



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

---

**BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING**

PART II SECOND SEMESTER EXAMINATION

**INTRODUCTION TO TAXATION [BAC2204]**

JUNE 2024

DURATION: 3 HOURS

**INSTRUCTIONS**

1. Answer **ALL** QUESTIONS
2. Begin each question on a new page.
3. Please indicate the study format (Conventional/Block) on the cover of your answer script.

**INFORMATION**

1. Marks per question are as indicated.
2. Questions may be attempted in any order.
3. Tax tables are attached at the end of this question paper.

**ADDITIONAL MATERIALS**

**Candidates may bring into the examination, unmarked copies of:**

**Income tax Act Chapter 23:06, VAT Act Chapter 23:12, Estate Duty Act Chapter 23:03,  
Finance Act Chapter 23:04**

**This paper consists of 12 printed pages including the cover page**

**Section A: Multiple choice: [30 marks]**

**Each question carries 2 marks in this section**

1. Mr. Jones is an accountant with a local company. During the year ended 31 December 2023 he earned the following amounts:

Dividends from South Africa	\$1000
Salary (earned during his Botswana posting for 4 months)	\$1500
Zimbabwe salary	\$2000
Bonus (not received by year end)	\$600

What is his total gross income for the year ended 31 December 2023?

- A \$2 600
- B \$5 100
- C \$3 600
- D \$4 100

2. Which transaction is of capital nature?

- i. Acquisition of shares so as to sell them when they appreciate in value
- ii. Disposal of a manufacturing building
- iii. Purchase of raw materials for manufacturing purposes

- A (i) and (ii) only
- B (ii) only
- C (i), (ii) and (iii)
- D (ii) and (iii)

3. Why are taxes levied?

- A To raise revenue for the state

- B To discourage trade
  - C To control prices
  - D To reduce consumption of foreign made goods
4. Which of the following is exempt by nature of income?
- A Salary and allowance paid to the president
  - B Scholarship or bursary paid to a student
  - C Amount accruing to a parastatal entity
  - D Compensation paid to a person as a result of injury, sickness or death at work.
5. Which of the following is an exemption applicable to individuals?
- A Maintenance (Alimony)
  - B Dividend from local companies
  - C Interest from financial institution
  - D Salary paid to a civil servant
6. Which of the following credits is not apportioned?
- A Elderly person
  - B Disability
  - C Medical aid contribution
  - D Medical expenses
7. Which of the following is NOT a direct tax?
- A PAYE
  - B Presumptive tax
  - C VAT
  - D Road tolls

8. Which of the following is a deduction to income in respect of employment income of individuals?

- A Pension contribution
- B Insurance contributions
- C Medical Aid contribution
- D Contribution to an accident benefit fund.

9. Patrick received the following amounts during the year ended 31 December 2023.

	\$
Dividends from OK Zimbabwe	3 000
Interest from CBZ Bank	2 400
Consultancy fees	5 000

What is Patrick 's taxable income?

- A \$5400
- B \$10400
- C \$7400
- D \$8000

10. Mrs. Irvine purchased an annuity from Old Mutual P/L for \$10 000 5 years ago. She received \$2000 in 2022 and is to receive the same amount annually for the next 9 years.

What is her taxable income in 2023?

- A \$2 000
- B \$1 000
- C \$20 000
- D \$10 000

11. Tsitsi is an employee and contributes US\$300 monthly to a retirement annuity fund

(RAF). She also pays the maximum amount towards her National Social Security Authority (NSSA) monthly contributions. What is the total amount of Tsitsi 's allowable deductions from employment income in respect of her retirement annuity fund (RAF) and National Social Security Authority (NSSA) contributions for the year ended 31 December 2023?

A US\$5 400

B US\$2 994

C US\$3 894

D US\$3 600

12. Tino is in the process of finalizing her value added tax (VAT) return for the month of August 2023. Her VAT payable for the month is US\$6 300 before taking into account the following VAT inclusive adjustments:

	US\$
Sales value of goods applied to own use	2 200
Recovery of impaired debts	3 000
Purchases returns	1 200

What is the adjusted VAT payable by Tino for the month of August 2023?

A US\$7 135

B US\$12 700

C US\$7 260

D US\$6 534

13. Mary registered for value added tax (VAT) under category A on commencement of business operations on 1 January 2023. Mary 's VAT inclusive sales and purchases for her first quarter are as follows:

Sales:		Purchases:	
Month	US\$	Month	US\$

January	6 000	January	2 000
February	10 000	February	4 000
March	15 000	March	7 000

What is the net amount of value added tax (VAT) payable by Mary for the tax period which includes the results from March 2023?

A US\$2 100

B US\$2 700

C US\$1 826

D US\$2 347

14. Which one of the following categories of goods / services which is NOT zero rated?

A Sale of business as a going concern

B Farming products

C Supply of medicines

D Supply of accommodation

15. Fair more Trading (Pvt) Ltd delayed submission of its VAT returns by 31 days. What is the civil penalty it should expect to pay ZIMRA?

A 100% of the VAT amount

B \$930

C \$1350

D \$697.50

## Section B: [ 70 Marks]

### Question 1 [27 MARKS]

Assume that all transactions were in ZWL.

Solo (Pvt) Ltd is a category B VAT registered operator, a light manufacturer of Fast Moving Consumer Goods (FMCG) domiciled and incorporated in Zimbabwe.

Solo entered into the following transactions in the month of September 2023 with most of them related to employee benefits:

- a) Solo incurred a medical aid bill of \$35 700 being contributions to medical aid for its staff for the month of September 2019 but only paid this amount on the 23rd of December 2019. The same bill accrued for each of the remaining months until the end of the year.
- b) Solo purchased from a registered operator, over-the-counter drugs for its first aid boxes for \$5 200 on the 3rd of September 2019.
- c) Solo paid \$24 500 3rd term tuition fees to four (4) Trust schools (which are all VAT registered operators and also registered with the relevant Ministry of Education) for Executive Directors' children on the 3rd of September 2019.
- d) Solo paid in advance, a VAT registered operator \$2 000 in residential accommodation rentals to provide accommodation to four (4) of its managers for the month of September 2019.
- e) Solo also paid \$500 refundable security deposit which shall cover potential liabilities that may arise out of breakages etc. during SOLO's (tenant) stay. This amount is for one of the four (4) managers since they were moving into that residence in the month of September 2019 and the rental amounts remained the same throughout the rest of the year.
- f) Solo paid \$3 500 in fuel coupons and oils for use by staff for the vehicles that they use for personal business for the month of September and the same amount for the rest of the year.
- g) Solo advanced three (3) executive directors, loans of \$20 000 each in the month of September 2019 and the loans are to attract interest of 3% per annum, non-compounding payable monthly in arrears starting 30 September 2019. The principal amounts are to be paid as a bullet payment after three years.

- h) Solo imported an SUV Land rover Discovery (v6, 4500cc, diesel) motor vehicle for use by Helen from Thailand for \$36 000, the freight and insurance charge was \$1 500 and import duty was 96% effectively. The vehicle shall be used by Helga for her private use and business as well with no restrictions

**REQUIRED:**

Explain the VAT treatments for the month of September 2019 for SOLO for the following transactions:

- |  |           |
|--|-----------|
| a) Medical aid costs                   | (4 marks) |
| b) First Aid kit drugs                 | (2 marks) |
| c) School fees for employees' children | (3 marks) |
| d) Rentals and security deposit        | (5 marks) |
| e) Fuel and oils                       | (5 marks) |
| f) Directors' loans                    | (2 marks) |
| g) Imported land rover                 | (6 marks) |

**Question 2 [28 MARKS]**

Leeroy was employed by Company LX as a marketing manager and retired on the 31st of August 2023. Leeroy turned 65 in July 2023.

	Note	\$
Salary		16 000
1st and 2nd quarter performance bonuses		1 000
Dividends from a local private company		1 500
Dividends from CBZ Building society		535
Rental Income	1	4 050
Lump sum receipt from pension fund	2	54 000
Lump sum receipt from a Retirement Annuity Fund (RAF)	3	98 000
Gratuity		2 500
Cash in Lieu of Leave		6 000
Medical Expenses paid for by former employer for disabled son's wheelchair		700
Motoring Benefit	4	-
Housing Benefit	5	-
Loan Benefit	6	-
Medical Aid employer contributions	7	480
Medical Aid self-contributions		960
Pension fund self-contributions		2 800
Pension fund employer contributions		1 200
RAF self-contributions		1 000
NSSA		196
Pension annuity		2 000
Subscription to the Chartered Marketers' Association		536
Paid up medical expenses for Leeroy not covered by medical aid		452
Interest received in savings account from a local bank		1 650

Electricity Charges	360
City Council Rates	150

## Notes

- i. Rentals received, being rentals from a Kuwadzana house that she inherited from her late father on the 1<sup>st</sup> of January 2023.
- ii. Lump sum receipt from registered Pension Fund. Leeroy's total pension entitlement is \$150 000.
- iii. Lump sum receipt from RAF. His pension entitlement is \$270 000. Assume that all her contributions to the RAF were allowed as a deduction
- iv. Leeroy had the use of a VW Amarok, Twin cab 2.4-litre petrol vehicle from the beginning of the year to the retirement date. On retirement, Company LX sold the vehicle to her for \$4 300. Its market value then was \$22 000.
- v. Leeroy stayed in a Company LX house and moved out on the 1st of October 2023. The house cost Company LX \$165 000 to construct. Furniture also cost Company LX \$23 000.
- vi. Rentals in the same area for a similar house were \$600 per month during the 2023 year. Leeroy had taken out an interest free loan of \$5 000 on the 1st of February. On the 31st of August, the principal amount was netted off from part of her retirement proceeds. LIBOR rate during the period was 1%.
- vii. Company LX contributed 50% to Leeroy's pension. Over the years Leeroy's contribution exceeded the limit by \$5 000. She receives an annuity of \$500 per month starting September 2023. Her life expectancy is 10 years from retirement date.

## **REQUIRED:**

Calculate income tax payable by Leeroy on Employment Income for the year ended 31 December 2023. Insert brief explanatory notes for each transaction. (28 marks)

### Question 3

- a) State the due dates for the following taxes and returns:
- i. VAT return
  - ii. Self-assessment return
  - iii. QPD return
  - iv. Capital gains tax return
  - v. Presumptive tax return
  - vi. I.T.F 16
  - vii. Monthly PAYE
  - viii. Annual tax return
  - ix. Withholding tax on contracts
  - x. Withholding tax on non-executive director's fees [12 Marks]
- b) What is a representative taxpayer [3 marks]

**END OF QUESTION PAPER**