ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS INTELLIGENCE, ENTREPRENEURSHIP, ARTEFACTUAL DESIGNS, AND FUTURES

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL MANAGEMENT

EXAMINATION PAPER

COURSE CODE	: CAC225
COURSE TITLE	: ADVANCED TAXATION
SPECIAL REQUIREMENTS	: NONE
DURATION	: 3 Hours
LEVEL	: 2.1
DATE	: 12 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 [ ]
6. Tax table extract is on the last page attached to the question paper.

Section A: Multiple Choice Questions: Answer all questions in this section.

1. Which of the following is an example of an "Exempt Income" in Zimbabwe? **(2 marks)**
   A. Overtime pay
   B. Receipts of a pension fund
   C. Monthly transport allowance
   D. Director's fees

2. "Allowable Deductions" are generally defined as expenses: **(2 marks)**
   A. Incurred for the purposes of trade or in the production of income.
   B. Used for personal holiday travel.
   C. Spent on domestic household repairs.
   D. Donated to any unapproved political party.

3. A "Tax Credit" differs from a deduction because it: **(2 marks)**
   A. Reduces the taxable income directly.
   B. Is a direct deduction from the actual tax payable.
   C. Only applies to large corporations.
   D. Increases the amount of gross income.

4. Which of these is a common tax credit in Zimbabwe? **(2 marks)**
   A. Entertainment credit
   B. Elderly person's credit
   C. Fuel price credit
   D. Luxury vehicle credit

5. For tax purposes, an "Industrial Building" includes: **(2 marks)**
   A. A retail clothing shop.
   B. A tobacco barn.
   C. A luxury hotel lobby.
   D. A residential apartment block in the city.

6. The "Deemed Cost" limit for a Passenger Motor Vehicle (PMV) in Zimbabwe limits: **(2 marks)**
   A. The maximum speed of the car.
   B. The amount of capital allowances a company can claim on that vehicle.

C. The number of passengers allowed.

D. The import duty rate.

7. A "Temporal Difference" in corporate tax refers to: **(2 marks)**

   A. A tax that only applies for one week.

   B. A difference between accounting profit and taxable income that will reverse in the future.

   C. A fine for late filing of returns.

   D. Income that is never taxed.

8. Which tax head is specifically charged on the supply of goods and services in Zimbabwe? **(2 marks)**

   A. Income Tax

   B. Value Added Tax (VAT)

   C. Capital Gains Tax

   D. Presumptive Tax

9. The concept of "Equity" in taxation implies that: **(2 marks)**

   A. Everyone should pay the exact same dollar amount of tax.

   B. Only corporations should be taxed.

   C. Taxpayers with similar ability to pay should contribute similar amounts.

   D. Tax should only be collected during harvest seasons.

10. What is the primary importance of taxation for the Government of Zimbabwe? **(2 marks)**

   A. To increase the wealth of private shareholders.

   B. To provide revenue for public goods like health, education, and security.

   C. To discourage all forms of international trade.

   D. To replace the need for a national currency.

[Total 20 marks]

SECTION B [80 Marks]

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

Question 1 [Total 20 Marks]

Kundai is an executive at Gweru Industries. For the 2024 tax year (January to December), his remuneration package consisted of the following (all figures in **USD**):

1. Basic Salary: $42,000 per annum.
2. Company Vehicle: He was provided with a company-owned 2200cc sedan for the entire year for both business and private use.
3. Low-Interest Loan: On 1 January 2024, he received a $10,000 loan from the company at an interest rate of 4% per annum. The ZIMRA prescribed rate is 13%.
4. School Fees: The company paid $3,000 directly to a private college for his son's tuition. Kundai is not a staff member of the college.
5. Annual Bonus: He was paid a performance-based bonus of $4,500 in November 2024.

Required:

(a) Calculate Kundai's Taxable Income for the 2024 tax year by addressing the following:

i) Calculate the Deemed Motor Vehicle Benefit for the 2200cc vehicle. **(2 marks)**

ii) Calculate the Loan Benefit (Deemed Interest) for the 2024 tax year. **(2 marks)**

iii) Determine the taxable amount of the Annual Bonus after applying the 2024 tax-free threshold. **(2 marks)**

iv) Explain the tax treatment of the School Fees paid by the employer on behalf of the employee. **(3 marks)**

v) Identify the taxable portion of the Basic Salary and any other cash allowances included in Gross Income. **(2 marks)**

vi) Consolidate the above components to determine Kundai's Total Taxable Income for the year. **(3 marks)**

(b) Discuss the "Value of Quarters" (Housing) and specific exemptions:

i) Explain the general rule for taxing housing benefits (occupation of quarters) and the "Value to the Employee" concept. **(2 marks)**

ii) Discuss the specific exemptions or reduced valuations applicable when accommodation is provided at a mine or construction site. **(4 marks)**

Question 2[Total 20 Marks]

(a) Define "Taxation" and discuss the Importance of Taxation to the Zimbabwean government beyond just revenue collection. **(6 marks)**

(b) Briefly outline the History of Tax in Zimbabwe, mentioning the transition from the Department of Taxes to the Zimbabwe Revenue Authority (ZIMRA). **(4 marks)**

(c) Identify and explain four Sources of Tax Law in Zimbabwe. **(6 marks)**

(d) List four major Tax Heads administered by ZIMRA. **(4 marks)**

Question 3 [Total 20 Marks]

(a) Define "Gross Income" as per Section 8(1) of the Income Tax Act [Chapter 23:06]. **(4 marks)**

(b) Explain the difference between Amount Received and Amount Accrued with reference to the "Year of Assessment". **(6 marks)**

(c) Discuss the Source Concept in Zimbabwean taxation and how it determines whether an amount is included in gross income. **(6 marks)**

(d) Define the term "Person" for tax purposes in Zimbabwe. **(4 marks)**

Question 4 [Total 20 Marks]

(a) Briefly explain the following administrative terms used by ZIMRA:

i) **PAYE (Pay As You Earn)** as a withholding tax mechanism. **(2 marks)**

ii) FDS (Final Deduction System) and how it removes the need for most employees to file annual returns. **(3 marks)**

(b) Compare and contrast Tax Avoidance and Tax Evasion, providing one specific example of a legal tax-saving method and one example of a criminal tax offence in Zimbabwe. **(6 marks)**

(c) Discuss the concepts of **Deemed Accrual** and **Deemed Receipt** as they apply to employment income held by an employer on behalf of an employee. **(9 marks)**

END OF EXAMINATION QUESTION PAPER

ZIMRA TAX TABLES (extract): 2024 YEAR OF ASSESSMENT

1. Individual Income Tax Rates (Annual - USD)

Used for calculating final tax liability and understanding tax brackets.

Taxable Income From ($)	Taxable Income To ($)	Rate	Deduct ($)
0	1,200	0%	0
1,201	3,600	20%	240
3,601	12,000	25%	420
12,001	24,000	30%	1,020
24,001	36,000	35%	2,220
36,001	and above	40%	4,020

- **AIDS Levy:** 3% of the Income Tax Payable.

2. Motor Vehicle Deemed Benefits (Annual - USD)

Used for Question 1(a)(i).

Engine Capacity	Annual Benefit ($)
Up to 1500cc	7,500
1501cc to 2000cc	9,960
2001cc to 3000cc	15,000
Over 3000cc	**19,920**

3. Loans (Deemed Interest) Calculation

Used for Question 1(a)(ii).

- **Prescribed Rate (USD):** 13% per annum (or LIBOR/SOFR + 5%).
- **Formula**: (Loan Amount × Prescribed Rate) – (Interest actually paid by Employee).

4. Bonus Tax-Free Threshold

Used for Question 1(a)(iii).

- The first **$400** of an annual bonus is exempt from tax in 2024.

5. Retrenchment Package Exemptions (Terminal Benefits)

Used for Question 5(a)(i).

- The **exempt portion** is the **greater** of:
  - **$3,200**; OR
  - **One-third (1/3)** of the total retrenchment package, up to a maximum exemption of **$15,100**.

6. Other Benefits & Rules

- **Medical Aid:** Employer contributions are **exempt** in the hands of the employee.
- **School Fees:** 100% taxable as a benefit if the employee is not a staff member of the school.
- **Value of Quarters (Housing):** Generally valued at the **greater** of the cost to the employer or the market value (value to employee).
- **Mining/Construction Housing:** Specific exemptions apply where housing is provided in remote locations for the purpose of the business (often valued at **Nil** or **7%** of the cost of the unit).

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