



ZIMBABWE EZEKIEL

GUTI UNIVERSITY

FACULTY OF LAW BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING, HUMAN CAPITAL
MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC 225
COURSE TITLE : ADVANCED TAXATION
DURATION : 3 Hours
LEVEL : 2.2
DATE : 29 JUL 2025

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 []

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 2022:

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 1/6/2020		30 000
Sinking of a borehole		8 000
Building a permanent road		5 000

NOTES:

- The delivery van sold was bought on 1 May 2019 for \$25 000 and was sold at the end of 2022 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 2021 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 (2021) 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 2022 [25 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? **(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

(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. **(11 marks)**

QUESTION 3

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 2024 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 2024 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 4

- a) With reference to the VAT act, identify and discuss the provisions of the act which in your view are not fair to the taxpayer. (10 marks)
- b) Outline cases in which a VAT registered trader is denied a claim on input tax. (5 marks)
- c) Explain the tax effect of statutory instrument 26A of 2017 (5 marks)
- d) Outline the circumstances in which a VAT registered operator can deregister for VAT (5 marks)

[25 marks]

END OF EXAMINATION QUESTION PAPER