



ZIMBABWE EZEKIEL GUTI UNIVERSITY

COLLEGE FOR LIFELONG LEARNING

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DIPLOMA IN ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE	:	DAF123
COURSE TITLE	:	INTRODUCTION TO TAXATION
SPECIAL REQUIREMENTS	:	NONE
DURATION	:	2 HOURS
LEVEL	:	1:2
DATE	:	12 JUN 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed.
3. Answer **ALL** questions in both.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []

Answer all questions, each question carries 50 marks.

Question 1

- a) i) Explain any four badges of trade that are used to determine whether a person is carrying on a trade. **(8 marks)**
ii) Explain any three sources of tax law and regulations in Zimbabwe. **(6 marks)**
- b) Explain the distinctive features of the value added tax (VAT) registration categories ranging from A and B. **(5 marks)**
- c) What are the 4 conditions governing voluntary registration of any person for VAT purposes? **(4 marks)**
- d) i) Contrast a taxable supply from an exempt supply. **(4 marks)**
ii) State the features of a valid tax invoice or fiscal tax invoice. **(3 marks)**
- e) State ZIMRA's possible course(s) of action to ensure compliance with the applicable statutes. **(6 marks)**
- f) i) Explain any three (3) sources of tax law and regulations in Zimbabwe. **(6 marks)**
ii) Give 1 example of a building which will not rank for commercial buildings allowance. **(2 marks)**
- g) State and explain three instances where input tax incurred on 'entertainment can be claimed by a registered operator. **(6 marks)**

[Total 50 marks]

Question 2

This question consists of five independent scenarios. You should respond to each scenario by referencing the applicable legislation and using relevant case law to support your answers. Your answers do not need to be in any specific format (such as a memo).

Scenario A

Jill Pearson is employed as a tour operator for African Overlander Ltd, a Zimbabwean company running tours into Botswana and Mozambique. Jill earns a fixed monthly salary of \$1,200. Jill currently works on a month-on/month-off basis – for one month she is out of Zimbabwe leading a tour, and for one month she is at home in Gweru with her husband and children, and works at her office at African Overlander planning her next tour.

Jill's son Henry is studying Income Tax as part of his BCom degree, and recently told Jill about the "residency" test. Jill is now considering discussing with her employer whether she can spend more time outside Zimbabwe each year, in the hope that this will exclude her from the definition of Resident and reduce her taxable income.

You are required to advise Jill, with reasons, as to whether her plan will exclude her from the definition of Resident, and how else she might reduce the Zimbabwean income tax on her salary. **7 marks**

Scenario B

The Seldom Active range of gyms and Crouching Tiger shoes intend brokering a deal, whereby Seldom Active will offer free gym access to all Crouching Tiger employees, in return for which Crouching Tiger will supply free training shoes to Seldom Active. The company will in turn provide the shoes to its employees. The two companies believe that this will result in no gross income for either company, since no money has changed hands, and what has been received is for the benefit of their respective employees.

A regular gym membership at Seldom Active costs \$60, while the retail price of a pair of Crouching Tiger shoes is \$50.

You are required to advise Seldom Active, with reasons, whether its understanding of gross income is correct, and if not, how ZIMRA will view this transaction.

(9 marks)

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Scenario C

Mike Turner runs a used car business. Mike pays a small firm of accountants to keep his accounting records and file his tax returns. Mike's daughter Mini (a recently-qualified chartered accountant) recently sold her car, and Mike was surprised to hear that Mini does not believe that she will pay any tax on the sale, even though she made a profit on the sale. "I pay a fortune in tax on my car sales," moaned Mike. "Perhaps I should get better accountants!"

You are required to explain to Mike why his car sales are included in gross income, while his daughter's sale is not, and whether either Mike or Mini are entitled to any deduction of costs in respect of their sales.

(20 marks)

Scenario D

Extreme Sushi is a local sushi restaurant. Sushi lovers who enjoy taking a risk flock to Extreme Sushi for its potentially lethal sushi made from poisonous blowfish. The blowfish is considered a delicacy, and an expert sushi chef removes the poisonous part of the fish during preparation.

A customer at Extreme Sushi recently died after having eaten some blowfish sushi that had been incorrectly prepared. Following a claim for damages, the restaurant was compelled to pay the customer's family \$20,000 in compensation.

You are required to advise Extreme Sushi, with reasons, whether the compensation payment for damages will be allowed as a deduction for income tax purposes.

(7 marks)

Scenario E

Agricola Ltd is a farming supply company, with divisions operating in a number of farming-related markets. One of its divisions sells farming equipment, which is sold to commercial farmers subject to a two-year warranty. If the machinery breaks for any reason within two years of the date of purchase, Agricola is obliged to repair or replace the item. Agricola recognises a provision for repairs and returns in its accounting records based on the historical rate of return and cost of repairs over the last five years.

During the current year of assessment Agricola sold its farm equipment division to a rival company, Dear John Ltd. In terms of the agreement, Dear John agreed to take over responsibility for the repair or replacement of any items still under warranty at the date of the transaction, in return for which Agricola agreed to reduce the selling price of the division by the amount of the provision for repairs and returns in its accounting records.

You are required to explain if, and when, Agricola may claim a deduction for the provision for repairs and returns.

(8 marks)

[Total 50 marks]