



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

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

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16 AUG 2021
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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

Mr Dube purchased a piece of land for \$40 000, just outside Harare. He intended to go into poultry keeping, but changed his mind. He then decided to sub-divide the land into 10 plots and each would be sold for \$18 000.

The following development costs were incurred:

- Surveys \$4 000
- Road and sewerage \$5 000

7 plots were sold on 1 February 2011 and 3 were sold in March 2012 on the following conditions of sale:

- A deposit of 20% on signing the agreement.
- The balance is payable with effect from the month of sale at \$ 800/month/plot, until full payment is made.
- Interest at 15%/annum is payable on outstanding amounts.
- Ownership is transferred when full payment is made.

Administration expenses of \$ 700 and \$ 850 were incurred for the 2 years respectively.

Required:

Calculate the tax payable by Mr Dube for the 2 years in question.

[25marks]

[Total 25marks]

Question Two

Mr. JAMES is ordinarily resident in Zimbabwe. During the current year of assessment he earned the following income from foreign sources:

- Dividends from Global International, a company listed on the New York Stock Exchange valued at \$25 000 net of Non-residents tax (N.R.T) of \$5 000.
- Bank interest from Young & Poor Banking Corporation, a British bank located in London. The amount was \$10 000 gross of 10% of Non-residents tax on Interest.
- Rental income of \$40 000 from a commercial property in Dubai, United Arab Emirates. No tax was charged on this income.

Required

Compute Mr. JAMES's tax payable after granting any relief available to him. [15 marks]

Required- calculate the tax payable/ refundable

(a) According to the Estate Duty Act, what is the meaning of 'property'? [4 marks]

(b) What constitutes an estate of a deceased person?

[2marks]

i. Usufruct

[2marks]

ii. Ascertained beneficiary

[2marks]

[Total 25marks]

Question Three

Simon Dube is a Zimbabwean who had been forced by economic conditions in the country to sell his second house in Kwekwe. This was to facilitate his relocation to the United Kingdom the following year. He sold his house on 1 July 2020 for US\$35 000 through a depository.

- a) He had initially purchased his house on 1 February 2017 for \$20 000.
- b) In 2019 he built a Dura wall around his house to enhance security, all the costs amounted to \$2 000.
- c) Prior to selling on 25 June 2020 he painted his house to attract buyers for US\$500
- d) The agent's commission was 5% of selling price.

Required:

Calculate Simon Dube's capital gains tax payable for the tax year ended 31 December 2020.

[15 marks]

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]

Question Four

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. SDG1 mandate is to end poverty in all its forms everywhere. Critically discuss the role of taxation in attaining this goal [25 marks]

[Total 25marks]