



COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 402: TAX LAW AND PRACTICE

END OF FIRST SEMESTER EXAMINATION

NOVEMBER 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

QUESTION 1 (25 Marks)

- (a) Explain the advantages and disadvantages of being a VAT registered operator. [3]
- (b) Explain giving examples the difference between a zero-rated supplier and an exempt supplier [3]
- (c) Explain circumstances in which input VAT is non-deductible [3]
- (d) What are the requirements for VAT registration and under what circumstances can the registration be cancelled? [4]
- (e) Explain whether or not a VAT registered company will claim input tax or charge output tax in the following cases [12]
- i. Christmas lunches for staff;
 - ii. Meals provided to staff, clients and business associates;
 - iii. Payment of Zesa bills;
 - iv. Sales of finished goods;
 - v. Tax consultancy services provided to the company;
 - vi. Goods acquired partly for making taxable supplies;
 - vii. Purchase of raw materials;
 - viii. Payment of salaries;
 - ix. Disposal of assets;
 - x. Purchase of Mazda 626 vehicle
 - xi. Purchase of manufacturing equipment;
 - xii. Payment for security services

QUESTION 2 (25 Marks)

Miss Rita Davies was employed as marketing supervisor by Concord Investments (Private limited) in Bulawayo. She is ordinarily resident in Zimbabwe. However, for the tax year ended 31 December 2024, she received the following income and incurred the following expenses before her registration at the end of October 2024.

Income	\$
Salary	19 800
Annual Bonus	1 600
Income from Sale of Private Clothes	6 000
Entertainment Allowance	800
Annuity for services Rendered in Denmark	600
Damages Awarded [note 1]	4 000
Purchased Annuity	16 000
Interest from the Bank	12 000
Profit from Sale of Inheritance	14 000
Medical Shortfalls Incurred	(1 800)
NSSA contributions by Employer	(1 000)
Pension Contributions to Registered Pension Fund	(5 800)
Compensation for Leave not taken	1 300
Employee's Tax Deducted	(4 700)

Additional information provided by employer.

1. During the year, Miss Rita Davies went into a dispute with her employer and was dismissed by the company end of September and appealed through the court and was finally awarded damages of \$ 4000 as she won the case against her employer.
2. Miss Rita purchased a retirement annuity Fund from First Mutual Life for \$16 000. She will be entitled to receive \$250 per month for the next 8 years.
3. In February, Concorde Investments (Private) limited provided Miss Rita Davies with a free use of Isuzu Double Cab with engine capacity 3000 cc for which the cost of importation of the motor vehicle was \$20 000 to the employer.
4. She was staying in her house in Pumula North suburb of Bulawayo where she acquired the house for \$30 000 and the rentals for the similar property were \$600 per month.
5. The employer gave \$2 400 to Miss Rita Davies as a token of appreciation for her outstanding achievement in marketing the company products which includes \$400 canteen meals provided by the employer.
6. Miss Rita Davies is a custodian of her late sister's son Philip who is disabled and has a wheelchair which costed the employer \$6000 the previous year.
7. Her employer was providing her with groceries of \$160 per month which were purchased from Bulawayo manufacturers during the year.

Required:-

- a) State the due date for payment of PAYE to ZIMRA. [2]
- b) List three benefits from employment income that are exempted from tax for the year.[3]
- c) Calculate tax liability from employment income for Miss Rita Davies for the year ended 31 December 2024. [20]

QUESTION 3 (25 Marks)

Chihera Pvt Ltd prepares its financial statements to 31 December each year. Financial statements for the year ended 31 December 2024 showed a profit of \$500 000 after charging.

1. Depreciation \$9 000
2. \$11 450 as cost of a railway siding. Belonging to the National Railways of Zimbabwe.
3. \$48 000 for school fees paid to a private school for the son of Mrs. Moyo, the CEO and wife of the majority shareholder.
4. \$21 000 from removal expenses incurred in moving office furniture and accounting machines to the new factory

5. \$22 500 as costs of a professional valuation done on a property acquired during the year to enable the company to raise finance to further develop the property.
6. \$5 900 as acquisition cost of a new trademark.
7. \$42 000 as professional fees paid to an independent accountant for the valuation of the company's shares on behalf of management to facilitate a management buyout scheme.
8. \$55 000 as a result of pilferage by the accounts clerk responsible for banking.
9. \$25 200 as loss on sale of NB shares (acquired as an investment in 2021)
10. The items below have been credited to income:
 - i. \$38 400 as insurance proceeds on the life of a key employee.
 - ii. \$292 000 as export incentive bonus.
 - iii. \$89 000 for waste papers recoveries.
 - iv. \$345 000 as dividends from Zimbabwean companies.
 - v. \$50 000 as costs of income received in advance for goods to be manufactured.

11. The following capital allowances were calculated for the year.

Industrial Building (W&T)	10 000
Delivery Truck (W&T)	50 000
Toyota D4D (W&T)	20 500
Plant and Machinery (W&T)	80 000

Required:

Compute the tax liability of Chihera (Pvt) Ltd for the year of assessment ended 31 December 2024. [25]

QUESTION 4 (25 Marks)

Ra and Ro are trading in partnership for the past four years sharing profits in the ratio 1:1 respectively. Their business has been manufacturing of building materials. For the year ended 31 December 2024, the partnership's accounts reflected a net loss of \$480 000 after charging the following.

\$

Depreciation of assets		40 000
Medical aid contributions: employees		10 000
	Ra	1 200
	Ro	1 000
Electricity and water		8 000
Pension contributions employees		16 000
	Ra	6 200
	Ro	4 800
Motor vehicle expenses (note 1)		12 000
Insurance		3 000
Donations (note 2)		
Vat		30 000
Computer equipment		6 000
Mercedez benz (import)		18 000
Interest (note 3)		1 500
Interest on capital :	Ra	1 400
	Ro	1 300
Salaries and wages :	employees	60 000
	Ra	9 000
	Ro	9 000
Selling and marketing		13 000

The following information is provided

1. Ro uses the partnership motor vehicle and it was discovered by ZIMRA that 60% of vehicle expenses were for his private personal business.
2. During the year, the partnership gave Ra building materials amounting to \$8 000 and \$10 000 was given to Chinyaradzo Children's home a registered charitable organisation.
3. Included in interest of \$1 500 is \$600 interest on loan used to purchase raw materials by the partnership.

Required:-

Calculate the taxable income for the partners for the year ended 31 December 2024. **[25]**

END OF EXAMINATION PAPER

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%