

SOLUTION 1**COMPUTATION OF TAX PAYABLE BY MIKE AND HARVEY FOR THE YEAR 31 DECEMBER 2015**

	\$	\$	Marks
Sales : Tobacco (s8 gross income)		350 000	1/2
Livestock sales (s8 gross income)		70 000	½
Other Income (s8 gross income)		2 300	1
Livestock purchases (s15(2) deduction)		(20 000)	1
Restocking Allowance (s15(2) deduction) (10 000 x 50% x 30/50)		(3 000)	2
Inherited livestock (s 15(2) (v) @ deceased estate valuation)		(8 000)	2
Farm expenses: - Water furrows (capital in nature)		-	
- Temporary roads (s15(2) deduction)		(1 200)	1
- Stumping and clearing - 7 th schedule		(2 000)	1
Opening stock livestock (s15(2) deduction)		(26 000)	1
Closing stock livestock (s8 gross income)		35 000	1
Bad debts (70% proved to be uncollectable: \$4 500 * 70%)		(3 150)	2
Donation – disallowed – not for the purposes of trade		-	1
Mike’s subscriptions to Farmers’ Union of Zimbabwe		(500)	1
Educational grant – allowable but taxable in Harvey’s hands (sect 15 (2) (p), since granted to Harvey’s near relative		(2 000)	2
Trade mission to Brazil (s15(2) deduction) (limited to 2 500 per partner)		(5 000)	2
Domestic maid salary – Harvey		(1 200)	1
sSalaries – (30k + 30k +50k)		(110 000)	1
Tax paid on behalf of the partners – deduction		(6 000)	1

Medical Contributions – deduction (600 + 640 + 3 200)		(4 440)	1
Drawings – Capital in nature (5 000+5 000)		-	1
Rental payments – s 15(2) deduction		(6 200)	1
Other farming expenses – given that they are all deductible		(25 000)	1
Capital allowances :			
• Water furrows – 4 th schedule farm improvement. (25% x 2 300)	(575)		1
• Sinking of 2 boreholes (7 th schedule allowance) - 2013	-		1
• Borehole equipment (Acc W&T – 4 500 x 25%)	(1 125)		1
• Irrigation equipment (Acc W&T – 8 200 x 25%)	(2 050)		1
• Cattle dip tank (4 th schedule farm improvement) – (Acc W&T – 6 000 x 25%)	(1 500)		1
• Twin Cab - PMV (Restricted cost to 10 000) – 25% *\$10 000	(2 500)	(7 750)	1
PARTNERSHIP TAXABLE INCOME		227 900	

	MIKE	HARVEY	Marks
Share of Taxable Income (50% of 227 900 each) – s10 – deemed accrual	113 950	113 950	½
Subscriptions to Farmers’ Union of Zimbabwe - s8-gross income	500	-	½
Exemption	(500)	-	½
Educational Grant - s8-gross income	-	2 000	1
Domestic Maid salary - s8-gross income	-	1 200	1

Salaries - s8-gross income		30 000	30 000	½
Drawings – Capital in nature		0	0	½
Tax Payments – QPDs - s8-gross income		2 500	3 500	1
Medical Aid contributions (Partnership) - s8-gross income		600	640	1
Lease rentals - s8-gross income		6 200	-	1
Capital Allowances – Lorry (Acc W&T – 25% x 12 000) (4 th schedule asset)		(3 000)	-	2
PARTNERS' TAXABLE INCOME		150 250	151 290	
Tax thereon at 25%		37 563	37 823	½
Less Credits				
Medical Aid Contribution (50%)		<u>(300)</u>	<u>(320)</u>	1
		37 263	37 503	
Add 3% Aids Levy		<u>1 118</u>	<u>1 125</u>	1
		36 145	38 628	
Less Amounts Paid on QPD's		<u>(2 500)</u>	<u>(3 500)</u>	1
Total tax liability		33 645	35 128	
Total Available				46
Maximum				40

SOLUTION 2

1. Calculation of the Capital Redemption Allowance under the mixed method in terms of the 5th schedule:

Under the Mixed method, a taxpayer may make an election to claim a portion of unredeemed capital expenditure brought forward at the beginning of the year, by applying the life of the mine method to it. In addition to that portion, the whole of the capital expenditure incurred in the current year is allowed in full.

$$\text{CRA} = \text{CCE} + \frac{(\text{UBCE})}{\text{Life of mine (years)}}$$

There are however restrictions on certain assets as detailed below:

- **Passenger Motor Vehicle (PMV)** - These are restricted to USD10,000
- **Staff housing** – These are restricted as below:
 - **US\$10 000** on a building used mainly as a dwelling by an individual shareholder where he is one of not more than four individuals who control the company, where the building was erected on or after the 1st January, 2009;
 - **US\$50 000** in respect of any building used mainly as a dwelling by staff employed at the school, hospital, nursing home or clinic; and
 - **No restrictions** on dwellings for mine employees.
- **US\$50 000** on a building used mainly as a school, hospital, clinic or nursing home in connection with the taxpayer's mining operations

Recoupments section 8(1) (j)

Recoupments taxable on the disposal of mining assets are not restricted to allowances claimed. Therefore, the amount of the recoupment is equal to the sale proceeds.