



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 215
COURSE TITLE : TAXATION
SPECIAL REQUIREMENTS : INCOME TAX ACT
FINANCE ACT
VAT ACT AND CAPITAL GAINS ACT
DURATION : 3 Hours
LEVEL : 2.1
DATE : 02 DEC 2022

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 1

Mr Charwadza, 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? **(5marks)**
- b) If Mr Charwadza used US\$50,000.00 to buy another PPR, what will be the capital gains tax payable? **(5marks)**

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? **(5marks)**
- d) If Mr Charwadza used US\$75,000.00 to buy another PPR, compute the capital gains tax payable? **(5marks)**
- e) If Mr Charwadza used US\$100,000.00 to buy another PPR, compute the capital gains tax payable. **(5marks)**

[Total 25marks]

QUESTION 2

A company starts mining operations in year 1 which was not productive. The life of the mine is estimated at 5 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>
	<u>191,100.00</u>

In year 2 minerals are sold for \$610,000.00 and old plant equipment was disposed realizing \$25,200.00. 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 New Mines or Current basis method to compute capital redemption allowance (CRA): **(30 marks)**

[Total 30marks]

QUESTION 3

Jakobo Mashizha, aged 65, works part time as a quality controller for a local company. Jakobo retired from full-time employment four years ago after working as a professional tea tester for over 35 years. The following information relates to Jakobo's earnings and deductions for the year ended 31 December 2021:

1. Jakobo earned a gross monthly salary of US\$2 500.
2. He also received the following employment related benefits during the year:
 - a holiday allowance of US\$5 000;
 - an accommodation allowance of US\$500 per month;
 - a bonus equivalent to one month's salary; and
 - a profit share of US\$7 000.
3. From 1 January 2021, Jakobo also made use of an employer allocated motor vehicle with an engine capacity of 3200cc. In accordance with the company policy on motor vehicles used by the management team, Jakobo was allowed to buy the motor vehicle allocated to him on 1 November 2021 for US\$20 000. The motor vehicle was purchased by his employer in 2015 for US\$40 000. The market value of the motor vehicle on 1 November 2021 was US\$45 000.
4. Jakobo's employer deducted the following amounts from his earnings for the year ended 31 December 2021:

	US\$
Retirement annuity fund (RAF) contributions	2 000
Medical aid society contributions	4 600
Professional subscriptions	700
Employer administered benefit fund contributions	1 200
Life insurance policy	1 000
Employees tax (PAYE)	11 000

5. Jakobo is a registered National Social Security Authority (NSSA) member.
6. During the year ended 31 December 2021, Jakobo also received US\$7 200 in pension from his former employer's pension fund.

Other earnings and deductions

On 1 January 2021, Jakobo began to rent out a second property which he owned. He also signed a contract with his former employer to provide tea testing services and hired a

personal assistant to help him with this work. The following details relate to Jakobo's income and expenditure in respect of his rental property and contracted services for the year ended 31 December 2021:

	US\$
Gross rent received	36 000
Estate agent property management fees	(3 600)
Tea testing contract fees received	45 000
Salary for the personal assistant	(9 000)
Withholding tax suffered on contract fees	(4 500)

Required:

Calculate Jakobo's taxable income and income tax payable/(refundable) for the year ended 31 December 2021.

Note: You should indicate by the use of a zero (0) any amounts which are not required to be included or which are not deductible in calculating taxable income. **(30 marks)**

[Total 30marks]

QUESTION 4

On 1 February 2021 Mwedzi (Private) Limited's projected Profit for the year ended 31 December 2021 is US\$250 000 after taking the following into account:

1. Depreciation and amortization of property \$15000
2. Profit on disposal of plant \$16500. The plant was acquired in 2018 at a cost of \$50000, and qualified for Capital Allowances which Mwedzi has been claiming.

Mwedzi had an assessed loss of \$76000 as at 01 January 2021.

Required.

What is the amount of provisional tax which should have been remitted to the Zimbabwe Revenue Authority (ZIMRA) in respect of Mwedzi (Private) Limited's quarterly payment dates (QPDs) for the year ended 31 December 2021? Clearly show the due dates and percentages applicable. **(15 Marks)**

[Total 15marks]

END OF EXAMINATION QUESTION PAPER

APPENDICE TO TAXATION PAPER

1. Individual Tax Table

From	To	Amount in Bracket	Tax Rate (%)	Tax (\$)	Cumulative Tax (\$)
0	to 3 000	3 000	0%	0	0
3 001	to 12 000	9 000	20%	1 800	1 800
12 001	to 24 000	12 000	25%	3 000	4 800
24 001	to 60 000	36 000	30%	10 800	15 600
60 001	to 90 000	30 000	35%	10 500	26 100
90 001	to 120 000	30 000	40%	12 000	38 100
120 001	to 240 000	120 000	45%	54 000	92 100
240 001	and above	-	50%	-	-

2. Corporate Tax **24%**

3. AIDS Levy **3%**

4. Motoring benefit:

Engine capacity

Up to 1 500cc
 1 5001cc to 2 000cc
 2 001cc to 3 000cc
 3 001cc and above

Monthly benefit

US\$300.00
 US\$400.00
 US\$600.00
 US\$800.00

Pension fund contribution ceilings

	US\$
(a) In relation to employers: in respect of each member	5 400
(b) In relation to employees: by each member of a pension fund	5 400
(c) In relation to each contributor to a retirement annuity fund or funds	2 700
(d) National Social Security contributions (on a maximum monthly gross salary of US\$900) 4.5% of gross salary	

Aggregate maximum deductible contributions to all the above per employee per year
 US\$ 5 400

NB: These RATES are for Examination purpose only.