



*“Investing in Africa’s future”*

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP &  
GOVERNANCE**

**MAC 303: INTRODUCTION TO BUSINESS TAXATION (2)**

**END OF SECOND SEMESTER FINAL EXAMINATIONS**

**APRIL/MAY 2019**

**LECTURER: I. RARAMI**

**DURATION: 3 HRS**

***INSTRUCTIONS***

Answer **all** questions

Start each question on a new page in your answer booklet.

The marks allocated to each question are shown at the end of the question

Show all your workings

Credit will be given for presentations that are neat, logical and grammatically well constructed.

Use of a non-programmable calculator is permissible.

## QUESTION ONE [25 MARKS]

Zhanje Thanks is the financial director of Nyashaland (Pvt) Ltd. He is also a non-executive director of Phiriland (Pvt) Ltd, which is the holding company of Nyashaland (Pvt) Ltd.

Zhanje Thanks is 60 years of age. He had contracted polio during his youth and is confined to a wheelchair.

For the period 1 February 2018 to 31 December 2018 Zhanje received the following remuneration from the company, which was all paid in USD. (Zhanje was on unpaid leave for the month of January and received no remuneration.)

	Note	US \$
Salary		60 000
Director's fees , voted for on 30 September 2017		2 000
Medical aid contributions paid by the company		3 600
Medical expenses paid by the company in July 2017		1 000
Entertainment allowance	1	2 400
		69 000
Zhanje's pension fund contributions to the company's approved pension fund for the period 1 February to 31 December 2018		3 575
PAYE deducted for the period 1 February to 31 December 2018		22 700

### Notes

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1 During the 2018 tax year, Zhanje entertained clients at a cost of US \$950.

### Additional information

- For the period January 2018 to September 2018 he had the use of a company vehicle with an engine capacity of 1500 cc. In October 2018 the company sold the vehicle to Zhanje for US \$2 000. The market value of the vehicle was US \$3 500 and the cost to the company was US \$5 450.
- In September 2018 Zhanje exercised an option to acquire 200 shares in Nyashaland (Pvt) Ltd at US \$2 per share. At that date

the market value of these shares was US \$3 per share. The option had been offered in February 2016 when the market value of the shares was the equivalent of US \$3,50 per share.

- Zhanje owns two flats, one of which is his principal private residence and another, which was let throughout the year for US \$9 600. The monthly levy of \$500 per month was paid by Zhanje. Zhanje enclosed the balcony of the rented flat in September 2018 at a cost of US \$1 800.
- Zhanje received a pension of US \$200 per month from an approved pension fund from his previous employer.
- On 30 September 2018 Phiriland (Pvt) Ltd paid Zhanje director's fees amounting to US \$500 less US \$100 withholding tax.
- In September 2018 Zhanje invested funds in bankers' acceptances. Interest on these bankers' acceptances amounted to US \$4 000 for the year.

### **Other Information**

Consumer price indices that may be relevant were as follows:

February	2016	0.95%
December	2017	1.84%
September	2018	1.25%
December	2018	1.28%

### **REQUIRED**

You are required to calculate Zhanje's tax liability on employment income for the year ended 31 December 2018. Provide detailed explanations to support your answer. **[25 marks]**

### **QUESTION TWO [26 MARKS]**

a). Dr M Chikandakanda is a Zimbabwean resident who recently emigrated to South Africa for greener pastures. She needs to clear a few tax issues before he finally settles there. She has over the years accumulated different types of income from all over the world. She approaches you for advise on each of the following amounts. She would like to find out whether the amounts will be taxed in Zimbabwe when she starts residing in South Africa. Advise her and give her reasons for your answer and quote cases where possible.

i). Rent of Kwacha 300000 from a house being rented out in Zambia.  
**[2 marks]**

ii). Royalties from a Zimbabwean company of \$8000. The royalty is being paid for a medical formula which he produced when he was in Malawi.  
**[2 marks]**

iii). Interest from Miracle Money In-pocket Ltd a financial Institution in Ghana.  
**[2 marks]**

iv). Annual pension from former Zimbabwean employer of \$25 000.  
**[2 marks]**

v). She will leave her Mutare-Murambi residence to a Chinese International company which is mining diamonds in Chiyadzwa, which has agreed to pay her R10 000 monthly with effect from the time she resides in South Africa.  
**[2 marks]**

vi). Dividends from T.N Holdings a company registered on the Zimbabwe Stock exchange. The dividends will be roughly \$50 000.  
**[2 marks]**

b). i). What are the major 3 differences between the ordinary (P.A.Y.E) pa as you earn and the (F.D.S) final deduction system.  
**[4 marks]**

ii). Employees under F.D.S are not required to fill tax returns for that income, but there are circumstances where employees are required to fill tax returns. State four of these circumstances.  
**[4 marks]**

ii). Explain how taxable income of partners in a partnership is arrived at.  
**[2 marks]**

iii). State four items that are specifically exempt in arriving at joint taxable income of partners.  
**[4 marks]**

### **QUESTION THREE [20 MARKS]**

a). On the 25<sup>th</sup> of Mach 2018, Miracle Money Ltd, estimated that they were going to make a profit of \$300 000 by the end of the year. In September, the finance manager, Mr P. Zondolaz estimated that that they were going to make a profit of \$350 000 because of a big contract that they recently signed.

- i). Calculate the provisional tax that was paid by Miracle Gold Ltd every quarter. **[7 marks]**
- ii). State the dates when such payments were made during the year 2017. **[2 marks]**
- iii). What does the term Q.P.D stands for in relation to the payment of provisional tax **[1 marks]**

b) .From the following information compute the wear and tear (W & T ), Special initial Allowance (S.I.A) and Income Tax Values (I.T.V) of Damba Damba (Pvt )Lt d **[10 marks]**

	<b><u>I.T.V</u></b>
Plant and Machinery (cost \$60 000)	45 000
Motor Vehicles-light (cost \$20 000)	10 000
Office Equipment (cost \$16 000)	12 000
Executive Office Furniture (cost \$12 000)	9 000
30 Ton Trucks (cost 120 000)	90 000
Purchase plant and Machinery during the year	20 000
Purchase a B.M.W during the year	15 000
Purchase a Scania 93 H truck during the year	40 000.

#### **QUESTION FOUR [15 MARKS]**

- i). List three requirements for lodging a valid objection to an assessment, according to section 62 **[3 marks]**
- ii). Section 46 outlines grounds for penalties. State some grounds for penalties. **[3 marks]**
- ii). What is V.A.T ? **[2 marks]**
- ii). What is the thresh hold for V.A.T registration? **[1 mark]**
- iii). What are the other four features of a tax invoice, besides name and address of the supplier and recipient, invoice No, and vat numbers of the supplier and recipient company. **[2 marks]**
- iv). What are the four responsibilities of a VAT registered person? **[4 marks]**

#### **QUESTION FIVE [14 MARKS]**

Mr Hondoyeminda has just been resettled in the rich Odzi farming and mining area. He commenced livestock farming and mining. He submitted the accounts supporting his return of income for the year ended 31 December 2018.

A.He also returned the following information, in respect of his livestock farming activities, the following purchases were made during the year of assessment:-

Herd	Cost \$	Fixed Standard Value
1 Stud bull	500	_____
1 Stud bull	550	_____
1 Stud bull	4 500	_____
100 Cows	7 700	400
50 Heifers	6 000	350
50 Tollies	5 500	300
100 Oxen	6 000	300
<u>50</u> Calves	<u>5 000</u>	<u>150</u>
<u>353</u>	<u>35 750</u>	

There were 60 births during the current year, 4 deaths (being 2 tollies and 2 cows) and 80 sales (i.e 30 tollies and 50 oxen) amounting to \$75 000.

Promotions in the various categories were:-

10 heifers to cows  
 30 calves to heifers  
 40 tollies to oxen  
 30 calves to tollies

The cost of running the herd was \$32 000 all of which is allowable for tax purposes. The Fixed Standard Values (F.S.V ) were accepted by the Commissioner and bulls are valued by reference to the minimum purchase price value of \$200.

**Required:**

- i). Prepare a livestock reconciliation statement for the year ended 31 December 2018. **[8 marks]**
- ii). Prepare a livestock Trading Account for the year ended 31 December 2018. **[6 marks]**

**END OF PAPER**  
**SUMMARY ON TAX CREDITS-2018**

	<b>Elderly Person</b>	<b>Blind Person</b>	<b>Medical Expenses/ Contribution</b>	<b>Mentally or physically Disabled Person</b>
Tax Credit-2018	900	900	\$1 for every \$2 paid	900
Apportionment of credit	Yes	No	No	No
Transfer between spouses	No	Yes	No	No
Blind child				Grant credit
T/p not ordinarily resident in Zim during any part of the period of assessment	Grant credit	Grant credit	Grant credit only in respect of medical aid contribution	No credit
Blind taxpayer		Grant credit		
Medical exps for a child who is no longer a minor child			G/credit in respect of invalid fittings/appliances	

### **2018 ANNUAL P.A.Y.E TABLE (USD)**

#### **1<sup>ST</sup> JANUARY 2017 TO 31 DECEMBER 2018 (USD)**

<b>Band of Taxable Income (USD)</b>		<b>Tax Rate %</b>		<b>Cumulative Band Deduct (USD)</b>
1- 3 600	Multiply By	Nil	Nil	Nil
3 601- 18 001	Multiply By	20%	Less	720
18 001- 36 000	Multiply By	25%	Less	1 620
36 001- 60 000	Multiply By	30%	Less	3 420
60 001-120 000	Multiply By	35%	Less	6 420
120 001-180 000	Multiply By	40%	Less	12 420
180 001-240 000	Multiply By	45%	Less	21 420
240 000 & above	Multiply By	50%	Less	33 420

### **2018 MONTHLY P.A.Y.E TABLE (USD)**

**1<sup>ST</sup> JANUARY 2018 TO 31 DECEMBER 2018 (USD)**

<b>Band of Taxable Income (USD)</b>		<b>Tax Rate %</b>	<b>Tax (USD)</b>	<b>Cumulative Band Deduct (USD)</b>
1- 300	Multiply By	Nil	Nil	Nil
301- 1 500	Multiply By	20%	Less	60
1 501- 3 000	Multiply By	25%	Less	135
3 001- 5 000	Multiply By	30%	Less	285
5 001- 10 000	Multiply By	35%	Less	535
10 001- 15 000	Multiply By	40%	Less	1 045
15 001- 20 000	Multiply By	45%	Less	1 785
20 000 & above	Multiply By	50%	Less	2 785

**DEEMED MOTORING BENEFITS**

<b>Engine Capacity</b>	<b>Value</b>
1500cc or less	US\$ 300 per month
1501cc to 2 000cc	US\$ 400 per month
2001cc to 3 000cc	US\$ 600 per month
Above 3 000cc	US\$ 800 per month