



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 : 10 JUN 2024

INSTRUCTIONS TO CANDIDATES

1. No cell phones are allowed in the examination venue.
2. The question paper carries FOUR questions
3. Answer ALL questions
4. Begin each question on a new page.
5. Marks to each question or subsection(s) are shown in brackets.
6. This paper contains 6 printed pages

QUESTION 1

Mr. Dick aged 46, is a livestock farmer in Matabeleland North Province. His farm has a livestock assessed carrying capacity of land (ACCL) of 2 000 herd. At the beginning of 2015, he restocked his herd as a disease out-break which occurred in 2014 had been put under control.

The number of cattle purchased during the restocking exercise was 1 710 at a cost of \$486 000. **Mr. Dick's livestock as at 1 January 2015 was as follows:**

Class of herd	Quantity	Approved valuation FSV (\$)	Livestock value (\$)
Bulls	10	750	7 500
Cows	80	500	40 000
Oxen	20	400	8 000
Heifers	45	450	20 250
Tollies	20	320	6 400
Calves	15	200	3 000

Livestock activities during the year ended 31 December 2015:

2 bulls were stolen.

100 cows and 300 heifers were sold to butcheries in Harare.

200 heifers and 100 tollies were regraded to cows and oxen respectively

50 calves were graded to heifers

and 30 to tollies 400 calves were

born during the year.

Non-current asset register as at 1 January 2015:

Asset	Year acquired/constructed	Cost (\$)	Net book value (\$)
Security fence	2014	50 000	50 000

Farmhouse	2009	100 000	100 000
Staff housing (3 units)	2015	120 000	120 000
Tractor	2013	48 000	nil
Boreholes	2015	15 000	15 000
Deep tanks	2013	32 000	30 400
Commercial vehicle	2005	15 000	nil
Passenger vehicle	2010	20 000	12 000
3 wells	2010	17 000	17 000

Mr Dick's policy on non-current assets has always been to claim the maximum capital allowances possible in any given year.

The income and expenditure details from farming operations for the year ended 31 December 2015 were as follows:

	Note	\$
Income		
Drought induced sales		150 000
Normal sales		200 000
Profit on sale of the commercial vehicle	1	20 000
Expenditure		
Stock feed		100 000
Direct livestock expenses		50 000
Wages		30 000
Livestock purchases	2	486 000

Notes

1. The commercial vehicle was sold at the market value of \$20 000 during the year.
2. The livestock purchases during the year were as follows:

Class	bulls	cows	oxen	heifers	tollies	calves
Number	60	410	40	900	200	100
Value (\$)	18 000	123 000	10 000	270 000	50 000	15 000

Required:

- a) Explain and calculate the tax reliefs available to Mr. Dick for the year ended 31 December 2015.
- b) Calculate the livestock closing inventory value as at 31 December 2015;
- c) Calculate the minimum tax payable by Mr. Dick for the year ended 31 December 2015.

[25 Marks]

QUESTION 2

Shabani Mashaba Mine Limited is a mine which mines asbestos and is situated 50 kilometres west of City of Masvingo. The unredeemed balance of capital expenditure brought forward as at 31 December 2015 was \$800,000.00. Sales of asbestos during the year realized \$1,980,000.00. During the year the company sold excess mining equipment and realized \$55,000.00. The company received interest from CABS savings account in the sum of \$10,200.00. The following capital expenditure was incurred during the current year:

\$

Purchase of a Toyota Camry	11,000.00
Earthmoving equipment	350,000.00
Mining buildings	300,000.00
Plant and equipment	65,000.00
Computers	10,700.00

Staff housing	97,510.00
Mine clinic	60,000.00
Nurse's house	65,000.00
Shaft sinking	210,500.00
Purchase of boiler	15,400.00
The following expenses were incurred:	\$
Salaries and wages	500,500.00
Goodwill written-off in P/L	2,500.00
Administrative expenses	45,000.00
Insurance (Allowable)	12,000.00
Depreciation for the year	31,400.00
Rentals	25,300.00
Interest	3,000.00

Additional Notes:

- The staff houses were being used by mining engineers.
- The salaries and wages figure include \$25,000.00 paid to the company's Marketing Managers as entertainment allowances.
- The interest was in respect of a loan in the sum of \$200,000.00 advanced to the company by Steward Bank for mining operations of which \$50,000.00 was loaned to Mr Nyoni who is the Managing Director by at no interest.
- Administration expenses include:
 - \$1,500.00 legal fees incurred in tracing a trade debtor.
 - \$5,000.00 being fine imposed by EMA for failure to submit the Environment Impact Assessment form on time.
 - \$2,000.00 to ZANU (PF) to finance election victory celebrations.

Required:

Calculate the company's tax payable for the year ending 31 December 2015 assuming that it has claimed capital redemption allowance using Para 4(2) of the 5th Schedule of the Income Tax Act (Chapter 23:06). The estimated life of the mine by the end of the year is 7 years. [25 marks]

QUESTION 3

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? (5 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 (14 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. (6 marks)

Question 4

- a) Discuss the role of tax treaties in a country and clearly outline the methods used to eliminate double taxation of income deemed to be from a source within Zimbabwe. (15 marks)
- b) Discuss the notion that Progressive tax is unconstitutional in Zimbabwe, state the relevance legislation citing the sections and subsection and decided cases to support your answer. Outline the challenges posed by a progressive tax to an economy. (10 marks)