

ADDITIONAL MATERIAL FOR:

TAXATION (ZWE) (F6)

JUNE AND DECEMBER 2015 EXAMS

This document is intended to assist you while studying the syllabus of **F6 (ZWE)**. Please note that it is **not** sufficient to only study this document. You will have to refer to the syllabus, examinable documents and the recommended reading as listed on ACCA's website (www.accaglobal.com).

You will benefit by studying/perusing this document because it:

- provides you with the relevant parts of legislation and lists the relevant chapters/page numbers in the textbooks that you need to study in order to successfully complete the **F6 (ZWE)** examination;
- provides you with an easy-to-follow structure which follows the F6 (ZWE) syllabus and study guide document;
- lists key questions that you should be able to answer after studying a specific section;
- provides a brief summary of the section.

For practical exercises to assist you in your preparation for the examination, please refer to past papers available at:

<http://www.accaglobal.com/uk/en/student/acca-qual-student-journey/qual-resource/acca-qualification/f6/past-exam-papers/zimbabwe.html>.

Solutions to the previous exam questions are also provided. It is advisable to work through the past exam questions and then to check your answers against the model solutions provided. Please note that there are annual amendments to the syllabus as well as changes in the tax legislation. The past exam questions published on the website are not updated for changes in the tax legislation and syllabus so the solutions may be based on tax rates and allowances which no longer reflect the current tax legislation.

RELEVANT MATERIAL

Syllabus and Examinable Documents

Please refer to: <http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/studyguides/f6-zwe-sg-2015.pdf> for the **F6 (ZWE)** syllabus. The syllabus explains the overall objective of the paper. It provides you with detailed information on what can be assessed. It provides a breakdown of the various sections/capabilities into the

subject areas that you have to study in order to complete this paper successfully.

This guidance has been formatted to follow the structure of the F6 (ZWE) 2015 syllabus and study guide. Therefore, you are recommended to have a copy of the 2015 syllabus and study guide to hand as you work through this guidance.

In addition, you should refer to the examinable documents which provide details of the tax rates and allowances which will appear at the front of the exam paper and which should be used when answering questions. You are strongly advised to familiarise yourself with this information as part of your preparation for the F6 (ZWE) exam. This information can be found under *Examinable Documents* at <http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/examdocs/f6-zwe-examdocs-2015.pdf>.

General disclaimer

Candidates should ensure that they refer to the tax rates and allowances applicable to their exam sitting as available on the website under Examinable Documents. As noted below, some of the tax rates and allowances contained within the additional reading material below may not be up-to-date and therefore it is very important that these chapters are reviewed together with the relevant tax rates and allowances which you will be required to apply in the exam.

Additional Reading

Please refer to:

http://www.accaglobal.com/uk/en/learning-provider/learningproviders-alpc/content_provider_directory/f6zwe-reading.html

The following books and reference to the legislation and websites are recommended reading. By reading the relevant chapters and pages as indicated in this document you will have a better understanding of the main aspects of the syllabus.

- Taxation Principles in Zimbabwe A Comprehensive Tax Pack 2014, Marvellous Tapera
- Taxation in Zimbabwe, Eaden Murray
- Income Tax Act (Chapter 23:06)
- Capital Gains Tax Act (Chapter 23:01)
- Value Added Tax Act (Chapter 23:12)

- Finance Act (Chapter 23:04) as periodically updated – a copy of the Finance (No.2) Act of 2012 is available on the ACCA website at <http://www.accaglobal.com/gb/en/student/acca-qual-student-journey/qual-resource/acca-qualification/f6/examinable-documents/zimbabwe.html>
- The Zimbabwe Revenue Authority (ZIMRA) website - www.zimra.co.zw/
- The National Social Security Authority (NSSA) website - www.nssa.org.zw/

TO SUMMARISE: WHAT MATERIAL DO I HAVE TO STUDY?

The following abbreviations will be used in each section in this document to indicate what you need to read to be able to answer questions on the various sections successfully.

Syllabus and Study Guide Document (*S & SG*)

Tax Rates and Allowances (*TR*)

Additional Reading (*AR*)

SECTION A**THE ZIMBABWE TAX SYSTEM AND ITS ADMINISTRATION**

Content of Section A as per Study Guide
<ol style="list-style-type: none"> 1. The overall function and purpose of taxation in a modern economy 2. Principal sources of revenue law and practice 3. The systems for self-assessment and the making of returns 4. The time limits for the submission of information, claims and payments of tax, including payments on account 5. The procedures relating to enquiries, appeals/objections and disputes 6. Penalties for non-compliance

1. Structure of Section A

When studying this part of the syllabus, you need to refer back to the *Study Guide* for the various sub-sections that you need to know.

2. Relevant Material

S & SG: See syllabus area A (1-6) in the Study Guide.

TR: N/A

AR: Taxation Principles in Zimbabwe A Comprehensive Tax Pack 2014 by Marvellous Tapera – Chapters 1, 23, 24, 25, as noted below

Taxation in Zimbabwe by Eaden Murray – Selected sections as referred to in the detailed guidance, below

General disclaimer – Candidates are referred to selected sections of the recommended textbooks in the detailed guidance, below. Please note that other sections of these textbooks may contain references to out-of-date legislation.

ZIMRA website - www.zimra.co.zw/

3. Key issues that you should be able to answer/address after studying this section

Please note that this is **NOT** a complete list. This is simply added to make the studying of this work easier and to test yourself generally.

- Explain the overall function and purpose of taxation in a modern economy
- Explain the principal sources of revenue law and practice
- Understand the self assessment system and the making of returns
- Understand the time limits for the submission of information, claims and payments of tax including payments on account
- Understand the procedures relating to enquiries, appeals/ objections and disputes
- Understand the penalties for non-compliance

4. Overview of Section A – The Zimbabwe Tax System and its Administration

The purpose of this section of the syllabus is to ensure that you have an understanding of the Zimbabwe tax system and how it is administered.

After studying this section, you should be able to explain the operation and scope of the Zimbabwe tax system. You should also be able to explain the obligations of taxpayers including:

- the filing deadlines for the submission of tax returns and payments of tax
- the procedures relating to enquiries, appeals/objections and disputes
- the penalties for non-compliance

The overall function and purpose of taxation in a modern economy

Chapter 1 of M Tapera's textbook provides an overview of the overall function and purpose of taxation in a modern economy. Pages 3 and 4 detail the **purpose of taxation in a modern economy** as well as listing the different types of taxes in Zimbabwe and distinguishing between **capital and revenue taxes**. The difference between **direct and indirect taxation** is detailed on page 5.

Principal sources of revenue law and practice

Pages 6 to 7 of M Tapera's textbook detail the **principal sources of revenue law** and practice and briefly comment on the **interaction** of the Zimbabwe tax system with that of **other tax jurisdictions**. E Murray's text book provides a different view of the interaction of the different tax systems in the detail of the history of the Income Tax Act on page 2.

The difference between **tax avoidance and tax evasion** is covered in chapter 18 of E. Murray's textbook. This also includes details of tax planning schemes, which candidates should note are not within the scope of the F6 (ZWE) syllabus. Pages 7 and 8 of M Tapera's textbook also add clarity to the difference between tax avoidance and tax evasion.

Page 9 explains the need for an **ethical and professional approach** and outlines the importance of honest disclosure.

The systems for self-assessment and the making of returns

The system for self-assessment and the making of returns is detailed in chapter 19 of E. Murray's textbook covering tax administration and collection. Pages 260 to 261 explain in detail the features of the **assessment system as it applies to the individuals and companies**. Paragraph 19.2.2 on income tax self-assessment is particularly useful to understand fully the assessment system. The **quarterly payment date system** is explained on page 269.

Chapter 24 of M Tapera's textbook also covers the self-assessment system and the making of returns. Chapter 23 on the obligations of taxpayers is equally important for candidates to read.

Candidates are recommended to access the ZIMRA website for information on tax returns and assessment and also to download the different tax returns in order to gain a practical appreciation of the required information for tax assessment purposes.

The time limits for the submission of information, claims and payment of tax, including payments on account

The ZIMRA website has a clear list of the tax dates which candidates should refer to in order to understand the time limits for the submission of **tax returns, claims and payment of tax** including payments on accounts. The return for the provisional tax payment (ITF 12B) which can be downloaded from the same website, clearly shows how the **provisional and quarterly payment of tax** is computed.

NOTE: *Candidates are advised to refer to the ZIMRA website for up-to-date tax payment dates and not to the dates alluded to in the recommended textbooks as some dates may be out-of-date.*

M Tapera's textbook lists the **information and records** that taxpayers need to retain for tax purposes on pages 327.

The procedures relating to enquiries, appeals/objections and disputes

The procedures relating to enquiries, disputes, objections and appeals are stated in chapter 25 of M. Tapera's textbook. Pages 330 to 332 detail the circumstances in which ZIMRA can **enquire into a tax assessment**.

The procedures for dealing with **disputes, objections and appeals** are stated on pages 333 to 334. The diagrammatic view of the dispute resolution process as stated on page 333 is a key summary. E Murray's textbook provides greater depth and detail on objections and appeals on pages 265 to 268 which is an important area for candidates to understand.

Penalties for non-compliance

The penalties for non-compliance are detailed in M. Tapera's textbook on pages 335 to 341. The example provided on page 337 clearly shows how **interest** and **penalties** are calculated on overdue tax. The penalties that can be charged for the late payment of tax and for the late submission of a tax return are clearly stated on pages 335 to 336.

ZIMRA website

In addition to the textbooks by M. Tapera and E. Murray, the ZIMRA website is an up-to-date resource for candidates. Information on tax registration requirements, tax payment dates, etc is readily available from the website. As mentioned above, candidates should also access and familiarise themselves with the various tax returns.

SECTION B**INCOME TAX LIABILITIES**

Content of Section B as per Study Guide
<ol style="list-style-type: none"> 1. The scope of income tax 2. Income from employment 3. Income from self-employment 4. Property and investment income 5. The comprehensive computation of taxable income and income tax liability 6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

1. Structure of Section B

When studying this part of the syllabus, you need to refer back to the *Study Guide* for the various sub-sections that you need to know.

2. Relevant Material

S & SG: See syllabus area B (1-6) in the Study Guide.

TR: Tax rates and allowances – June and December 2015 exams

Tax rates and allowances for the year ended 31 December 2014

- Individuals employment income
- Allowable deductions
- Credits
- Deemed benefits
- Loans
- Capital allowances
- Tax rates – Other than employment income – Individuals
- Withholding taxes
- Non-residents' tax
- Residents' tax on interest
- Elderly taxpayers – Exemptions from income tax

AR: Taxation Principles in Zimbabwe A Comprehensive Tax Pack 2014 by Marvellous Tapera – Chapters 2, 3, 4, 5, 6, 7, 8, 11 and 12, as noted below

Taxation in Zimbabwe by Eaden Murray – Selected sections as referred to in the detailed guidance, below

General disclaimer – General disclaimer – Candidates are referred to selected sections of the recommended textbooks in the detailed guidance, below. Please note that other sections of these textbooks may contain references to out-of-date legislation.

ZIMRA website - www.zimra.co.zw/

NSSA website - www.nssa.org.zw/

3 Key issues that you should be able to answer/address after studying this section

Please note that this is NOT a complete list. This is simply added to make the studying of this work easier and to test yourself generally.

- Explain how to determine whether an individual is Zimbabwe tax resident
- Prepare a basic income tax computation
- Determine whether an engagement is one of self-employment or employment for tax purposes
- Compute the taxable income from employment including taxable benefits
- Prepare a calculation of taxable trading profits including adjustments for non-allowable expenditure
- Compute the capital allowances for a sole trader or partnership, including wear & tear and special initial allowances
- Compute the recoupment of capital allowances on disposal of business assets

4 Overview of Section B – Income Tax Liabilities

The purpose of this section of the syllabus is to ensure that you have an understanding of **income tax**.

Remember, one of your 15 mark long questions will focus on income tax and thus it is an important area of the F6 (ZWE) syllabus.

You should make sure that you understand what is meant under each requirement. You must, for example, be able to analyse a scenario involving an individual who may be employed or self-employed (trading) and determine their income tax payable.

After studying this section, you should be able to explain and compute the income tax liabilities of individuals as well as understand the obligation to withhold tax at source when making payments.

The emphasis is on understanding the taxation of income derived by individual taxpayers from employment, self-employment and from property and investment. You should also be able to understand the use of exemptions and reliefs in deferring and minimising the income tax liabilities.

The scope of income tax

Chapter 2 of M. Tapera's textbook deals with the scope of the income tax for individual tax payers. Pages 13 to 14 clarify the meaning of both source and ordinary **residence** in determining the basis of taxation.

Income from employment

Income from employment is covered in depth in chapter 3 of M. Tapera's textbook. The parallels between **employment and self-employment** are detailed on pages 32 to 33 which also include the factors that determine whether an engagement is treated as employment or self-employment.

The **basis of assessment for employment income** is dealt with on pages 34 to 35 of M. Tapera's textbook. The tax treatment of income earned outside of Zimbabwe during an employee's temporary absence is also discussed as well as the tax treatment of income of employees rendering services to the state outside of Zimbabwe.

The **computation of taxable income from employment** including amounts in respect of services rendered and fringe benefits together with the **exemptions and allowable deductions** are dealt with on pages 36 to 49 of M Tapera's textbook. The computation of **taxable benefits** is also covered in this section of the textbook.

The computation of a general employee's tax liability is detailed on pages 49 to 50. Tax credits are outlined on pages 50 to 53. Employment tax is also detailed on page 25 and 26. The steps for calculating an employee's tax and the simplified illustration

on page 26 offer useful information and should be carefully studied. Candidates should also study the specific gross income items for individuals as outlined by E Murray in his textbook in pages 32 to 35. Chapter 10 also deals with the determination of income tax for individuals.

When going through the various worked examples in this chapter, candidates are reminded again to only use the updated tax rates, allowable deductions, exemptions and tax credits given on the tax rates and allowances that will be provided at the front of the exam paper in the session in which they will be sitting.

The ZIMRA website is also useful in this regard.

The **Pay-As-You-Earn (PAYE) system** is detailed on page 53 of M. Tapera's textbook as well as in paragraph 19.5.2 and 19.5.3 of E. Murray's textbook.

Income from self-employment

Income from self-employment is dealt with in chapter 6 of M. Tapera's textbook. The **basis of assessment** for self-employment income is stated on page 99. Pages 100 to 102 detail the **expenditure that is allowable in calculating the tax-adjusted trading profit**. Chapter 7 deals, in detail, with the deductions from trading activities. The diagram on page 111 is useful in understanding the deductibility of an expense in the computation of taxable income.

The relief that can be obtained for **pre-trading expenditure** is stated on 132 of M. Tapera's textbook.

Candidates should also ensure that they are comfortable with computing **the taxable income on commencement and cessation**

The general illustration of the **computation of taxable income** is detailed on page 24 of M. Tapera's textbook.

Change of accounting date should be understood in the context of the year of assessment as detailed by M. Tapera in pages 107 to 108 of his textbook. E. Murray briefly deals with the issue of the change of accounting date in paragraph 19.19.10 on accounting years.

Chapter 8 of M. Tapera's textbook deals with **capital allowances** including the definitions of the various non-current assets for the purposes of granting capital allowances on qualifying assets.

Page 166 of M. Tapera's textbook outlines the double deduction available for export market development expenditure which is relevant to candidates in understanding the **incentive allowances** available to businesses. This is also dealt with in paragraph 7.30 of E. Murray's textbook.

The information on assessed losses on page 139 to 142 of M. Tapera's textbook is adequate to address the extent of the detail required by the F6 (ZWE) syllabus on the relief for **trading losses**.

Chapter 12 of M. Tapera's textbook details the taxation of income from **farming operations** including stock valuation, the special deductions available to farmers, computation of farming taxable income and the available tax reliefs. The example on pages 200 and 201 clarifies the special deductions for farmers. Enforced sale relief is detailed on pages 201 and 203 while the restocking allowance is covered in pages 206 and 207. E. Murray's textbook also deals at length with the taxation of farmers in chapter 12 of his textbook, pages 168 to 178.

The tax treatment of income from **partnerships** is covered in chapter 11 of M. Tapera's textbook. The introduction to the partnership on page 190 is important for candidates to understand the taxation of the income from this type of business arrangement. The basis of assessment for partnership income is detailed on page 191. Pages 192 to 195 deal with the computation of taxable income for each partner following a **change in the profit sharing ratio, a change in membership** and related matters. The **loss relief claims** that are available to partners are on page 196. E. Murray's textbook also deals with the taxation of income from partnerships in some detail in chapter 13 of his textbook. Candidates will benefit from carefully studying this whole chapter and going through all the worked examples. The general presentation format of the joint taxable income (which is illustrated on page 203) is important to understand in the computation of the taxable income for partners.

E. Murray briefly states the **obligation to withhold tax at source** when making payments to both residents and non-residents in his textbook in paragraph 19.20 on withholding taxes. A detailed list of the remittance dates of the various withholding taxes is available on the ZIMRA website.

Property and investment income

Chapter 5 of M. Tapera's textbook deals with the taxation of property and investment income. The computation of **property business taxable income** is covered

extensively from page 70 to 74. Candidates should take note of the listed allowable deductions on page 72 as well as the diagrammatical summary of the taxation of rental income on page 74.

The tax treatment of **premiums receivable/payable** in conjunction with a lease is detailed in pages 75 to 81. E. Murray deals at length with the taxation of lease premiums and improvements in chapter 17 of his textbook.

M. Tapera distinguishes between **exempt and taxable interest income** in pages 82 to 84 of his textbook. The tax treatment of **savings income** or interest from financial institutions is clearly detailed on page 84. The **taxation of dividends** including the computation of withholding tax is covered on pages 85 to 89. The detail on trading losses stated on page 95 is adequate to show how **property and investment business losses** are treated.

The comprehensive computation of taxable income and income tax liability

The comprehensive computation of taxable income and income tax liability should be considered in light of the information and references made in the foregoing paragraphs. The preparation of a **basic income tax computation involving different types of income** has already been discussed and candidates are again referred to pages 24 and 49 of M. Tapera's textbook for the illustration.

The calculation of the amount of **personal allowance available to people aged 55 and above** is dealt with on page 25 paragraph 4.4 on elderly person exemptions.

A summary of **tax credits** is provided on page 51.

The **tax treatment of donations** is detailed in pages 136 to 138. E. Murray also discusses at length the tax treatment of donations in chapter 14 of his textbook.

The tax treatment of the income received from **property owned jointly by a married couple** should be treated in the same way as the income from partnership with the married couple treated as equal partners for income tax purposes.

The use of exemptions and reliefs in deferring and minimising income tax liabilities

Chapter 4 of M. Tapera's book deals with the relief given for contributions to **personal pension schemes** and for contributions to **occupational pension**

schemes. E. Murray explains in greater detail the tax treatment of the pension and benefit fund contributions in chapter 15 of his textbook.

Candidates are also recommended to access the NSSA website for more information on NSSA contributions.

The exemptions and reductions in tax payable available to taxpayers in **industrial parks** and under **BOOT arrangements** are detailed in pages 174 to 177 of M. Tapera's textbook.

Tax rates and allowances

Ensure you are comfortable with the income tax rates, allowable deductions, credits, deemed benefits, capital allowances and exemptions given on the tax rates and allowances at the front of the exam paper.

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SECTION C**CORPORATION TAX LIABILITIES**

CONTENT OF SECTION C AS PER STUDYGUIDE
<ol style="list-style-type: none"> 1. The scope of corporation tax 2. Profits chargeable to corporation tax 3. The comprehensive computation of corporation tax liability 4. The effect of a group corporate structure for corporation tax purposes 5. The use of exemptions and reliefs in deferring and minimising corporation tax liabilities

1. Structure of Section C

When studying this part of the syllabus, you need to refer back to the *Study Guide* for the various sub-sections that you need to know.

2. Relevant Material

S & SG: See syllabus area C (1-5) in the Study Guide.

TR: Tax rates and allowances– June and December 2015 exams

Tax rates and allowances for the year ended 31 December 2014

- Capital allowances
- Tax rates – Other than employment income – Companies
- Withholding taxes

AR: Taxation Principles in Zimbabwe A Comprehensive Tax Pack 2014 by Marvellous Tapera – Chapters 6, 7, 8, 9 and 10, as noted below

Taxation in Zimbabwe by Eaden Murray – Selected sections as referred to in the detailed guidance, below

General disclaimer – Candidates are referred to selected sections of the recommended textbooks in the detailed guidance, below. Please note that other sections of these textbooks may contain references to out-of-date legislation.

ZIMRA website

3 Key issues that you should be able to answer/address after studying this section

Please note that this is NOT a complete list. This is simply added to make the studying of this work easier and to test yourself generally.

- Understand the meaning of the terms, 'period of account', 'accounting period' and 'year of assessment'
- Explain how the residence of a company is determined
- Recognise gross income and allowable deductions in the determination of the taxable income
- Compute the taxable income chargeable to corporation tax
- Compute the corporation tax liability
- Recognise the exemptions and reductions in tax payable available to taxpayers in industrial parks and under BOOT arrangements
- Understand the effect of a group corporate structure for corporation tax purposes including the relief available when assets are transferred between companies under common control
- Compute the double taxation relief for withholding tax
- Understand the basic principles of the transfer pricing rules

4 Overview of Section C – Corporation Tax Liabilities

The purpose of this section of the syllabus is to ensure that you have an understanding of **corporation tax**.

Remember, one of your 15 mark long questions will focus corporate tax and thus it is an important area of the F6 (ZWE) syllabus.

The scope of corporation tax

M. Tapera discusses the terms **accounting period** and **year of assessment** on pages 107 and 108 of his textbook.

The determination of the **residence of a company** is outlined on page 14 and further detailed is provided on page 168 paragraph 2 - Residence status.

Profits chargeable to corporation tax

The recognition of **gross income** is detailed in chapter 6 of M. Tapera's textbook on trading income. Chapter 2 of E. Murray's textbook deals with the legal framework of gross income including the key definitions. Candidates are recommended to study the whole chapter.

The **expenditure that is allowable** in calculating taxable business income is detailed by M. Tapera in chapter 7 of his textbook dealing with trading deductions. The diagram on page 111 is useful in understanding the requirements to be satisfied for an expense to qualify as deductible in the computation of taxable income. Chapter 6 of E. Murray's textbook deals with the general deduction formula which candidates are also recommended to study.

M. Tapera deals with the relief for **pre-trading expenditure** on page 132 of his textbook. Candidates should take note of the example used to clarify the tax treatment of pre-trading expenses.

Capital allowances are covered in chapter 8 of M. Tapera's textbook which gives information on qualifying assets, the computation of special initial allowance (SIA), wear and tear, recoupment and scrapping allowance.

The computation of **investment incentives** is dealt with on page 166 (as noted under Section B above).

Page 26 of M. Tapera's textbook deals with property and investment income and is relevant in preparing candidates to deal with the computation of **property business taxable income**. Paragraph 3.6 of E. Murray's textbook can also be referred to.

The tax treatment of **interest paid and received, donations** and the carry forward of **assessed trading losses** is detailed in pages 132 to 142. The illustration on page 24 fully details the computation of the **taxable income chargeable to corporation tax**.

The comprehensive computation of corporation tax liability

The comprehensive computation of corporation tax liability is detailed in chapter 9 of M. Tapera's textbook.

The exemptions from and reductions in tax payable available to taxpayers in **industrial parks** and under **BOOT arrangements** are covered on pages 174 to 177.

The obligation to withhold tax at source when making payments to both residents and non-residents is detailed in pages 172 to 174.

The effect of a group corporate structure for corporation tax purposes

The effect of a group corporate structure for corporation tax purposes is dealt at length in chapter 10 of M. Tapera's text book on the taxation of group companies.

The relief available for **transfers of assets** between companies under common control is detailed in pages 182 to 185.

The calculation of **double taxation relief** for withholding tax and underlying tax is covered in pages 187 to 189. The basic principles of the **transfer pricing rules** are stated on page 186.

Tax rates and allowances

Ensure you are comfortable with the corporation tax rates and capital allowances given on the tax rates and allowances at the front of the exam paper.

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SECTION D

CAPITAL GAINS

CONTENT OF SECTION D AS PER STUDYGUIDE

1. The scope of the taxation of capital gains
2. The basic principles of computing gains and losses
3. Gains and losses on the disposal of immovable property and marketable securities
4. The computation of the capital gains tax payable by individuals and companies
5. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of specified assets

1. Structure of Section D

When studying this part of the syllabus, you need to refer back to the *Study Guide* for the various sub-sections that you need to know.

2. Relevant Material

S & SG: See syllabus area D (1-5) in the Study Guide

TR: Tax rates and allowances– June and December 2015 exams

Tax rates and allowances for the year ended 31 December 2014

- Capital gains tax
- Capital gains withholding tax on sale proceeds

AR: Taxation Principles in Zimbabwe A Comprehensive Tax Pack 2014 by Marvellous Tapera – Chapters 15,16, 17,18 and 19, as noted below

Taxation in Zimbabwe by Eaden Murray – Selected sections as referred to in the detailed guidance, below

General disclaimer – Candidates are referred to selected sections of the recommended textbooks in the detailed guidance, below. Please note that other sections of these textbooks may contain references to out-of-date legislation.

ZIMRA website – www.zimra.co.uk

3 Key issues that you should be able to answer/address after studying this section

Please note that this is NOT a complete list. This is simply added to make the studying of this work easier and to test yourself generally.

- Identify the assets and persons which are exempt from capital gains tax
- Compute capital gains on disposal of specified assets
- Compute the allowable deductions for capital gains tax purposes
- Explain the treatment of capital losses
- Explain the treatment of transfers of specified assets between a husband and wife
- Explain the treatment where a specified asset is damaged or destroyed
- Compute the relief when a principal private residence is disposed of between related parties
- Explain the capital gains tax implication when quoted shares are disposed of by way of a gift
- Compute the capital gains tax payable
- Compute the capital gains withholding tax
- Understand roll over relief
- Explain and apply the relief available for transfers of assets between companies under common control.

4 Overview of Section D - Capital Gains

The purpose of this section of the syllabus is to ensure that you have an understanding of **capital gains tax**. After studying this section you should be able to compute the capital gains tax liabilities of individuals and companies.

The scope of taxation of capital gains

The ZIMRA website gives an overview of capital gains tax, which candidates are recommended to access and read. M. Tapera details the **scope of capital gains tax** on pages 226 to 228 of his textbook. Candidates should take note of the flow chart on page 228. E. Murray describes the scope of capital gains tax in paragraph 20.3 of his textbook detailing the framework of calculation of capital gains tax.

The **assets and persons which are exempt** from capital gains tax are listed on pages 231 and 232 of M Tapera's textbook and on page 280 of E. Murray's textbook.

The basic principles of computing gains and losses

The layout for the computation of **capital gains on specified assets** for both individuals and companies is stated on page 227 of M. Tapera's textbook.

The **deductible expenditure** in arriving at the capital gains tax is detailed in pages 232 to 236. E. Murray deals with the deductible expenditure in paragraph 20.11 of his textbook.

The treatment of **capital losses** for both individuals and companies is detailed in pages 237 and 238 of M. Tapera's textbook and paragraph 20.16 of E. Murray's textbook.

The treatment of **transfers of specified assets** between a husband and wife is dealt with in pages 260 and 261 of M. Tapera's textbook. E. Murray deals with the same subject in paragraph 20.21 of his textbook.

Part disposals are discussed by M. Tapera on page 246. Candidates should carefully study the worked example in order to compute the amount of allowable expenditure for a part disposal.

The treatment where a **specified asset is damaged, lost or destroyed** is discussed in pages 246 to 248 of M. Tapera's textbook and paragraph 20.17 of E. Murray's textbook.

Gains and losses on the disposal of immovable property and marketable securities

Chapter 18 of M. Tapera's textbook deals with the **principal private residence** including the relief available on disposal between related parties and when the asset has been used for **business purposes**.

The issue of valuation of **quoted shares** where they are disposed of **by way of a gift** is detailed on pages 263 and 264 of M. Tapera's textbook. The treatment of **bonus issues, rights issues, takeovers and reorganisations** is detailed in pages 265 to 268.

The computation of the capital gains tax payable by individuals and companies

M. Tapera illustrates on pages 227 and 228 how the amount of **capital gains tax payable** is calculated. The application of **capital gains withholding tax** is detailed in chapter 16 of M. Tapera's textbook.

The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of specified assets

M. Tapera deals in detail the issue of capital gains tax reliefs in chapter 17 which covers **rollover relief**, the relief available upon the transfer of assets by an individual to a company he controls and the relief available where the **purchase price is paid by instalments**. The rollover relief available on disposal of a principal private residence is detailed in pages 256 to 259.

The relief available for **transfers of assets** between companies under common control is detailed in pages 182 to 185 of M Tapera's textbook, as noted above.

Tax rates and allowances

Ensure you are comfortable with the different capital gains tax rates (including withholding tax rates) given on the tax rates and allowances at the front of the exam paper and know which rate to apply to a disposal.

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SECTION E**NATIONAL SOCIAL SECURITY AND PENSION/BENEFIT FUND CONTRIBUTIONS****CONTENT OF SECTION E AS PER STUDYGUIDE**

1. The scope of the national social security system
2. The computation of national social security and pension/benefit fund contributions
3. Computation of allowable national social security and pension/benefit fund contributions for personal pension schemes and occupational pension schemes

1. Structure of Section E

When studying this part of the syllabus, you need to refer back to the *Study Guide* for the various sub-sections that you need to know.

2. Relevant Material

S & SG: See syllabus area E (1-3) in the Study Guide.

TR: Tax rates and allowances– June and December 2015 exams

Tax rates and allowances for the year ended 31 December 2014

- Allowable deductions – pension fund contribution ceilings

AR: Taxation Principles in Zimbabwe A Comprehensive Tax Pack 2014 by Marvellous Tapera – Chapter 4, as noted below

Taxation in Zimbabwe by Eaden Murray – Selected sections as referred to in the detailed guidance, below

General disclaimer – Candidates are referred to selected sections of the recommended textbooks in the detailed guidance, below. Please note that other sections of these textbooks may contain references to out-of-date legislation.

ZIMRA website – www.zimra.co.zw/

NSSA website – www.nssa.org.zw/

3 Key issues that you should be able to answer/address after studying this section

Please note that this is NOT a complete list. This is simply added to make the studying of this work easier and to test yourself generally.

- Explain and calculate the NSSA contributions payable by employees
 - Explain and calculate the NSSA contributions payable by employers
 - Explain and calculate the NSSA contributions payable by the self-employed
 - Explain and calculate the pension fund contributions payable by employees
- Explain and calculate the retirement annuity fund contributions payable by employees and by the self-employed

4 Overview of Section E– National Social Security and Pension/Benefit Fund Contributions

The purpose of this section of the syllabus is to ensure that you have an understanding of **national social security and pension/benefit fund contributions**. After studying this section you should be able to explain and compute the effect of national social security (NSSA) and pension/benefit fund contributions on employees, employers and the self-employed.

Chapter 4 of M. Tapera's textbook deals with NSSA and pension fund contributions and the computation of the allowable contributions by **employees** and the **self-employed**. E. Murray also details the pension fund contributions in chapter 15 of his textbook.

Candidates should also access the NSSA website for more in depth information on NSSA contributions.

Tax rates and allowances

Candidates should ensure that they are comfortable with the pension fund contribution ceilings given on the tax rates and allowances at the front of the exam paper.

SECTION F**VALUE ADDED TAX****CONTENT OF SECTION F AS PER STUDYGUIDE**

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities

1. Structure of Section F

When studying this part of the syllabus, you need to refer back to the *Study Guide* for the various sub-sections that you need to know.

2. Relevant Material

S & SG: See Syllabus area F (1-3) in the Study Guide.

TR: Tax rates and allowances– June and December 2015 exams

Tax rates and allowances for the year ended 31 December 2014

- Value added tax (VAT)

AR: Taxation Principles in Zimbabwe A Comprehensive Tax Pack 2014 by Marvellous Tapera – Chapter 21 and 22, as noted below

General disclaimer – Candidates are referred to selected sections of the recommended textbooks in the detailed guidance, below. Please note that other sections of these textbooks may contain references to out-of-date legislation.

ZIMRA website – www.zimra.co.zw/

3. Key issues that you should be able to answer/address after studying this section

Please note that this is NOT a complete list. This is simply added to make the studying of this work easier and to test yourself generally.

- State the principal zero-rated and exempt supplies
- Explain the VAT registration requirements
- Explain the VAT deregistration process

- Explain how VAT is accounted for and administered
- List the information that must be stated on a VAT invoice
- Explain the circumstances in which input VAT is not deductible
- Compute the tax relief for impairment losses on trade debts
- Explain the circumstances in which the default penalty, interest and fine will be chargeable.

4. Overview of Section F – Value Added Tax

This Section of the work deals with **value added tax (VAT)**. After studying this section you should be able to explain and compute the effects of VAT on incorporated and unincorporated businesses.

The ZIMRA website is a huge resource and has in depth information on VAT notably registration requirements, taxable supplies, computation, returns and remittance dates.

The scope of VAT

M. Tapera describes the **scope of VAT** and lists some of the **principal zero-rated and exempt supplies** in his textbook pages 282 to 286. The detailed example on page 287 clarifies the treatment of exempt supplies. The ZIMRA website also provides examples of both zero-rated and exempt supplies.

The VAT registration requirements

The VAT registration requirements including the **advantages of voluntary registration** and the circumstances in which **pre-registration input VAT** can be recovered are detailed on pages 287 to 290.

The **VAT deregistration** process is dealt with on pages 290 and 291. The **four categories of tax period** are discussed on pages 291 and 292.

The computation of VAT liabilities

Chapter 22 of M. Tapera's textbook deals with the computation of VAT liabilities in detail. The chapter covers the **accounting and administration** of VAT, **time of supply, valuation of supply**, features of a **VAT invoice**, **non-deductible input tax** and relief for **impairment losses on trade debts** among other related issues. Candidates should study this chapter carefully and work through the examples in order to ensure that they can compute VAT liabilities accurately.

Candidates should ensure that they review page 309 of M. Tapera's textbook which covers the circumstances when the **default penalty, interest and fine** will apply.

This chapter should be read in conjunction with the relevant pages of the ZIMRA website referred to above.

Tax rates and allowances

The 15% standard rate of VAT is given on the tax rates and allowances at the front of the exam paper.

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To conclude

We hope that this document will assist you in working through the *Syllabus, Study Guide, Examinable Documents and Additional Reading*. After studying this paper you should be able to:

- A Explain the operation and scope of the Zimbabwe tax system and its administration
- B Explain and compute the income tax liabilities of individuals
- C Explain and compute the corporation tax liabilities of individual companies and groups of companies
- D Explain and compute the capital gains tax liabilities of individuals and companies
- E Explain and compute the effect of national social security (NSSA) and pension/benefit fund contributions on employees, employers and the self employed
- F Explain and compute the effects of value added tax on incorporated and unincorporated businesses