



COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 310: TAXATION, TAX LAW AND PRACTICE

END Of FIRST SEMESTER EXAMINATION

NOVEMBAER 2025

LECTURER: DR P KORERA

DURATION: 3 HOURS

INSTRUCTIONS

You are required to answer questions as instructed

Answer **ALL** questions

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

Credit will be awarded for logical, systematic and neat presentations

Tax tables are provided

QUESTION 1 (25 Marks)

Mr Chips is a foreign businessman with an interest in letting of properties. He is seeking your tax advice regarding the tax treatment of the following transaction that he has undertaken:

- a) Cost of replacing a lift in a block of flats **(2 marks)**
- b) \$4 500 paid for the removal of tree roots which were a potential threat to foundation of a rent producing property **(3 marks)**
- c) Once off payment, said to be a premium, of \$150 000 received from a tenant who took occupancy of the flat mid-February 2024 under a 12-year lease **(3 marks)**
- d) Driveway replacement cost of \$17 000 from gravel to concrete. **(2 marks)**
- e) \$3 670 paid to Aluminium Industries for replacing worn wooden venetian blinds with glazed casement and hopper windows. **(3 marks)**
- f) \$2 500 incurred as repair cost to the main entrance hall of block of flats. Mr Chips occupies one of the 10 flats. **(2 marks)**.
- g) The cost of repairing cracks caused by a faulty foundation and the cost of underpinning the foundation at \$13 750. **(2 marks)**
- h) Replacement cost of broken window panes in one of the flats where a tenant is residing **(3 marks)**
- i) R130 000 rentals from South Africa property bought using income from his savings in Zimbabwe. **(3 marks)**
- j) \$1 400 paid to Old Mutual Estate Agents for managing the properties on behalf of Mr Chips for the tax year. **(2 marks)**

QUESTION 2 (25 Marks)

Explain the various ways that can be used to classify taxes. Give examples of each type under the different classes. **[25 marks]**

QUESTION 3 (25 Marks)

K&M (Private) Limited is a Zimbabwean incorporated company based in Lytton industrial area. The company is in the business of manufacturing various plastic products. On 1 January 2024, the following assets were shown in its asset register:

Assets	Cost (\$)	Year acquired	Month	Income Tax Value (ITV) (\$)
Industrial land	500 000	2022	January	500 000
Delivery truck	10 000	2023	July	9 000
Computers	4 000	2021	January	1000
Warehouse	50 000	2023	January	48 750

Factory building	200 000	2021	February	170 000
Mercedes Benz	20 000	2023	December	7 500
Industrial machinery	30 000	2023	March	22 500

Additional information

- The company disposed the existing machinery for \$ 24 000 on 30 June 2024 and replaced it with a new machinery which was bought for \$ 50 000. The cost of bringing the machinery to its useful state was incurred as follows:
 - Import duty (Beitbridge border post) \$2 500
 - Installation \$ 1 500
 - Alteration of the factory building so as to fit the new machinery \$ 2 000
- The company bought a Nissan Primera for the finance director on 20 February 2024, for \$14 000.
- The delivery truck was involved in an accident on 30 October 2024, the insurance company paid the company \$9 000 in compensation. The directors have since found a similar truck for replacement.

Required

Calculate the maximum allowances and income to be included in the computation of tax liability for K&M. **[25 marks]**

QUESTION 4 (25 Marks)

Mr Mwendamberi aged 55, is a managing director of a local engineering company based in Mutare. He is blind and has three children namely Tino, Taku and Tate who are aged 13,16 and 21 respectively. You are presented with his following income and expenditure account for the year ended 31st December 2024.

Income	\$
Salary	24 000
Performance bonus	2 000
Directors fees from foreign registered company operating in Zimbabwe	1 000
Directors fees from local registered manufacturing company	3 000
Income from guest lectureship at MSU	2 500
Earnings from local investments	7 000

Income from business plans consultancy	4 500
Entertainment allowance from employer (note 1)	2 400
Medical aid contributions paid by the employer	1 000
Cash in lieu of leave	2 000
Re-engagement gratuity	1 400
Leave pay (November and December)	4 000
Annuity (Note 2)	1 800
Loan Benefit (Note 4)	2 000
Lump sum payment from pension fund (Note 5)	14 800
<u>Expenditure</u>	
PAYE	23 400
Medical aid contributions paid by the tax payer (Note 6)	400
Purchase of special spectacles for aged mother	300
Crutches for Tate (Note 7)	1 800
Medical aid shortfalls (Note 8)	1 350
Dentures for Tate	620
Pension contribution (approved fund)	7 400

Notes

1. Jimmy Mwendamberi managed to satisfy the Commissioner that \$800 of the entertainment allowance was spent entertaining his employer's client.

2. The annuity was purchased from an insurance company for \$1 000. The insurance company advised that monthly payments of \$150 would be made for 10 years commencing in February 2024
3. The loan was obtained from the employer on 1st February 2024 and it amounted to \$6 000. It was used for the purposes of purchasing a car for Tate.
4. Of the lump sum payment, \$1 500 was used to purchase an annuity on retirement with Southampton Assurance Company and \$3 000 was transferred to a benefit fund.
5. Of the medical aid contributions paid by taxpayer an amount of \$80 was paid for ex-wife and \$70 for Tate
6. Even though Tate uses crutches the doctor recognizes that her disability is temporary
7. Included in the medical aid shortfalls is an amount of \$350 which relates to medical expenditure on behalf of Tate. Of this \$350 only \$50 had been paid by the end of the year. The other \$1 000 relating to himself, Tino and Taku had been paid during the year.
8. With effect from 1 March 2024 he was allocated the company's Mercedes Benz which he used 75% for private purposes. The car has an engine capacity of 2 800cc. The total cost to the employer for using this vehicle is \$4 800.
9. He resides in a company house for which he pays no rent. The open market rental value is \$ 400. He occupied this house from 1 February 2024.
10. The company paid school fees for the two minor children in the sum of \$6 000.
11. Libor rate is 0,45% per annum

Required:

Calculate Jimmy Mwendamberi taxable income for the year ended 31 December 2024. **(25)**

END OF EXAMINATION

TAX TABLES

tax bands USD (Annual)	tax rate (%)	cumulative tax USD
0 to 1,200	0%	0
1,201 to 3,600	20%	0 + 20% for each USD above 1,200
3,601 to 12,000	25%	480 + 25% for each USD above 3,600
12,001 to 24,000	30%	2,580 + 30% for each USD above 12,000
24,001 to 36,000	35%	6,180 + 35% for each USD above 24,000
36,001 and above	40%	10,380 + 40% for each USD above 36,000

The tax is exclusive of 3% Aids Levy which is calculated on after tax credits payable.

tax bands USD (monthly)	tax rate (%)	cumulative tax USD
1 - 70	0	0
71 - 300	20	46
301- 1 000	25	221
1 001 - 2 000	30	521
2 001- 3 000	35	871
3 001+	40	

MOTOR VEHICLE BENEFIT

Engine Capacity	Deemed (annual) Cost
Up to 1500cc	\$625
Over 1,500cc to 2,000cc	\$830
Over 2,000cc to 3,000cc	\$1 250
Over 3,000cc	\$1 660

TAX CREDITS

Elderly person	\$900 per annum
Mentally or physically disabled	\$900 per annum
Blind person	\$900 per annum
Medical expenses	50% of medical expenses paid
Medical Aid contributions	50% of contributions

PENSION AND RETIREMENT ANNUITY FUND CONTRIBUTIONS RESTRICTIONS

- Contributions to one Pension fund (plus NSSA) –\$720 per annum.

- Contributions to one Retirement annuity fund –\$720 per annum.
- Contributions to two or more Pension funds –\$720 per annum.
- Contributions to two or more Retirement annuity funds –\$360 Per annum.
- Contributions to Pension fund(s) and Retirement annuity fund(s) –\$720 Per annum.

Bonus exempt portion \$700 per annum

Corporate income tax rate 25 %

Aids levy 3%

Restrictions on assets

Passenger Motor Vehicle \$10 000

Staff housing \$25 000

School, hospital, nursing home, clinic for farm \$10 000

House for staff at a school, hospital, nursing home, clinic. \$10 000

Special Initial Allowance 25%

Rates of Wear & Tear on Assets

<u>Movable asset</u>	<u>W & T Rate</u>
Bicycles	25%
Bulldozers	25%
Caravans	20%
Carpets (not fitted)	25%
Combine harvesters	25%
Computers	10%
Cranes (mobile)	15%
Fans	20%
Heavy lorries (rough roads)	25%
Library books	33⅓%
Machinery <i>which works:</i>	

1 shift per day	10%
2 shifts a day	17½%
3 shifts per day	25%

Motor Cars	20%
Portable electric organ	20%
Tractors	20%
TV Sets	20%
Commercial building	2,5%
Other qualifying immovable assets	5%
Accelerated wear and tear	25%