



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING FINANCE AND HUMAN CAPITAL MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC 409
COURSE TITLE : STRATEGIC TAXATION REVIEW
DURATION : 3 Hours
LEVEL : 4.1
DATE : 13 OCT 2023

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer **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 []
5. Non programmable calculators may be used

QUESTION 1

Arex (Pvt) Ltd is into farming activities in the prime farming area of Mashonaland Central. The following information is for Arex's farming operations for the year 2015:

Income:		\$
Livestock sales:	Sheep	50 000
	Cattle	120 000
Crops sales		40 000
Subsidy received on building a bridge		5 000
Subsidy received on interest on loan to build a dam		10 000
Profit on sale of a delivery van (<i>notes 1 & 5</i>)		3 000
Expenses		
Livestock purchases:	Sheep	36 000
	Cattle	45 000
Farming inputs:	Crops	10 000
Direct Livestock expenses:	Sheep	4 000
	Cattle	10 000
Soil erosion works		5 000
Wages		12 000
Interest on loan to build a dam		4 000
Cost of building the dam		20 000
Electricity		4 000
Water Bills		8 000
Telephone Expense		2 000
Purchase of a new delivery van on 1/6/2012		30 000
Sinking of a borehole		8 000
Building a permanent road		5 000

NOTES:

- The delivery van sold was bought on 1 May 2013 for \$25 000 and was sold at the end of 2015 for \$23 000. The income tax value (ITV) of the van at the time of sale was \$7 000.
- Stock on hand at the end and beginning of the year was as follows:

<i>Herd</i>	Opening Stock		Closing Stock	
	<i>Number</i>	<i>Market value(\$)</i>	<i>Number</i>	<i>Market value (\$)</i>
Ram	300	50	250	55
Lambs	100	30	120	30
Ewe	370	45	300	46
Bulls	5	500	3	550
Cows	600	400	200	420
Oxen	100	450	80	480
Heifers	300	300	250	340
Tollies	200	200	190	210
Calves	100	150	150	180

The closing stock reflects the movement in stock through promotions, sales, donations, death and household consumption.

- The fixed standard values (FSV) of stock were as follows:

<i>Herd</i>	<i>FSV(\$)</i>
Ram	45
Lambs	30
Ewe	40
Bulls	450
Cows	380
Oxen	400
Heifers	300
Tollies	180
Calves	100

- In 2014 there was a forced sale of cattle as a result of a drought and the area had been declared a drought area by the Minister of Agriculture.

The taxable income due to drought brought forward from the preceding year (2014) was \$60 000.

5. The following assets were held during the year:

Assets	Opening Net book value (Income tax value) (\$)	Beginning of year Accumulated depreciation (Capital allowance Granted) (\$)	Additions (\$)	Disposal (\$)	Closing Net book value (Income Tax Value) (\$)
Delivery van 1	18 063 (16 000)	6 937 (9 000)	---	23 000	---
Delivery Van 2	---	--	30 000	-	27 750 (24 000)
Furniture	15 476 (11 810)	4 524 (8 190)			14 702 (10 629)
Buildings	100 000 (77 378)	---			100 000 (73 507)

Required:

Calculate the tax payable by Arex (Pvt) Ltd for the year ending 31 December 2015 [30marks]

[Total 30 Marks]

QUESTION 2

Mr. Mari bought a house in Harare on 11 April 2009 at a cost of US\$100,000. He repainted the house in May 2009 at a cost of US\$7,000 and in September 2011 he constructed a brick wall surrounding the house for US\$12,000. He put a ceiling and a driveway in January 2012 at a cost of US\$2,500 and US\$2,100 respectively. In February 2014 his employer transferred him to Mutare. He advertised the Harare flat on 1 March 2014 and thus incurred US\$200 advertising costs. He managed to get a buyer on 11 March 2014 and sold the property for US\$190,000 Weivhu Real Estate, the estate agents who facilitated the sale, charged him 5% as agent's commission

Required:

- a) What is the capital gains tax involved? (6 marks)
- b) If the property was sold under the following terms, what will be the capital gains tax for the years the instalments are paid? Payments were made in the following order:
- i) Year 1 US\$100 000.00
 - ii) Year 2 US\$55 000.00
 - iii) Year 3 US\$35 000.00 (9 marks)
- c) BW Limited has estimated its annual profit for 2020 to be \$152,800.00. Calculate the **provisional tax** which should have been paid by BW Limited for the year ended 31 December 2020, clearly indicating the due dates and the respective tax amounts. (15marks) [Total 30 Marks]

QUESTION 4

Write brief notes on the following as they are used and how it is applicable in context to Zimbabwe tax laws and how does tax make use of them to reduce tax liability

- i Tax invasion [5marks]
 - ii Tax avoidance [5 marks]
 - iii Withholding tax [5marks]
 - iv QPDS [5marks]
- a) Clearly outline why is estate planning important and the objectives of estate planning [10marks]
- b) What are the characteristic of a good estate plan [10marks]
- [Total 40 Marks]

END OF EXAMINATION QUESTION PAPER

0/10 (am)