APPLIED ZIMBABWE TAXATION (CAZ 2) LEVEL 2 TEST 1 - SOLUTION

Question 1 Solution:

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Subject: Responses to your income tax queries 1

Query 1

- The question at hand is to determine the source of the affected employee's income during their time of secondmend. 1
- In terms of the gross income definition income is taxed in Zimbabwe if it from a source or deemed source within Zimbabwe. 1
- The true source of employment income is the place where the services for which the salary is paid have been rendered as held in the COT v Shein 1958 14 SATC 12. 2

Employees seconded to Zambia:

- In respect of Microwaves employees seconded to Zambia the true source of the salaries paid to them between March and June is Zambia, where they rendered the employment services. 1
- However, in terms of section 12(1) (c) – income from services rendered outside Zimbabwe during a period of temporary absence from Zimbabwe shall be deemed to be from a source within Zimbabwe. 2
- The two employees are going to be temporarily absent from Zimbabwe since their period of stay in Zambia will be 4 months which is less than 183 days in aggregate. 1
- Therefore the salaries earned by the two employees whilst in Zambia will be deemed to be from a source within Zimbabwe and therefore taxable in Zimbabwe. 1

Employees seconded to Microwave's Harare office:

- Given the rule above the true source of the salaries earned by the two employees from Zambia during their stay in Harare will be Zimbabwe. 1
- Therefore their salaries from March to June will be taxable in Zimbabwe. 1

Query 2

- The question at hand is to determine whether the grocery hampers given to microwaves employees constitute gross income in their hands. 1
- In case of CIR V lategan 1926 it was held that amount includes anything with a money value. 2
- In this case the monetary value of the groceries given to the employees is determinable since Microwave would have incurred a cost in acquiring the groceries.
- Also with reference to sect (1) (f) any awards granted by an employer to employees would constitute gross income in the hands of the employees. 1
- Therefore the monetary value of the groceries would constitute gross income in the hands of the employees. 1

Question 2

		$	Marks
Gross basic salary – sect 8 (1) (b)		30 000	½
PAYE – employment benefit since paid at the employers cost – sect 8(1) (f)		4 800	2
Bonus – ($1 500 - $1 000) – 3rd schedule exemption		500	1
Cash in Lieu of leave		2 500	½
Long service award: Cash		5 000	1
Long service award: Holiday package (employment benefit)		3 000	1
Fuel allowance – sect 8(1) (f)		2 400	½
Use of motor vehicle benefit : Mazda 323 $4 800*5/12		2 000	1
Use of motor vehicle benefit : ISUZU KB $7 200 *7/12		4 200	1
Vehicle acquisition benefit - $2 500 - $1 500		1 000	1
Education assistance		8 000	½
NSSA Contributions – self (sect 15 (h))		(294)	½
NSSA Contributions – employer – exempt 3rd schedule		0	1
Pension fund contributions – self (sect15 (h))		(3 200)	½
RAF Contributions – sect 15(h)		(1 200)	½
Annuity - $300 * 3*		9 00	1
Total taxable income		59 606	
Tax on the 1st $36 000		7 380	½
Tax on ($59 606 - $36 000) * 30%		7 082	½
		14 462	
Tax on RAF Lump sum			
Total Receipt*	45 000		½
Less commutation (sect 8(1) (n) - $90 000 *1/3	(30 000)		2
	15 000		
Tax on $15 000 * 30% (taxed at the highest marginal tax rate		4 500	2
		18 962	
Less Credits			
Medical Aid Contributions Tawanda: $600 *50%		(300)	½
Medical Aid Contributions Wife: $600 * 50%		(300)	½
Medial Aid Contributions Daughter : $300 * 50%		(150)	½
Medical Aid Contributions Son: not a minor		0	1
Hospital bills: neither for spouse nor minor child		0	1
Wheelchair: son disabled hence qualifies as a dependent: $600*50%		(300)	1
		17 912	
Add 3% AIDS levy		537	1
		18 449	
Less PAYE remitted during the year		(4 800)	1
Total tax payable		13 649	

*From the information provided in the scenario some students deduced that the tax payer was over the age of 55 years, hence exempting proceeds from the RAF. This was also marked as correct.