



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 202
COURSE TITLE : INTRODUCTION TO TAX LAW AND PRACTICE
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 2.1
DATE :

*main paper
prints*

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **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 ONE

Benny Boppa, is a nineteen year old Zimbabwean citizen, who is an accomplished amateur rugby league player and recently played in the Zimbabwean Schoolboys team. Benny has accepted a trial contract with the Bradford Bulls, a professional rugby league club playing in the English Super League. The contract is for 5 months with an extension to be negotiated at the end of that period if the club is satisfied with Benny's performance. Benny arrived in the UK on 23 March 2019 to commence his contract on 1 April 2019. During the trial period Benny will be paid \$5,000 per week which will be sent home to his mother who manages his financial affairs. The trial contract expires on 31 August 2019 when Bradford Bulls will consider their option for an extension. If Bradford does not offer Benny an extension on the contract he intends to engage an international sports agent to seek a contract with either an alternative UK club or one in the Zimbabwean professional National Rugby League.

Bradford Bulls paid for Benny's one-way airfare from Zimbabwe and have arranged lodging at no charge with the family of one of the club's officials for the first two months of his contract. Benny will be required to find his own accommodation after that period. Prior to the move to the UK Benny lived at home with his parents. He has few assets other than a term deposit with the Commonwealth Bank that generates \$5,000 interest per year and a motor vehicle valued at \$15,000. The motor vehicle will be garaged at his parent's house until his future is decided and he has given his parents authority to sell the car if he remains in the UK. He intends to purchase a cheap car in the UK for transport. Benny's contract income will be sufficient to sustain him in the UK and he will not be required to seek further employment. Benny has also indefinitely deferred an offer he has from the University of Newcastle to commence a Bachelor of Commerce degree.

Required-

Advise whether Benny will be a resident for income tax purposes at 30 June 2019 **[25 marks]**

QUESTION TWO

- a) Melusi constructed a commercial building and staff housing in the first year of her trade, and used these for purposes of her trade on 1 November 2018. The commercial building cost \$400 000 and staff housing cost \$22 000. She also acquired furniture & fittings for \$10 000 on 1 July 2018

Required

Compute maximum allowances for the year ending 2018

[8 marks]

- b) In January 2015 Tamuka acquired a lorry for \$16 000 which was to be used for the purpose of trade. The taxpayer elected to claim the maximum allowances available in terms of the 4th schedule. In June 2018 the lorry was scrapped as it had been involved in an accident and was damaged beyond repair. The taxpayer sold the scrap to a local garage for an amount of \$2 000.

Required

Calculate the scrapping allowance available to the taxpayer [8 marks]

- c) A taxpayer purchased the following assets in the 2015 tax year, a passenger motor vehicle for \$15,000, Machinery \$40,000. During 2019-tax year he sold them for \$9,000 and \$30,000 respectively.

Required:

Calculate his recoupment in the current year ending 2019. Assume SIA was claimed
[9 marks]

[TOTAL 25 MARKS]

QUESTION THREE

Grace is employed as a deputy director in the Ministry of Tourism. He is also in receipt of property and investment income from a number of business ventures. The following information refers to Grace's earnings and deductions for the year ended 31 December 2018:

Employment:	US\$
Salary	26 000
Bonus	3 000
Accommodation allowance	5 000
School fees allowance	10 000
Representation allowance	8 000
Clothing allowance	2 000
Pension fund contributions	(2 500)
Retirement annuity fund (RAF) contributions	(1 700)
Professional subscriptions	(500)
PAYE	(10 000)
Medical aid contributions	(5 000)

Grace also makes use of an employer-allocated motor vehicle with an engine capacity of 3300cc

Property and investments:	
Net rental income from a property in Mozambique	25 000
Net rental income from guest houses in Victoria Falls	20 000
Royalties from locally published books	15 000
Withholding tax on royalties from locally published books	(2 250)
Royalties from publications in South Africa	30 000
Foreign income tax on royalties	(5 250)
Non-executive director's fees	28 000
Withholding tax on non-executive director's fees	(5 600)

Required:

Calculate Grace's taxable income and tax payable for the year ended 31 December 2018.

Note: You should indicate by the use of zero (0) any amounts which are not required to be included or which are not deductible in calculating taxable income.

[25 marks]

QUESTION FOUR

Mighty Works Transporters (Pvt) Ltd is a company operating in Zimbabwe. For the year ended 31 December 2018, it produced the following statement of comprehensive income and supporting information:

	\$	\$
Sales		370 000
Less Cost of Sales		(190 000)
Gross Profit		180 000
Interest from foreign account		3 800
Dividends received from Ninora Corporation		70 000
		253 800
Less Operating Expenses		
Depreciation	750	
Salaries	35 000	
Repairs and Maintenance	9 000	
Administration	8 500	
Director's Fees	15 000	
Value Added Tax Paid	20 000	
Dividends Paid	38 000	
Dividends distribution expenses	3 000	
Research into foreign transport market	10 080	
Donations	8 950	(148 280)
Net Profit		105 520

Additional Information:

- i) Repairs and maintenance included the following:

o New parts purchased	2 500
o Crack filling	1 800
o Foundation underpinning	3 900
- ii) Part of administration includes an allowance for the transport manager who travelled to China to purchase new buses. The allowance was US\$400.
 - ✓ Donations included the following:
- iii) Scholarships awarded to students to undertake a course in engineering at the National University of Science and Technology (NUST). The students were the relatives of the managing director of the company and were:

Cousin- US\$4 500 and niece –US\$4 150
- iv) The company had an assessed loss carried forward of US\$13 000 which was omitted by the accountant in coming up with these accounts.
- v) The company has the following assets in its balance sheet:

	Cost	ITV
Office buildings	180 000	95 000
Warehouse (purchased)	30 000	7 500
Fleet of buses	1 300 000	980 000
Haulage trucks	1 800 000	100 000
Mercedes Benz E350	32 000	5 000
Nissan Hardbody (10 units)	188 000	144 000

The company has always claimed maximum capital allowances.

REQUIRED:

Calculate the company's tax liability for the year ended 31 December 2018 [25marks]