



**AFRICA
UNIVERSITY**

(A United Methodist-Related Institution)

“Investing In Africa’s Future”

FACULTY OF MANAGEMENT AND ADMINISTRATION

COURSE TITLE: INTRODUCTION TO TAX LAW AND PRACTICE

COURSE CODE: MAC 303

SEMESTER 1: FINAL EXAMINATION-NOVEMBER 2013

LECTURER: MR I. RARAMI

TIME: 3 HOURS

INSTRUCTIONS

Answer **all** questions

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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.

MAC 303: INTRODUCTION TO TAX LAW AND PRACTICE.

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Use of a non-programmable calculator is permissible.

QUESTION 1

Dr Faith Faith is a managing director of a local company that exports most of its products. She is a single mother with a primary school going age child. She is a hard work and in appreciation of her efforts and in an attempt to retain this human asset, the company increased her annual salary to \$ 100 000. The company also decided to give her the following incentives from 1 January 2012.

- i). New Company car 3000cc
- ii). Company house in Murambi, market rental \$1 500 per month
- iii). School fees for her child for 2012 \$2 500
- iv). Company furniture \$5 000
- v). Entertainment allowance \$10 000. Allowances expended on employer's business was \$8 200.

Dr Faith paid \$2500 medical expenses for her daughter and \$1400 to her medical aid society.

From the information given, calculate Dr Faith Faith's tax payable. [15]

QUESTION 2

a). Dr Chido Zvou-king is a Zimbabwean resident who recently emigrated to South Africa for health reasons. He needs to clear a few tax issues before he finally settles there. He has over the years accumulated different types of income from all over the world. He approaches you for advise on each of the following amounts. He would like to find out whether the amounts will be taxed in Zimbabwe when he starts residing in South Africa. Advise him and give him reasons for your answer.

- i). Rent of Kwacha 300000 from a house being rented out in Zambia. [2]
 - 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]
 - iii). Interest from Miracle Money In-pocket Ltd a financial Institution in Ghana . [2]
 - iv). Annual pension from former Zimbabwean employer of \$25 000. [2]
 - v). He will leave his Murare-Murambi residence to a Chinese International company which is mining diamonds in Chiyadzwa, which has agreed to pay him R10 000 monthly with effect from the time he resides in South Africa. [2]
 - vi). Dividends from T.N Holdings a company registered on the Zimbabwe Stock exchange. The dividends will be roughly \$50 000. [2]
- b). i). What are the major differences between the ordinary (P.A.Y.E) pa as you earn and the (F.D.S) final deduction system. [4]
- 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. What are these circumstances?. [3]

QUESTION 3

Below are the earning details for Farirai Mutero for the month of January 2012.
Farirai Mutero is disabled.

Basic salary	2800
Pension Contribution	80
NSSA	6
Trade union subscription	20
Old Mutual Retirement Annuity Fund contribution	50
Medical Aid contribution	300
Medical Expenses for January	200

Calculate F. Mutero's P.A.Y.E for January 2012 under Final Deduction System, using the forecasting method. [15]

QUESTION 4

a). On the 25th of March 2012, Miracle Money Ltd, estimated that they were going to make a profit of \$200 000 by the end of the year. In September, the finance

manager, Mr Cryless Chemaizvishoma, estimated that they were going to make a profit of \$250 000 because of a big contract that they recently signed.

- i). Calculate the provisional tax that was paid by Miracle Gold Ltd every quarter. [7]
- ii). State when such payments were made during the year 2012. [2]
- iii). What does the term Q.P.D stand for in relation to the payment of provisional tax [1]

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 Maenga Betera (Pvt) d [16]

	<u>I.T.V</u>
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 5

Glory Glory (Pvt) Ltd is a small company based in Mutare engaged in production of cement for local consumption. You are presented with the following information for each of the specified tax years before making adjustments to results of prior years.

2007 assessed loss carried forward	60 000
2008 assessed loss	52 000
2009 taxable income	71 000
2010 assessed loss	12 000
2011 taxable income	64 000
2012 net profit	108 000

Additional information:

Net profit for 2012 is arrived at after charging the following:

- i). Depreciation \$32 000
- ii) Donation to National Bursary \$14 000
- iii). Donation to local church Muuyu Zion \$8 000
- iv). Medical Aid contribution \$56 000
- v). Trade mission convention cost for two years \$22 200
- vi). Pension contribution \$80 000

You are required to indicate the final tax position of Glory Glory for the year ended 31 December 2012. [12]

QUESTION 6

- i). List three requirements for lodging a valid objection to an assessment, according to section 62 . [3]
- ii). Section 46 outlines some grounds for penalties. State some grounds for penalties. [3]
- ii). What is V.A.T ? [3]
- ii). What is the thresh hold for V.A.T registration ? []
- iii). What are the other features of a tax invoice, besides name and address of the company, invoice No, and vat number of the company issuing the tax invoice. [2]

2012 ANNUAL P.A.Y.E TABLE (USD)
1ST JANUARY 2012 TO 31 DECEMBER 2012 (USD)

Band of Taxable Income (USD)	Amount (USD)	Tax Rate %	Tax (USD)	Cumulative Tax (USD)
1- 3 000	3 000	0%	Nil	Nil
3 000- 12 001	9 000	20%	1 800	1 800
12 001- 24 000	12 000	25%	3 000	4 800
24 001- 60 000	36 000	30%	10 800	15 600
60 001- 90 000	30 000	35%	10 500	26 100
90 001-120 000	30 000	40%	12 000	38 100
120 001 and above		45%		

2012 MONTHLY P.A.Y.E TABLE (USD)
1ST JANUARY 2012 TO 31 DECEMBER 2012 (USD)

Band of Taxable Income (USD)	Amount (USD)	Tax Rate %	Tax (USD)	Cumulative Tax (USD)
1- 250	250	0%	Nil	Nil
251- 1 000	750	20%	150	150
1 001- 2 000	1 000	25%	250	400
2 001- 5 000	3 000	30%	900	1 300
5 001- 7 500	2 500	35%	875	2 175
7 501- 10 000	2 500	40%	1 000	3 175
10 001 and above		45%		

SUMMARY ON TAX CREDITS-2012

	Elderly Person	Blind Person	Medical Expenses/ Contribution	Mentally or physically Disabled Person
Tax Credit-2012	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	Grant credit	Grant credit	Grant credit only in respect	No credit

resident in Zim during any part of the period of assessment			of medical aid contribution	
Blind taxpayer		Grant credit		
Medical exps for a child who is no longer a minor child			G/credit in respect of invalid fittings/appliances	

READY RECKONER PAY TABLES

2012 ANNUAL P.A.Y.E TABLE (USD)

1ST JANUARY 2012 TO 31 DECEMBER 2012 (USD)

Band of Taxable Income (USD)		Tax Rate %		Cumulative Band Deduct (USD)
1- 3 000	Multiply By	Nil	Nil	Nil
3 001- 12 001	Multiply By	20%	Less	600
12 001- 24 000	Multiply By	25%	Less	1 200
24 001- 60 000	Multiply By	30%	Less	2 400
60 001- 90 000	Multiply By	35%	Less	5 400
90 001-120 000	Multiply By	40%	Less	9 900
120 001 and above	Multiply By	45%	Less	15 900

2012 MONTHLY P.A.Y.E TABLE (USD)

1ST JANUARY 2012 TO 31 DECEMBER 2012 (USD)

Band of Taxable Income (USD)		Tax Rate %	Tax (USD)	Cumulative Band Deduct (USD)
1- 250	Multiply By	Nil	Nil	Nil
251- 1 000	Multiply By	20%	Less	50
1 001- 2 000	Multiply By	25%	Less	100
2 001- 5 000	Multiply By	30%	Less	200
5 001- 7 500	Multiply By	35%	Less	450
7 501- 10 000	Multiply By	40%	Less	825
10 001 and above	Multiply By	45%	Less	1 325

DEEMED MOTORING BENEFITS

Engine Capacity

Value

1500cc or less	US\$ 150 per month
1501cc to 2 000cc	US\$ 200 per month
2001cc to 3 000cc	US\$ 300 per month
Above 3 000cc	US\$ 400 per month