

Key to your future



CAA

**CHARTERED
ACCOUNTANTS
ACADEMY**

**NATIONAL LEADER IN TRAINING
CHARTERED ACCOUNTANTS**



The best lessons are usually learned from failure. You mustn't beat yourself up if you fail - just pick yourself up, learn as much as you can from the experience and get on with the next challenge...The brave may not live forever, but the cautious never live at all.

— *Richard Branson* —

AZ QUOTES

CAPITAL GAINS TAX

LEARNING OUTCOMES

- To define what capital gains tax is
- To define specified assets (Section 2).
- To understand when and how Capital Gains Tax is calculated
- To identify instances of deemed disposals.
- To identify disposals, entities and individuals exempt from capital gains tax.
- To identify the allowable deductions in the calculation of the taxable gain.
- To identify specific reliefs available to a tax payer on disposal of a specified asset.

CAPITAL GAINS TAX

When is capital Gains Tax levied?

- Levied on:
 - *capital gain* arising from;
 - *sale* of *specified asset*.
- What is the significance of a *disposal* in a CGT transaction? Can there be CGT consequences without a disposal occurring?
- When can a disposal be deemed to have occurred? (sect 10 (1) and(2) of the Taxes Act)

DEFINING SPECIFIED ASSETS (Sect 2)

What is a specified asset? (sect 2)

- Immovable Property; or
- Any *Marketable security*

What is a marketable security?

- Any bond capable of being sold in a share market or exchange.
- Any debenture, share or stock; or
- Right possessed by reason of a person's participation in any unit trust;
Whether or not capable of being sold in a share market or exchange;
- Are listed and non-listed shares both marketable securities?
Why or why not?

Capital Gain

Capital Gain = Gross capital Amount –
Exemptions – allowable deductions

DEFINING THE GROSS CAPITAL AMOUNT

Sect 8 (1)(a)

- Total *amount received*; (or *deemed* received)
- By a *person*;
- In any *year of assessment*;
- From a *source* within Zimbabwe
- From the *sale*
- Of *specified assets*;
- *Excluding* amounts proved by the taxpayer to constitute *gross income*
- *Includes* amounts *allowed to be deducted in* terms of sect11(2)

Sale

DEEMED SALES (Sect 8(2))

- How else could one dispose of assets other than by way of sale?
- What is to sell? What is the significance of a consideration and its form in a sale?
 - Expropriations
 - Sale in execution of court order
 - Maturity or redemption of a specified asset

IDENTIFYING DISPOSALS, ENTITIES AND INDIVIDUALS EXEMPT FROM CAPITAL GAINS TAX. (Sect 10)

- Who shall be exempted from Capital Gains Taxes?
- Which type of disposals shall be exempted?

IDENTIFYING THE DEDUCTIONS THAT ARE ALLOWABLE IN DETERMINING A CAPITAL GAIN (Sect 11)

- What would be allowable as a deduction and why?
- The cost of the asset and any improvements at what value? (Sect 11(2)(a)(b))
- Why Inflation allowances? (Sect 11(2)(c))
- Selling expenses, bad debts, High and supreme court appeal costs
- Assessed capital losses brought forward

DAMAGED SPECIFIED ASSETS (Sect 13)

- Are the compensation proceeds deemed to be a sale proceeds always?
- Why is it that in some cases capital gains are not calculated on the insurance proceeds?

POSTPONEMENT AND RELIEFS (Sect 15 & 16 & 17)

- When would a taxpayer be allowed to postpone the computation of capital gains tax and until when?
- The concept of companies under same control and marriage.
- The election to postpone and mechanism.
- How is a postponement different from a relief? In what circumstances do we compute a relief?

SUSPENSIVE SALES (Sect 18)

- How are suspensive sales an exception to section 8 principles?
- Suspensive sales and the due and payable concept vs accrual concept.
- How to effect a relief and the treatment of a relief granted in the subsequent tax year.

PRINCIPAL PRIVATE RESIDENCES AND SUBSTITUTION OF BUSINESS PROPERTIES (Sect 21 &22)

- What is a principal private residence (PPR)?
- What special tax treatment do PPR transactions get?
 - Postponement of capital gains tax
 - Taxable portion of PPR proceeds.

QUESTIONS ?



TUTORIAL AND HOMEWORK

- Tutorial 19
- Homework Question

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