ZIMBABWE

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

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS AND MANAGEMENT STUDIES

SUBJECT: Tax Law and Practice 2 **PAPER NO:** 500/23/M11

DURATION: 3 hours

NOVEMBER/DECEMBER 2025 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer all questions.
2. Candidates may bring into the examination room unmarked copies of ITA [Chapter 23:06], FA [Chapter 23:01], VAT Act [Chapter 23:12] and Estate Duty Act [Chapter 23:03].
3. Take note of the Appendix at the end of the paper before answering the questions.

QUESTION 1

Zungura (Pvt) Limited is a mining company operating in Kwekwe, Zimbabwe with its head office in China.

The company showed the following details for the year ended 31 December 2022.

INCOME	$
Sale of minerals	2 400 000
Sale of mining claims	300 000
Profit from sale of tractor (1)	20 000
Interest from commercial bank	30 000
Bad debts recovered	15 000
	2 765 000
LESS EXPENSES	
General expenses	(400 000)
Depreciation	(130 000)
Provision for bad debts	(60 000)
Crushing of minerals	(140 000)
Penalty by ZIMRA	(150 000)
Lease premiums	(80 000)
Net Profit	1 805 000

Additional information:

1. Zungura sold the tractor at $60 000.

2. Zungura Ltd incurred the following capital expenditure during the year ended 31 December 2022.

	$
Clinic construction	800 000
Mine equipment	1 200 000
House of mine nurses	1 400 000
Mercedes benz (PMV)	1 200 000
Haulage truck	1 000 000
Shaft sinking	600 000

3. The unredeemed balance of capital expenditure (UBCE) at the beginning of the year was $800 000.

4. The life of the mine was agreed to be 10 years as at 1 January 2022.

5. The company elected for life of mine for capital redemption allowance (CRA).

Required:

a) Calculate the CRA for the year ended 31 December 2022. (10 marks)

b) Calculate the taxable income for the year ended 31 December 2022. (10 marks)

QUESTION 2

Dube and Moyo are in a partnership business in Mutare, sharing profit in the ratio of 2:3 respectively.

The net profit for the year ended 31 December 2022 was $1 000 000 after charging the following:

	$
Depreciation	200 000
Salaries and wages – staff	100 000
Salaries: Dube	80 000
Moyo	60 000
Administration expenses	70 000
Architect fees	120 000
Penalty for late remittance of VAT	90 000
Pension contribution: Dube	60 000
Moyo	50 000
Joint life policy	150 000
Life policies for partners: Dube	40 000
Moyo	50 000
Medical expenses: Dube	20 000
Moyo	30 000
Bad debts written off	70 000
Subscriptions to SAAA: Dube	60 000
Moyo	40 000
Donations to a high school	20 000

Additional information:

1. The partnership owned the following assets as at 1 January 2022.

Assets	Cost $
Equipment	10 000
Mercedes benz	10 000
Computers	24 000

2. The company's policy is to claim SIA.

Required:

a) Calculate the partnership joint taxable income for the year ended 31 December 2022. (10 marks)

b) Calculate the partners' taxable income for the year ended 31 December 2022. (10 marks)

QUESTION 3

a) Define the following terms in relation to the Estate Duty Act and Trusts.

i) Executor (2 marks)
ii) Ascertained beneficiary (2 marks)
iii) Pre-death period (2 marks)
iv) Intervivos trust (2 marks)
v) Usufruct (2 marks)

b) Mr. Masocha died on 4 March 2022 and his will specifically bequeathed to his mother a sum of $40 000 and to his son an industrial building in Msasa Industrial Area. The rest of the estate was to be shared equally between the testator's son and daughter. The executor of the estate distributed these to the son and the daughter on 1 August 2022. The executor's first and final distribution account was confirmed by the Master on 1 December 2022.

Required:

i) State the pre-death period. (1 mark)
ii) State the post-death period (1 mark)
iii) Explain how income which accrued in the post-death period will be assessed. (8 marks)

QUESTION 4

Musa Hardware Limited is registered operator for VAT under category C. The management accounts showed the following for the months of November and Decemeber 2023. All the amounts are VAT inclusive.

	November	December
	$	$
Sales	230 000	180 000
Sales returns	18 000	20 000
Purchases	93 000	90 000
Purchases returns	18 000	14 000

OPERATING EXPENSES		
Repairs and maintenance	9 540	7 810
Payroll expenses	49 600	52 000
Depreciation	5 690	5 690
Utility costs	810	1 684
Stationery	2 820	1 350
Cleaning materials	3 367	1 966

Required:

Calculate the VAT liability of Musa Hardware for the months ended 31 December 2023 on a month by month basis. (20 marks)

QUESTION 5

a) Explain the following terms in relation to ZIMRA returns and assessments.

i) Estimated assessments (2 marks)
ii) Additional assessment (2 marks)
iii) Reduced assessment (2 marks)
iv) Additional tax (2 marks)
v) Self-assessment (2 marks)

b) Briefly explain any five (5) rights of the tax payers. (10 marks)

ANNEXURE

TAX RATES

PENSION CONTRIBUTION	$
Retirement annuity fund	240 000
Combined contribution	240 000
	240 000
Bonus threshold	
	200 000
MOTORING BENEFITS	
Up to 1500cc	81 000
1501 to 2000cc	108 000
2001 to 3000cc	162 000
3001 to above	216 000
DEEMED COSTS – SPECIFIED ASSETS	
Passengers motor vehicle	800 000
School, clinic, hospital	1 300 000
Staff housing – Nurses, teachers	1 300 000
VAT	14,5%
Corporate tax rate	25%
Aids levy	3%
TAX CREDITS	
Elderly credit	117 000
Blindness credit	117 000
Mentally disabled	117 000

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