ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS INTELLIGENCE, ENTREPRENEURSHIP, ARTIFECTUAL DESIGN AND FUTURES.

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL MANAGEMENT

EXAMINATION PAPER

COURSE CODE	: CAC215
COURSE TITLE	: TAXATION
SPECIAL REQUIREMENTS	: NONE
DURATION	: 3 Hours
LEVEL	: 2.1
DATE	: 10 JUN 2026

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 Section A and **any 4** questions Section B.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets [ ]

SECTION A [20 MARKS]

ANSWER ALL QUESTIONS IN THIS SECTION. Each question carries 2 marks.

SELECT THE MOST APPROPRIATE ANSWER

1. **Which of the following is considered a** Subsidiary Source **of Tax Law in Zimbabwe?**
   A. The Revenue Authority Act [Chapter 23:11]
   B. Statutory Instruments (S.I.s)
   C. Decisions of the Special Court for Income Tax Appeals
   D. The Zimbabwe Revenue Authority (ZIMRA) Client Charter **(2 marks)**

2. **According to the** Accrual Principle, **an amount is included in Gross Income when:**
   A. It is physically received in cash.
   B. The taxpayer becomes entitled to the amount.
   C. The taxpayer chooses to withdraw the money from a bank.
   D. The employer decides to pay the amount in a future year. **(2 marks)**

3. **Which of the following constitutes a** Deemed Source **of income under the Income Tax Act?**
   A. Salary for services rendered in Zimbabwe for a foreign employer.
   B. Interest on a loan used by a resident for business in Zimbabwe.
   C. Rental income from a building situated in Mozambique.
   D. Dividends received from a company registered in the United Kingdom. **(2 marks)**

4. **What is the** effective tax rate **for a Zimbabwean company after including the 3% AIDS Levy?**
   A. 24.00%
   B. 24.72%
   C. 25.75%
   D. 26.00% **(2 marks)**

5. **The** AIDS Levy **is a compulsory contribution that is applied to:**
   A. All VAT-registered operators on their monthly turnover.
   B. Individuals and companies based on their final income tax liability.
   C. Only employees earning above the tax-free threshold.
   D. Only mining companies operating in the Great Dyke. **(2 marks)**

6. **Which of the following is** NOT **an allowable deduction for a corporate business?**
   A. Wages and salaries of permanent employees.
   B. Interest on a loan taken to purchase trading stock.
   C. Traffic fines incurred by the company's delivery driver.
   D. Rent paid for the company's manufacturing factory. **(2 marks)**

7. **A "Registered Operator" for VAT purposes is entitled to claim** Input Tax **on:**
   A. The purchase of a passenger motor vehicle for the CEO.
   B. Entertainment expenses for potential international clients.
   C. Raw materials used in the production of taxable supplies.
   D. Goods purchased for the personal use of the company directors. **(2 marks)**

8. **Exempt Supplies for VAT purposes (which differ from Zero-rated supplies) include:**
   |A. Exported agricultural products.
   B. Financial services and residential rentals.
   C. Basic commodities like milk and maize meal.
   D. Specialized medical equipment imported from abroad. **(2 marks)**

9. **Which of the following defines the** Tax Value **of an asset for capital allowance purposes?**
   A. The original cost minus accumulated depreciation in the accounts.
   B. The current market value as determined by a professional valuer.
   C. The original cost minus all capital allowances previously granted.
   D. The replacement cost of the asset in the current tax year. **(2 marks)**

10. **The** Wear and Tear (W&T) **allowance for implements, machinery, and utensils is generally:**
   A. Calculated at 25% of the reducing balance.
   B. Calculated at 10% of the original cost (straight line).
   C. Only available if the Special Initial Allowance (SIA) was not claimed.
   D. Restricted to assets used in the mining sector only. **(2 marks)**

[Total: 20 marks]

SECTION B [80 Marks]

ANSWER ALL QUESTIONS. Begin each question on a new page.

QUESTION 1 [20 MARKS]

Quick-Mart Retailers, a registered operator, has the following data for its June 2026 tax period:

Standard-rated Sales: $155,500 (Incl. VAT), Zero-rated Sales (Basic Foodstuffs): $42,000, Exempt Supplies (Residential Rent): $12,000, Trading Stock Purchases: $74,400 (Incl. VAT), Electricity & Telephone Bills: $4,500 (Excl. VAT) and Purchase of a 3-Tonne Delivery Van: $24,800 (Incl. VAT).

Required:

(a) Calculate the VAT payable or refundable **(6marks).**

(b) Outline the administrative requirements for the VAT Deferment facility, including the role of the Tax Clearance Certificate **(6marks).**

(c) Distinguish between Zero-rated supplies and Exempt supplies, specifically focusing on the ability to claim input tax on related expenses **(4marks).**

(d) Explain the VAT registration thresholds in Zimbabwe and the difference between compulsory and voluntary registration **(4marks).**

QUESTION 2 [20 MARKS]

(a) On 1 July 2024, Mining Solutions Ltd (the lessee) entered into a 15-year lease for an industrial processing plant with Delta Estate Holdings (the lessor). The agreement required the lessee to undertake mandatory renovations at a stipulated cost of $360,000. These renovations were completed and brought into use on 1 July 2025.

Required:

(i) Calculate the annual deduction available to Mining Solutions Ltd for the tax years ending 31 December 2025 and 2026. Show the formula for the "unexpired period of the lease" and state the maximum period allowed by law **(6marks).**

(ii) Determine the annual amount to be included in the Gross Income of the lessor, Delta Estate Holdings, starting from the 2025 tax year **(3marks).**

(iii) Explain the tax treatment for both parties if the lease is cancelled on 30 June 2030 **(3marks).**

(iv) If the actual cost incurred by Mining Solutions Ltd was $400,000 (instead of the $360,000 stipulated), explain with reasons how the "excess" $40,000 should be treated for tax purposes for both the lessee and the lessor **(2marks).**

(b) The lease agreement also included the hire of a Mercedes-Benz GLE (a Passenger Motor Vehicle) for the Operations Director. The lessor purchased the vehicle for $120,000.

Required:

(i) Explain the restriction on capital allowances (SIA/Wear and Tear) applicable to "Passenger Motor Vehicles" in Zimbabwe. Mention the deemed cost limit and how this affects the lessee's deductible lease hire payments **(2marks).**

(ii) Define recoupment in the context of leasing and explain how it is calculated if the lessee exercises an option to purchase the vehicle at a "bargain price" (a price significantly below market value) at the end of the lease **(2marks)**

(c) At the commencement of the lease on 1 July 2024, Mining Solutions Ltd paid a once-off "Lease Premium" of $50,000 to Delta Estate Holdings to secure the 15-year term.

Required:

Define a Lease Premium and state its tax implications for both the lessee (deductibility) and the lessor (inclusion in gross income). **(2 Marks)**

QUESTION 3 [20 MARKS]

(a) Kumbo and Shumba (KS) Associates is a civil engineering consultancy firm based in Mutare. For the tax year ended 31 December 2024, the partnership recorded a Net Profit of $420,000 after deducting the following expenses in the Profit and Loss Account:

- Partner Kumbo's Salary: $55,000

- Interest on Partner Shumba's Capital: $12,000
- Business Travel & Subsistence: $85,000
- Donations to a political candidate's campaign: $8,000 (Disallowed for tax purposes)
- Private medical insurance for Partner Kumbo: $3,500

The partnership agreement states that:

1. Partner Kumbo is entitled to a fixed salary of $55,000 per annum.
2. Partner Shumba is entitled to interest on capital at a rate of 10%, amounting to $12,000.
3. The residual balance (profit or loss) is shared 70% to Partner Kumbo and 30% to Partner Shumba.

Required:

(i) Calculate the Adjusted Taxable Income of the KS Associates partnership by adding back non-deductible items and appropriations of profit **(5marks).**

(ii) Prepare a statement showing the allocation of the taxable income to Partner Kumbo and Partner Shumba based on the partnership agreement **(5marks).**

(b) Source of Income.and partnership concepts.

(i) Explain the Source of Income rules as they apply to a partnership operating both in Zimbabwe and through a branch in South Africa **(3marks).**

(ii) At what specific point in time does partnership income **accrue** to the individual partners for tax purposes? **(2marks).**

(iii) Discuss the filing requirements for a partnership, demonstrating who is responsible for signing the return **(3marks).**

(iv) Explain the concept of Joint and Several Liability of partners regarding the partnership's tax obligations (e.g., VAT or Employees' Tax) **(2marks).**

QUESTION 4 [20 MARKS]

(a) Nyanga Logistics Ltd is a registered operator in Zimbabwe. For the tax period ended 31 March 2026, the company recorded the following transactions (all amounts are VAT inclusive where applicable):

Local sales of standard-rated goods: $460,000, Zero-rated exports to Malawi: $120,000, Sales of exempt residential property rentals: $30,000, Purchase of trading stock from local registered suppliers: $230,000, Purchase of a Toyota Hilux Double-Cab for the Operations Manager: $46,000, Telephone and internet bills (standard rated): $5,750, Import of a heavy-duty delivery truck (5-tonne payload): $180,000 (Value for Duty Purposes - VDP)

Required:

(i) Calculate the Output Tax for the period, clearly distinguishing between standard-rated and zero-rated supplies **(4marks).**

(ii) Calculate the Input Tax deductible **(2marks).**

(iii) Specifically, explain the tax treatment of the Double-Cab vehicle and the exempt residential rentals **(2marks).**

(iv) Determine the final VAT Payable/Refundable to ZIMRA **(2marks).**

(b) Attempt the following questions:

(i) Explain the threshold for compulsory registration as a supplier in Zimbabwe **(2marks).**

(ii) Identify and explain two types of Deemed Supplies and their tax implications **(2marks).**

(iii) What is the "voluntary registration" rule? **(2marks).**

(iv) Discuss the role of Fiscalised Electronic Registers in VAT administration and the consequences of failing to use them **(2marks).**

(v) Define the Time of Supply and Value of Supply rules as they apply to credit sales **(2marks).**

END OF EXAMINATION QUESTION PAPER

7/7 AM

TAX TABLES (EXTRACT)

Description	Rate / Limit
Corporate Tax Rate	24% (plus 3% AIDS Levy = 24.72%)
VAT Standard Rate	15%
Capital Allowances (General)	SIA: 25%
Farming (7th Schedule)	100% on Fencing, Water conservation, etc.
Mining Royalties	Gold: 5% (Standard), Lithium: 5%, Others: Variable
Lease Improvements	Spread over the remaining period of the lease (Max 25 years)
Thin Capitalization	Debt-to-Equity ratio of 3:1
Management Fees	Capped at 0.75% of Gross Income (Miners)