



COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC 402: TAX LAW AND PRACTICE

SECOND SEMESTER EXAMINATION

APRIL 2026

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 procedures to be followed by a taxpayer when dealing with objections and disputes, in respect of VAT. [3]
- b) Outline the statutory VAT registration requirements for companies [3]
- c) Explain **FOUR** advantages of voluntary VAT registration [4]
- d) Discuss the statutory duties of a registered VAT operator [5]
- e) What is the due date for the remittance of VAT returns [2]
- f) Explain the features of a valid tax invoice [5]
- g) Explain giving examples the difference between a zero-rated supplier and an exempt supplier [3]

QUESTION 2 (25 Marks)

Discuss the different ways by which farmers and miners can minimise their tax obligations. Your answer should include all tax incentives available to the farmers and the miners in reference to the Income Tax Act Chapter 23.06 provisions. (25 marks)

QUESTION 3 (25 Marks)

ZimFarm Ltd is a manufacturer of farm equipment and operates from rented premises. Its profit for the year 2025 was \$95 000. The profit was arrived at after making the following deductions:

	\$
i. Exchange loss: payable on machinery imported	10 000
ii. ChitFarm Engineering (<i>note 1</i>)	15 000
iii. Lease improvements (<i>note 2</i>)	70 000
iv. Costs in issuing shares	30 000
v. Rent	12 000
vi. Salaries and wages	20 000
vii. Electricity	3 000

viii. Interest for late payment of VAT to ZIMRA	5 000
ix. Fine for not remitting PAYE to ZIMRA	25 000
x. Fee for preparing tax returns	500
xi. Electricity connection : New factory	2 000
xii. Loan raising fee: Purchase of equipment	4 000
xiii. Interest on loan used to construct building	5 000
xiv. Depreciation	24 500
xv. Donations :	
• Zimbabwe trade fair	2 000
• National Bursary fund	10 000
• Society for the aged and destitute	15 000
• Political party	5 000
xvi. Group accident insurance for benefit of employees	10 000
xvii. Medical aid contributions for employees	18 000
xviii. Attendance to a trade conventions to MD	6 000

Notes

1. The money was for preventing ChitFarm from manufacturing products similar to those manufactured by ZimFarm.
2. A lease agreement was signed on 1 January 2025 with Mutual properties for a 20-year lease period. ZimFarm was to pay a monthly rent of \$1 000 and to extend the factory at a cost of \$60 000. The construction was completed on 31 March 2025 at a cost of \$70 000 and the extended factory was used as from 1 May 2025
3. The company had the following assets at the beginning of the year:

Asset	Cost	ITV
Delivery truck	50 000	25 000
Equipment	100 000	25 000
Computers	2 000	1 000
Mazda BT50 single cab	30 000	5 000

The company purchased an additional delivery truck on 31 December 2025 for \$60 000. The company claims SIA on its assets.

Required:

Calculate tax payable by ZimFarm for the 2025 tax year **(25 marks)**

QUESTION 4 (25 Marks)

Mr Tariro Gatsi, a Zimbabwean resident, is a 54-year-old widower and is employed by Zee Cellular Ltd (A VAT registered operator) as the finance director. Over and above the income that he earns from his employment, Tariro has various income generating activities that he undertakes and he has always looked at the most tax efficient way of managing his affairs. As a finance person by trade Tariro has over time developed the habit of keeping financial records of all his income generating activities and investments which are as follows:

- Employment income;
- The Gatsi Trust;
- Gatsi bottle stores;
- Properties Investment portfolio.

In February 2020 Tariro approached Tax Matters Consultancy (TT), a firm of tax practitioners seeking tax related advice about his affairs. He provided TT Matters with the following information.

All amounts are exclusive of Value Added Tax unless otherwise indicated.

The only transaction that Tariro effected in his properties investment portfolio was the disposal of a commercial property had been leasing to a local media company which was liquidated. Tariro sold the property for a cash consideration of \$120,000 which he had initially acquired in 2013 for an amount of \$50,000. In 2015 the media company leasing the property had effected contractual lease improvements to the tune of \$20,000 and this amount was within the range stipulated in the lease agreement. Tariro had always claimed the maximum possible capital allowances on this property.

REQUIRED

Discuss with supporting calculations the capital gains tax consequences of the sale of commercial property which was being leased to the media company. **[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%