



***“Investing in Africa’s Future”***

**FACULTY OF MANAGEMENT AND  
ADMINISTRATION**

**COURSE TITLE:**            **MAC 303 Introduction To Taxation (Parallel - Harare)**

**SEMESTER 1:**            **Final Examination October 2014**

**LECTURER:**            **Mr T.Mawere**

**TIME:**                    **3 HOURS**

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***INSTRUCTIONS***

Answer **all** questions from **Section A** and any **two** from **Section B**, all workings are to be shown in the provided Examination answer scripts. On all practical computations, credit will be given for presentation.

All questions in **Section B** carry **equal** marks.

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 logical, systematic and neat presentations.

## **Section A (60 marks)**

### **Question 1 (25 marks)**

Pride (Pvt) Ltd, a company incorporated in Zimbabwe on 1 September 2011, manufactures taper ware. The company has a 31 December year end and commenced operations on 15 January 2012

The company's gross income for the 31 December 2012 year was as follows:

	<b>US\$</b>	<b>US\$</b>
Gross income		90 500
Expenditure		66 876
Accountancy fees	600	
Depreciation	5 600	
Rent	18 800	
Salaries	40 000	
Travelling expenses to Dubai to purchase a smelting machine		2 200
Entertaining prospective clients	236	
Staff Christmas party	440	
<b>Net Profit</b>		<b>19 624</b>

During the period 1 September 2011 to 31 December 2011 the company incurred the following expenditure:

	<b>US\$</b>
Company formation expenses	800
Cost of purchasing plant and equipment (brought into use on 15 January 2010)	34 000
Rent	7 200
Wages for December 2009	2 000
	<b>44 000</b>

In April 2010, the company imported a glass blowing machine, which was brought into use in June 2012 at a cost of \$ 22 000 million.

### **Required**

Calculate the tax liability of Pride (Pvt) Ltd for the year ended 31 December 2012.  
**(25)**

### **Question 2 (25 marks)**

Mr Justin Biber is the financial director of Biber (Pvt) Ltd. He is also a director of Babertov (Pvt) Ltd, which is the holding company of Biber (Pvt) Ltd.

Mr Justin Biber is 60 years of age. He had a leg amputated during his youth and is confined to a wheelchair.

For the period 1 January 2012 to 31 December 2012 Mr Justin Biber received the following remuneration from the company, which was all paid in foreign currency.

	<b>Note</b>	<b>US\$</b>
Salary		160 000
Director's fees, voted for on 30 June 2012		2 000
Medical aid contributions paid by the company		3 600
Medical expenses paid by the company in July 2012		1 000
Entertainment allowance	1	2 400
		<b><u>169 000</u></b>
Mr Justin Biber pension fund contributions to the company's approved pension fund for the period 1 Jan 2012 to 31 December 2012		6 575
PAYE deducted for the period 1 January to 31 December 2012		32 700

### Notes

1 During the 2012 tax year Justin Biber entertained clients at cost of US \$1 950

### Additional Information

For the period January 2012 to September 2012 he had the use of a company vehicle with an engine capacity of 1500 cc. In October 2012 the company sold the vehicle to Mr Justin Biber 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 2012 Mr Biber exercised an option to acquire 200 shares in Biber (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 2007 when the market value of the shares was the equivalent of US \$ 3, 50 per share.

Mr Biber 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 US \$ 500 per month was paid by Mr Biber. Mr Biber enclosed the balcony of the rented flat in September 2012 at a cost of US \$ 1 800.

Justin Biber received a pension of US \$ 200 per month from an approved pension fund from his previous employer.

On 30 June 2012 Babertov (Pvt) Ltd paid Mr Justin Biber director's fees amounting to US \$ 500 less US \$ 100 withholding tax.

In August 2012 Mr Justin Biber invested funds in bankers' acceptances. Interest on these bankers' acceptances amounted to US \$ 4 000 for the year.

### Required

You are required to calculate Mr Justin Biber's tax liability for the year end 31 December 2012. Provide detailed explanations to support your calculations whenever necessary. **(25)**

### **Question 3 (10 marks)**

Mr Nyamuromba income from Business before foreign income was \$25,000.00

- Namibia        \$600(80)
- Zambia        \$400 (120)
- Canada        \$500 (\$150)

Calculate Taxable Payable after considering the Double Taxation Relief on business interest from the following countries with which Zimbabwe enjoys D.T.A agreements?        **(10)**

### **SECTION B (40 Marks)**

**Choose any 2 questions, all questions carry equal marks**

#### **Question 4 [20 marks]**

- a) During the year end 2012, Mr Musarurwa sold old house in Murambi for \$165,000  
Can you draw his Capital Gains Tax Computation using additional information given below?

The house had been purchased at \$60,000.00. He paid bond registration fees of \$5,000.00 in May 2009.

She erected the following improvements to the premises in January 2011.

Dura wall at        \$3000.00

Driveway at        \$2500.00

Garage        \$5000.00

Mr Musarurwa incurred the following selling expenses Advertising \$1,400.00 and Commission at \$1,600.00. May you compute Mr Musarurwa's Gross Capital income/ Gross Capital Loss for the year ended 31 December 2012

**[20marks]**

### Question 5 [20marks]

Can you draw a comparison between two these commonly confused tax offenses, Tax Avoidance and Tax Evasion site examples to illustrate your definitions?

[15 marks]

(a) Write a few notes on the connotations of the following terms drawn from the General deduction formula;

- i. Expenditure and losses.
- ii. Incurred by a taxpayer
- iii. To the extent to which
- iv. Repairs and improvements

[5marks]

### Question 6

#### (a) Source [10MARKS]

The courts have ruled that, “*Source*” means not a legal concept but something, which the practical man would regard as the real originating cause of the income. Can you match the true source to each of the following incomes?

NATURE OF INCOME	TRUE SOURCE
Income from the Rental of Immovable property	
Income from Rental of movable property, short-term contract	
Income from Rental of movable property, Long-term contract	
Income from Directors fees	
Loan interest	
Income from the sale of goods	
Income from Services rendered	
Royalties	

Dividend income	
Business income	

(b)

In Terms of Section 62 of the Income Tax Act outline an Objection Report highlighting the main components in chronological order, giving brief notes for each item. **[10marks]**

Tax tables

**RATES OF TAX FOR THE TAX YEAR ENDED 31<sup>ST</sup> DECEMBER 2012**

**RATES OF TAX FOR EMPLOYMENT INCOME**

<b>INDIVIDUAL TAX RATES –JANUARY 2012 - DECEMBER 2012</b>				
From		To	Rate	Cumulative tax
-	-	3,000	0%	0
3,001	-	12,000	20%	1,800
12,001	-	24,000	25%	4,800
24,001	-	60,000	30%	15,600
60,001	-	90,000	35%	26,100
90,000	-	120,000	40%	38,100
120,001			45%	

**RATES OF TAX ON TAXABLE INCOME FROM BUSINESS**

<b><u>Section</u></b>	<b><u>Nature of Taxable income</u></b>	<b><u>Specified %age</u></b>
14(2)(b)	Taxable income of individual from trade or investment	25
14(2)(c)	Taxable income of company or trust	25
14(2)(d)	Taxable income of pension fund from trade or investment	15
14(2)(e)	Taxable income of licensed investor	
	First five years of the arrangement	0
	After the first five years of the arrangement	25
14(2)(f)	Taxable income of the holder of special mining lease	15
14(2)(g)	Taxable income of company or trust derived from mining operations	25

The above rates excludes 3 % aids levy

Tax tables

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