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 I **PAPER NO:** 500/23/M07

DURATION: 3 hours

JUNE 2026 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer all questions.
2. Candidates may bring into the exam room annotated copies of I.T.A [Chapter 23:06] F.A [Chapter 23:04] and or CGTA [Chapter 23:01].
3. For applicable rates of assessment for this paper, use annexure attached.
4. Candidates may use silent, non-programmable calculator.
5. Show all workings.

QUESTION 1

Loreto is employed by Dairy Zimbabwe as an accountant and the following information is provided for the year ended 2024.

INCOME	$	$
Salary		276 000
Bonus		500 000
Cash in lieu of leave		120 000
Lump sum from pension fund		360 000
Refund from medical aid society		1 420 000
Entertainment allowance		400 000
Transport allowance		150 000
Lotto win		230 000
Inheritance from aunt		300 000
Cell phone allowance		600 000
Director's fees		100 000
EXPENSES		
Subscription to ICAZ		60 000
Joining fees for ICAZ		120 000
Contribution to pension fund		700 000
Wages for house maid		600

Additional information:

i) Loreto opted for one lump sum commutation at the end of the year.

ii) 25% of the entertainment allowance was used to entertain business customers.

iii) Loreto was provided with free accommodation during the year where she was asked to pay $500 per month. Rentals for similar houses are $1 750.

iv) The cell phone was used 30% business.

v) Director's fees came from Botswana where she practices her directorship.

Required:

Calculate taxable income for Loreto for the year ended 2024.

Note: Indicate any amounts which are not taxable or not deductible by the use of a_ ____ or zero.

(20 marks)

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QUESTION 2

Mr. Moses is a farmer in Karoi area. He had the following livestock on 31 December 2022.

- 2 stud bulls
- 120 cows
- 180 oxen
- 160 heifers
- 80 tollies
- 90 calves

In February 2023 he purchased the following livestock:

Beast	Cost ($)	Suggested FSV
2 bulls	10 000	800
80 cows	80 000	600
60 heifers	48 000	200
20 tollies	56 000	300

Additional information:

i) There were 180 births during the year, 18 deaths (6 tollies, 8 cows and 4 heifers).

ii) 120 sales (60 tollies, 40 oxen and 20 cows) realising $150 000.

iii) 20 heifers became cows
90 tollies became oxen
60 calves became heifers
70 calves became tollies

N. B. Oxen were valued at $600 and calves for $200.

Expenses:

	$
Farm house	200 000
Fencing	20 000
Dosing of cattle	10 000
Borehole sinking	28 000

Required:

a) Livestock reconciliation account. (11 marks)

b) Taxable income (9 marks)

QUESTION 3

a) Mr. Mbanje borrowed $10 000 from his employer at an interest rate of 2%. He borrowed the money on 1 April 2024. Mr. Mbanje used $2 000 from the loan for the education of his son. The other $3 000 was used to pay for medical expenses of his wife. LIBOR was 5%.

Required:

Calculate the amount which constitute income in the calculation of taxable income. Show all workings.

(5 marks)

b) i) Define an annuity.

(2 marks)

ii) State any four (4) types of annuities.

(4 marks)

iii) A taxpayer purchased an annuity from an insurance company for $50 000 payable for 10 years when he reaches 55 years. This amount was not allowed as a deduction for tax purposes. During the year he turned 55 years and received $1 000 per month from 1 January 2017.

Required:

Calculate the gross income amount to be charged during the year 2017.

(4 marks)

c) Outline any five (5) incomes of a capital nature.

(5 marks)

QUESTION 4

BBQ Ltd is a manufacturing company which has started operating in Gutu growth point. During the year ended 31 December 2019, it presented the following income statement.

Sales (40% cash and 60% credit)	$	$
Interest from Fids Limited		800 000
Interest from POSB		240 000
Profit on disposal		40 000
		32 000
EXPENDITURE		1 112 000
Salaries		
Depreciation	120 000	
Bad debts	8 000	
Pilferage	12 000	
General expenses	800	
Water and electricity	44 000	
Insurance	12 800	
Training costs	8 000	
Net Profit	10 400	216 000
		896 000

Additional information:

i) Profit on disposal was from a car which was sold for $72 000. Its cost was $80 000 at the beginning of the year.

ii) Income from Fids was money received restraining BBQ from selling the same particular product as Fids Ltd for six (6) months.

iii) Part of bad debts of $4 000 is provision for bad debts.

iv) $2 400 was outstanding on the electricity bill for December therefore it was not included in the accounts.

v) Part of the general expenses of $16 000 are company formation expenses written off.

vi) Pilferage was cash stolen by an employee and later on the company recovered $640.

vii) The company also purchased the following assets during the year:

	$
Mazda for the general manager	160 000
T35 truck	120 000
Nissan Sunny	80 000
Training equipment	60 000
Warehouse for finished goods/products	280 000
Land	480 000
Furniture	46 400
	1 226 400

The company is claiming maximum allowances.

Required:

Calculate BBQ Ltd's minimum tax liability for the assessment year ended 31 December 2019.

(20 marks)

QUESTION 5

Mari is in real estate business and purchased a house in Dangamvura in 2016 for $30 000. He made the following improvements in the years highlighted:

	$
Ceiling 2017	1 500
Durawall 2019	4 200
Pavements 2020	1 400
Window seals 2021	600
Cottage 2022	3 412
Bedroom wing 2023	7 000

The house was disposed for $100 000 in 2024. Advertising cost was $200. Mari then purchased another one in Masvingo for $70 000 using the proceeds from the old house.

Required:

Calculate the capital gains tax payable or refundable, assuming he takes advantage of all available tax allowance.

(20 marks)

APPENDICES TO TAXATION QUESTION PAPER

1. Corporate tax	25%
2. Aids levy	3%
3. Capital gains tax	20%
4. Bonus exempt portion	$100 000
5. Allowable deductions thresholds:	
Contribution to pension fund	$240 000
Contribution to RAF	$240 000
Passenger motor vehicle	$200 000

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