment for the year ended 31 December 2021 are as follows:

	US\$
Earnings	
Salary	9 600
Acting allowance	1 200
Cell phone allowance	400
Bonus	800
Clothing allowance	600

Deductions

Funeral insurance policy	300
Bank loan repayment	2 000

Additional information

(i) Richard's part-time employer did not deduct PAYE from his earnings. The reason given by the employer is that he is not a full-time employee.

(ii) In the year ended 31 December 2021, Richard received the first of five annual annuity payments from an insurance company in respect of a matured retirement annuity fund. The annual annuity amount payable is US\$7 000. Richard had contributed a total of US\$20 000 to the retirement annuity fund over the years of which US\$5 000 was not allowed as a deduction.

Required:

(a) State whether the reason given by Richard Skill's part-time employer for not deducting PAYE from his earnings is valid and the actions which Richard should have taken as a consequence in order to fulfill his tax obligations. [5 marks]

(b) Calculate the taxable income and income tax payable by Richard Skill for the year ended 31 December 2021.

Note: You should indicate by the use of zero (0) any amounts which are not required to be included in taxable income. [20marks]

[TOTAL 25 marks]

QUESTION FOUR

Maria is in the business of interior designs and is still working on the tax computation for her income tax self-assessment return for the year ended 31 December 2021. Her net profit before tax for the year is US\$15 800 after taking into account the following:

	US\$
Proceeds on disposal of non-current assets – Note 1	(7 000)

Company dividends received	(8 000)
Depreciation for the year	5 500
Salaries and wages	14 300
Office rent	12 000
Restraint of trade payment – Note 2	1 800
Traffic fine	1 000

Note 1

An extract from Maria's non-current asset register as at 31 December 2021 is as follows:

Cost Tax value

	(US\$)	(US\$)
Furniture and fittings	15 000	7 500
Computer equipment	9 000	2 250
Office equipment	20 000	nil

Included in the office equipment is the cost of the equipment which was disposed of during the year. The equipment's original cost is US\$10 000 and it was disposed of for US\$7 000.

Note 2

The restraint of trade payment was made to an ex-employee of Maria's in return for which the employee agreed not to work for any competitor of Maria for a period of two years.

Maria paid a total of US\$13 000 in provisional tax for the year ended 31 December 2021. A total of US\$5 000 in withholding tax on contracts (ITF 263) was also deducted from invoices raised by Maria for the year ended 31 December 2021, although the income has been included gross of the withholding tax deducted in her profits for the year.

Required:

(a) (i) State by when Maria's income tax self-assessment return should have been submitted to the Zimbabwe Revenue Authority (ZIMRA). **[2 mark]**

(ii) Advise Maria on ZIMRA's remedies for late submission of an income tax return.

[3 marks]

(b) Calculate the income tax shortfall or the income tax overpaid by Maria in respect of the year ended 31 December 2021.

Note: Your calculation should start with the net profit for the year of US\$15 800 and should indicate by the use of zero (0) any amounts referred to in the question for which no adjustment is required.

[20

marks]

[Total 25marks]

END OF EXAMINATION QUESTION PAPER