ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS AND MANAGEMENT STUDIES

MODULE: Tax Law and Practice II **PAPER NO: 500/23/M11**

DURATION: 3 Hours

JUNE 2026 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer all questions
2. Candidates may bring into the examination room unmarked copies of ITA (Chapter 23:06) F.A (Chapter 23:04) as amended, value Added Tax (Chapter 23:12) and Estate Duty Act (Chapter 23:03)
3. For applicable rates of assessments, see annexure attached .
4. Candidates may use silent non programmable calculators

PAPER NO: 500/23/M11 – TAX LAW AND PRACTICE II

QUESTION 1

John and Jimmy are in partnership sharing profits and losses in the ratio 3:2 respectively. The income statement for the year ended 31 December 2023 . shows a profit of $960 000 after accounting for the following:-

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INCOME	
Profit on sale of equipment	30 000
Interest from CBZ bank	10 000
Restraint of trade	25000
Interest on drawings : John	8 000
Jimmy	12000
Expenses deducted	
Depreciation on non-current assets	320 000
Loss on sale of machinery	280 000
Insurance for employees	20 000
Life assurance policy for : John	18 000
: Jimmy	22 000
Partnership joint life policy	60 000
Interest on capital : John	54 000
: Jimmy	62 000
Medical expenses and contributions:	
John	66 000
Jimmy	35 000
Pension contributions for each partner	200 000
House keeper wages: John	8 000
: Jimmy	14 000

ADDITIONAL INFORMATION:

(a) Jimmy borrowed a loan to finance his shares in the partnership. He paid an interest of $12 000.

(b) The partnership gave John $28 000 as funds to entertain important visitors but could not account for 40% of the amount.

(c) The partnership made the following donations not included in calculating the profit figure above:

National bursary fund	$300 000
Municipality of Gweru	$600 000
Political party	$ 200 000
Church for the partner	$300 000

Required:-

Calculate partnership joint taxable income and taxable income for each partner for the year ended 31 December 2023. (20 marks)

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QUESTION 2

The unredeemed balance of capital expenditure (UBCE) for Platinum Mine Composed the following:-

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Machinery and plant	150 000
Shaft sinking	500 000
Mine building	250 000
Interest (allowable)	12 000
Staff housing	150 000
Passenger motor vehicle (2 units)	250 000
Goodwill	100 000
Repairs	2 800
	1 414 800

Sales of platinum for the year amounted to $1 000 000 and sale of machinery realised $8 000 00 . The following expenses were also incurred:

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Extraction cost of minerals	160 000
Wages and salaries	220 000
Mine building improvements	800 000
Repairs	540 000
Interest allowable	200 000
	1 920 000

Required:

Calculate the taxable income using the

(a) new mine basis (10 marks)

(b) mixed mine basis (10 marks)

QUESTION 3

(a) Give five situations in which value added tax input tax may not be claimed. (5 marks)

(b) Deemed supplies are transactions which do not appear as actual but regarded by law to be supplies. Give two circumstances that give rise to deemed supplies. (2 marks)

(c) Give three (3) examples of VAT exempt supplies of goods or services. (3 marks)

(d) T.K limited provided the following information for the year ended 31 December 2023:

Sales (VAT exclusive)	$2 600 000
Purchases (Vat inclusive)	$900 000
The following expenses inclusive of VAT where applicable were incurred	
Stationery	$300 000
Repairs – machinery	$160 000
Petrol and diesel	$210 000
Entertainment expenses	$280 000
Salaries and wages	$150 000
Penalty for late tax return	$60 000
Fines for breach of environment	$80 000

Required:

Calculate VAT liability or refund for TK Ltd for the year. Round off amount to the nearest $1. (10 marks)

QUESTION 4

(a) Examine any five situations in which employer is subject to penalties or imprisonment. (5 marks)

(b) Explain any four (4) types of assessments that may be made by Zimra. (8 marks)

(c) Describe three circumstances under which an advance assessment can be made. (6 marks)

(d) Identify any one essential requirement for an objection to be valid. (1 mark)

QUESTION 5

(a) After the death of a person an executor is appointed. Give any three (3) duties of the executor after appointment. (3 marks)

(b) Define the following tax terms in relationship to the deceased estate :-

(i) Will

(ii) Ascertained beneficiary

(iii) Usufruct beneficiary

(iv) Person died intestate

(v) Residue income (5 marks)

(c) Mr Gudo passed away on 20 August 2023 after a short illness. He left the following assets /income:

Family residential in Harare	$40 000
Building - investment – Bulawayo	$200 000
Accrued rental income	$9 000
Building (Mozambique)	$350 000
Rental income (Mozambique)	$12 000
Salary (August)	$3 000
The following expenses were incurred	
Funeral expenses	$5 000
Memorial funeral expenses	$8 000
Executor fees	$6 000
Bank charges of funeral payments	$1 200

Required:

Calculate deceased estate duty for Mr Gudo if duty is at 5%. (12 marks)

APPENDICE TO TAXATION QUESTION PAPER

1. Estate duty tax 5%

2. Allowable deductions thresholds:

Contribution to Pension Fund	$240 000
Contribution to RAF	$240 000
Passenger motor vehicle	$200 000

3.	Bonus except portion	$100 000
4.	Donation to municipality max	$500 000
5.	Value added tax	15%

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