



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

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**BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING**

PART II FIRST SEMESTER EXAMINATION

**INTRODUCTION TO TAXATION (BAC2204)**

JUNE 2025

DURATION: 3 HOURS

**INSTRUCTIONS**

1. Answer **all** questions in **Section A**, and **B**
2. Begin each question on a new page.

**INFORMATION FOR CANDIDATES**

1. You may use a scientific calculator.
2. Questions may be attempted in any order.

**This paper consists of eight printed pages including the cover page**

**SECTION A COMPULSORY (Answer all questions) [ 30 marks]**

**Each question carries 2 marks**

1. Which of the following is the primary objective of taxation?

- A. To punish businesses
- B. To encourage saving
- C. To generate revenue for the government
- D. To reduce imports

2. A tax that takes a higher percentage from high-income earners than from low-income earners is called a:

- A. Proportional tax
- B. Regressive tax
- C. Indirect tax
- D. Progressive tax

3. Which of the following is NOT a characteristic of a good tax system?

- A. Equity
- B. Certainty
- C. Complexity
- D. Convenience

4. VAT is classified as which type of tax?

- A. Direct tax
- B. Income tax
- C. Capital gains tax
- D. Indirect tax

5. The burden of a direct tax falls on:

- A. The seller
- B. The buyer
- C. The person on whom it is imposed
- D. The government

6. An example of a direct tax is:

- A. Value Added Tax
- B. Excise duty
- C. Income tax
- D. Customs duty

7. Which of the following taxes is levied on the profits of companies?

- A. Excise tax
- B. Corporate tax
- C. Sales tax
- D. Withholding tax

8. In taxation, the term 'incidence' refers to:

- A. The deadline for paying taxes
- B. The person who legally owes the tax
- C. The person who ultimately bears the burden of the tax
- D. The tax compliance rate

9. Which of the following is a progressive tax in Zimbabwe?

- A. Pay As You Earn (PAYE)
- B. Value Added Tax (VAT)
- C. Customs Duty
- D. Carbon Tax

10. The principle that those who earn more should pay more taxes is based on:

- A. Benefit principle
- B. Equal sacrifice principle
- C. Ability-to-pay principle
- D. Convenience principle

11. Which of the following is NOT a canon of taxation as proposed by Adam Smith?

- A. Equity
- B. Certainty
- C. Elasticity
- D. Convenience

12. The Zimbabwe Revenue Authority (ZIMRA) is responsible for:

- A. Printing of money
- B. Collection of taxes
- C. Registration of companies
- D. Allocation of national budgets

13. Which of the following is a tax levied on the increase in value of an Specified asset?

- A. Sales tax
- B. Capital gains tax
- C. Income tax
- D. Excise tax

14. Tax evasion refers to:

- A. Legally minimizing tax liability
- B. Postponing tax payment
- C. Illegal non-payment or underpayment of tax
- D. Changing tax laws

15. The difference between tax evasion and tax avoidance is that:

- A. Both are illegal
- B. Both are encouraged by law
- C. Tax evasion is illegal while tax avoidance is legal
- D. Tax avoidance is illegal while tax evasion is legal

### **Answer all questions**

#### **Question 1**

Mr Dube died on 31 March 2023. In terms of his will, he bequeathed the Following:

- (1) A farm in Blanket to his son together with \$300,000,000 cash
- (2) A block of flats to his daughter plus \$20,000,000 cash
- (3) The remainder of the estate was left to the testator's brother

The executor's Final liquidation and Distribution account was confirmed by the Master of High court on 30 November 2023

#### **Required**

Giving brief reasons, you are required to advise on what amounts and operations may result in taxable income accruing to each of the following

- (a) Mr Dube's son (3 Marks )
- (b) Mr Dube 's daughter (3 Marks)

- (c) Mr Dube's brother (2 Marks )  
 (d) Mr Dube's estate (2 Marks )

**Question 2**

- (a) Explain the difference between input tax and output tax, in relation to VAT. (5 marks)  
 (b) Discuss penalties, interest, and fines applicable for non-compliance with tax laws in Zimbabwe. (5 marks)  
 (c) List deductions allowed when determining the taxable value of a deceased estate. (5 marks)  
 (d) Define and explain the role of the tax Commissioner General. (5 Marks )

**Question 3 (20 Marks)**

Discuss the importance of any government having to tax its residents and/ or citizens as a way of raising revenue instead of relying on donor funds to finance public expenditure. (20 marks)

**Question 4 (20 Marks)**

Mr. Johnson who is ordinarily residence resident in Zimbabwe received the following amounts during the year ended 31 December 2024

Salary from Old Mutual Zimbabwe	\$150,000
Dividend from Econet	\$20,000
Rent from a house in Bulawayo	\$12,000
Rent for a house in South Africa	\$16,000
Inheritance from His late Father	\$500,000
Lotto Win	\$80,000
Interest from Canada	\$5,000
Salary earn from a Botswana company while working in Botswana for 4 months	\$20,000
Annuity from fidelity life insurance (This has been purchased for \$50000 and is to be paid for a period of 10 years effective 01/01/24)	\$6,000
Royalties from a book Mr. Johnson wrote whiles he was in South Africa and had it published and sold in Zimbabwe	\$18,000
Totals	\$827,000

**Required**

Calculate total gross income. (20 Marks)

## TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used when answering the questions.

### Tax rates – Individuals employment income

#### Year ended 31 December 2023

Taxable income band	Rate of Tax	Amount within	Cumulative income band Tax liability
Usd %			
Up to 1200	0	1200	0
1201 to 3600	20	2399	480
3601 to 12000	25	8399	2580
12001 to 24000	30	11999	6180
24001 to 36000	35	11999	10380
36001 to over	40		

NB. The AIDS levy of 3% is chargeable on income tax payable, after deducting credits.

### Allowable deductions year ended 31 December 2023

#### Pension fund contribution ceilings

#### US\$

- (a) In relation to employers: in respect of each member 3,000
- (b) In relation to employees: by each member of a pension fund 3,000
- (c) In relation to each contributor to a retirement annuity fund or funds 3,000
- (d) National Social Security contributions (on a maximum monthly gross salary of US\$700)  
3.5% of gross salary

Aggregate maximum deductible contributions to all the above per employee/contributor per year  
US\$3,000

### Credits year ended 31 December 2023

#### US\$

- Disabled/blind person 900\*
- Elderly person (55 years and over) 900\*
- Medical aid society contributions 50%

Medical expenses 50%

\*The amount is reduced proportionately if the period of assessment is less than a full tax year.

### **Deemed benefits year ended 31 December 2023**

#### **Motor vehicles**

Engine capacity:	US\$
Up to 1500cc	625
1501 to 2000cc	830
2001 to 3000cc	1,250
3001cc and above	1,660

#### **Loans**

The deemed benefit per annum is calculated at a rate of LIBOR + 5% of the loan amount advanced.

#### **Value added tax (VAT)**

Standard rate 15%

Capital allowances	%
Special initial allowance (SIA)	25
Accelerated wear and tear	25
Wear and tear:	
Industrial buildings	5
Farm buildings	5
Commercial buildings	2,5
Motor vehicles	20
Movable assets in general	10

**Tax rates – Other than employment income**

**Year ended 31 December 2023**

**Companies**

Income tax: Basic rate	24%
AIDS levy	3%

**Individuals**

Income tax: Income from trade or investment	24%
AIDS levy	3%

**Elderly taxpayers (55 years and over)**

**Exemptions from income tax/capital gains tax year ended 31 December 2023**

**US\$**

Rental income	3,000
Interest on deposits with a financial institution	3,000
Interest on discounted instruments	3,000

Pension No limit

Benefit derived from the acquisition of a passenger motor vehicle from an employer is EXEMPT

**\*\*\*End of Examination Paper\*\*\***