

READING PAPER

ADVANCED ZIMBABWE TAXATION 2017

POSTGRADUATE DIPLOMA IN ADVANCED ACCOUNTING SCIENCES

CTA Level 1 [CAZ 1]

TEST 4 : 01 AUGUST 2017

Time allowed 1 hour 15 minutes including reading time

NOTES

- a) Answer all questions, clearly showing workings.
- b) The examination is based on legislation that was in force as at 31 December 2016
- c) This paper comprises of 2 questions.
 1. Mining [20 marks]
 2. Farming [20 marks]
- d) Rates of tax, limits and other thresholds (to be used in the examination) are given in the appendix at the end of the question paper.
- e) Except where expressly stated, amounts are in United States Dollars (\$).
- f) Fifteen minutes reading time is allowed before attempting any questions.
- g) This reading paper consists of 8 pages including this top page.

Question 1

Takudzwa is a small-scale miner who commenced mining gold in the Shurugwi area on the 30th of January 2016. He is a sole trader and keeps a record of his business. Below is a list of his receipts and payments for the year ended 31 December 2017. Takudzwa transacts on a cash basis:

Sales	65,150
Other Income	20,125
Survey costs	1,100
Staff costs	15,200
Machinery repairs	1,250
Shaft sinking	3,300
Trenching	3,250
Royalties	4,500
Preliminary surveys	4,600
Cost of the current claim	10,000
Pre-production expenditure	5,100
Donations	
- Gweru Mayor's cheer fund	1,500
- Drugs to Gweru General Hospital	2,000
- Text books to Gweru Memorial Library	500

Takudzwa disposed of a water pump in November 2016. He had acquired it for 500 in December 2015 before he had commenced operating and disposed of it for 450 as he needed a bigger pump.

Question 2

Finny and Nokuzozi are in a partnership sharing profits equally per their partnership deed. Their main business is farming. The partnership has a farm in Magunje in Mashonaland West province where they are into market gardening and cattle rearing. Mashonaland was declared a drought stricken area for the years 2016 and 2015 by the Minister of Agriculture.

Below is an extract of the Partnership 2016 Trial Balance:

	DR	CR
Sales: Crops		95,200
Drought induced sales - Livestock – 100 cows FSV 300		35,000
Purchase – Restocking 110 cows FSV 300	33,000	
Closing stock – 130 cattle	39,000	
Dipping costs	2,400	
Cost of seeds	1,200	
Fertilisers	1,620	
Repairs and maintenance – farm equipment	840	
Direct cattle herd expenses	6,500	
Salaries and Wages – cattle ranch	10,100	
Salaries and Wages - Horticulture	5,800	
Insurance Premiums:		
- Motor vehicle full cover	1,800	
- Partnership joint policy for the benefit of partners in equal share	2,000	
Medical aid contributions:		
- Finny	1,200	
- Nokuzozi	1,200	
Bad debts written off	1,500	
Depreciation	16,440	
Drawings (1,500 – Finny and 1,800 – Nokuzozi)		3,300
Partners’ loans (\$25,000 each)		50,000
Contributions to Retirement Annuity Fund - \$1,200 per partner		2,400

Opening Stock - 120 cattle

The Assessed Carrying Capacity of the Land (ACCL) 100 cattle.

Fixed Asset Register as at 31 December 2016

ASSET	YEAR	COST (USD)	NBV
Contour Ridges	2014	1,500	
Borehole	2013	3,450	
Dip tank	2013	2,500	
Toyota Hilux D4D Twin cab 3 litre	2015	45,000	
Nissan Navarra 2.5 litre Single cab 4 x 4	2014	36,000	
Farmhouse (Constructed)	2012	18,000	
Permanent road	2014	5,000	
Temporary road	2015	1,570	
Fencing	2015	540	
Tractor	2014	33,000	
Staff housing: 10 units @ 6,000 each	2012	60,000	
Farm manager's house	2014	30,000	
Water furrows	2015	1,550	
* Nissan PG 720	2002	ZWD 2.8 billion	-

* The Nissan PG 720 was disposed of in January 2016 for \$3,700 to a local tobacco farmer.

APPENDIX

1. Annual Tax Rates

Individuals

Employment Income – 1 January to 31 December 2016

Segment of Income per annum	Amount	Rate within segment (%)	Tax	Cumulative Tax
Up to 3 600	3 600	0%		0
3 601 – 18 000	14 400	20%	2 880	2 880
18 001 – 36 000	18 000	25%	4 500	7 380
36 001 – 60 000	24 000	30%	7 200	14 580
60 001 – 120 000	60 000	35%	21 000	35 580
120 001 – 180 000	60 000	40%	24 000	59 580
180 001 – 240 000	60 000	45%	27 000	86 580
240 001 and above		50%		

- Income from trade or investments – 25 %
- The AIDS Levy of 3% applies on Income tax chargeable after tax credits.

2. Companies

- Basic Income Tax Rate – 25%*
- Manufacturing company exporting at least:

30% of output (by quantity or volume)	–	20%
41% of output (by quantity or volume)	-	17.5%
51% of output (by quantity or volume)	-	15%
- Mining companies – 25% *
- Special mining lease companies – 15%*
- *Plus 3% AIDS levy

3. Allowable pension deductions

	US\$
In relation to employers: in respect of each member	5 400
In relation to employees: by each member of a pension fund	5 400
In relation to each contributor to a retirement annuity fund or funds	2 700
National Social Security contributions (on a maximum monthly gross salary of US\$700)	3.5% of gross salary
<i>Aggregate maximum contributions to all the above per employee per year US\$5 400</i>	

4. Bonus exemption - \$1 000

5. Retrenchment package

The first \$10 000 or one third of the approved retrenchment package whichever is greater, subject to a maximum exemption of \$20 000

6. Credits

- Credit for taxpayers over 55 years of age - \$900*
- Credit for blind or disabled persons - \$900

*The amounts relate to 12 months and should be reduced proportionately, if the period of assessment is less than 12 months.

7. Deemed monthly motoring benefit

Engine capacity	Benefit (\$)
0 – 1 500 cc	300
1 501 – 2 000 cc	400
2 001 – 3 000 cc	600
3 001 – and above	800

8. Capital allowances

Maximum deemed costs to be used in determining capital allowances

Asset	Deemed cost (\$)
Passenger Motor Vehicle	10 000
School, clinic, hospital, nursing home	10 000

9. Capital Allowances: Mining

Maximum deemed costs to be used in determining the capital redemption allowance.

Asset	Deemed cost (\$)
Passenger motor vehicle	10 000
Staff housing, occupied by shareholder	10 000
School, clinic, hospital, nursing home	50 000

10. Rates of capital allowances

- Special Initial Allowance(SIA) – 25%
- Accelerated Wear and Tear – 25%
- Wear and Tear on:
 - Industrial buildings – 5%
 - Farm Buildings – 5%
 - Commercial buildings – 2.5%
 - Motor Vehicles – 20%
 - Movable assets (general rate) – 10%

11. Capital Gains Tax

- On all listed marketable securities – exempt
- On unlisted marketable securities and acquired after 01/02/2009 – 20%
- On other immovable property acquired after 01/02/2009 – 20%
- On unlisted marketable securities acquired before 01/02/2009 – 5% (on gross proceeds)
- On other immovable property acquired before 01/02/2009 – 5% (on gross proceeds)

12. Capital Gains withholding tax on sales proceeds

- On other immovable property acquired after 01/02/2009 – 15%
- On immovable property acquired before 01/02/2009 – 5%
- On all listed marketable securities – 1%
- On unlisted marketable securities acquired before 01/02/2009 – 5%
- On unlisted marketable securities and acquired after 01/02/2009 – 5%

13. Loans

The deemed benefit per annum is calculated at the rate of LIBOR plus 5% of the amount of the loan. The LIBOR rate for 2016 is assumed at 1% unless stated otherwise in the scenario/required.

..... **End**