



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

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**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**

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**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EXAMINATION PAPER**

**COURSE CODE** : CAC 409  
**COURSE TITLE** : **STRATEGIC TAXATION REVIEW**  
**SPECIAL REQUIREMENTS** :  
**DURATION** : 3 Hours  
**LEVEL** : 4.2  
**DATE** :

*main paper*

**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 ONE

(a) Mrs Ross is a 75 year old pensioner had the following income during the year:

			\$
Pension		24 000	
Dividends from			
Botswana		7 800 (NRTI 1 400 )	
Malawi		1 000 (NRTI nil)	
Zambia	gross	2 200	
	bank charges	200	
	NRTI	<u>300</u>	1 700
Dividends from local companies		1 000 (RST 200)	

Medical aid contributions made were \$900 and PAYE of \$2 100 was deducted.

**Required- calculate the tax payable/ refundable [15 marks]**

- (b) According to the Estate Duty Act, what is the meaning of 'property'? (4 marks)
- (c) What constitutes an estate of a deceased person? (2)
- (d) Define the following terms in regard to estates:
  - i. Usufruct (2)
  - ii. Ascertained beneficiary (2)

**TOTAL 25 Marks**

## QUESTION TWO

Operation Garikai (Pvt) Ltd acquired a piece of land with the intention of developing residential stands for resale. The land was subdivided into 50 stands.

Cost of land US\$ 20 000

Survey fees US\$ 1 500

Road and sewerage reticulation US\$ 9 500

30 Stands were sold on 28 February 2018 for US\$15 000 each and 20 stands were sold in March 2019 for US\$30 000 each on the following conditions of sale:

- a) A deposit of 50% on signing the agreement.
- b) The balance is payable with effect from the month of sale @ US \$15 000/month, until full payment is made.
- c) Interest @ 25% on all overdue accounts.

d) Ownership to be transferred upon full payment of the purchase price.

Administration expenses were as follows:

Year ended 31 December 2018 US\$6 000

Year ended 31 December 2019 US\$9 000

Year Ended 31 December 2020 US\$10 000

*Required :*

*Calculate the tax payable by the company for each of the years in question. (25 marks]*

### **QUESTION THREE**

In 2015, the UN General Assembly adopted the 2030 agenda for sustainable development and the 17 UN Sustainable Development Goals (SDGs) Calling on all countries to improve the lives of people everywhere. Discuss the role of taxation in attaining these goals (25 marks)

### **QUESTION FOUR**

1. Tafadzwa is a non-executive director for H Ltd and during October 2020 he was in receipt of \$2,300 in respect of his board fees for the quarter ended 30 June 2020. Discuss the tax implications of the payment to Tafadzwa. [5 marks]
2. Company X and Company Y are associate companies as defined in section 2A of the Income Tax Act. In July 2020 they entered into a transaction in which Company X transferred one of its rental earning properties to Company Y. The decision was made when X's management noted that they could reduce their taxable income by transferring this property to Y since Y has been incurring significant losses over the past 4 years. Discuss the implications of the above transaction with reference to the requirements of sect 98A.[10 marks]
3. During the year of assessment Entity X purchased goods for a consideration of \$1,500 for entity Y which is an associated enterprise. Entity X then went to sale the goods to an independent entity for a sale consideration of \$1,700. Ordinarily Entity X earns a margin of 20% on all sales of these goods. Calculate the transfer price for the goods purchase from entity Y, that should be used in calculating entity X's taxable income.[10 marks]

**END OF EXAMINATION QUESTION PAPER**