



# Examiners' report

## F6 Taxation (ZWE)

June 2008

The paper consisted of five compulsory questions with a total of 25 marks allocated to question one and 30 marks for question two. Questions three to five each carried 15 marks. The distribution of the questions was 10% narrative and 90% computation.

Although all candidates attempted the first question, the performance on this question was not pleasing as very low marks were scored. Some candidates did not attempt one or two of the other remaining four questions. The performance on the four questions was quite satisfactory with some very high marks achieved. The performance on question four was noteworthy with a number of candidates achieving full marks.

The quality of the answers presented was not up to the expected standard, as common errors and omissions were on the high side. Candidates displayed a lack of preparation for the examination, as some calculations were not detailed. For question one all candidates failed to recognise and allocate taxable income according to the three tax periods, and hence failed to maximise on the available marks. Time management also appeared to be problematic to most candidates, as some questions were not attempted in full and a number of blank pages were left in between questions. A number of candidates failed to come up with a proper income tax computation and answers provided confusing allowable deductions and tax credits.

### Question 1

This question was on employment related tax and tested the candidates' ability to compute the related taxable income, and to recognise the relevant tax periods, as well as coming up with the allowable deductions and tax credits attributable to an elderly taxpayer. Candidates were also tested on the identification and taxation of non-employment related income and the identification of the correct tax rates.

All candidates failed to recognise the taxable income in the correct tax period and a good number did not achieve high marks as they could not identify the allowable deductions applicable to a civil servant and an elderly person. Incorrect tax rates were also used in the computation of the non-employment related income.

In part (c), the narrative part, most candidates failed to score the allocated marks as they were unable to substantiate the requirements for corporate tax registration as well as the identification of other related tax heads, for instance PAYE.

### Question 2

This question on corporate tax required candidates to compute the provisional corporate tax payable and identify the due dates for the remittance of the tax to ZIMRA. The question also required the candidates to calculate the actual corporate tax payable or refundable, taking into account the provisional tax already computed.

Although the performance on the question was generally satisfactory, candidates failed to achieve high marks, as they did not read through and understand the requirements of the question. The question clearly stated the company's policy on fixed assets which meant that all capital allowance calculations had to take that into account. Candidates thereby did not score the allocated marks, as they calculated wear and tear allowances instead of the maximum special initial allowances.

A good number of candidates failed to come up with a tax computation as they copied the given income statement, instead of starting off with the net profit per the income statement and then adding back disallowable expenses and deducting allowable expenses.

### Question 3

This question on capital gains tax required candidates to compute recoupments and withholding tax, as well as the capital gain or loss on the disposal of specified assets.

In part (a) (i) most candidates failed to recognise that the amount to be included in the gross income is actually the recoupment, which is restricted to the allowances previously granted. Incorrect tax rates were also often used in the computation of the withholding tax payable.

In the capital gains computation, some candidates included movable assets instead of restricting the calculation to specified assets only. Most candidates failed to achieve high marks as they used outdated formulae in the calculation of the inflation allowances.

#### **Question 4**

This question on value added tax (VAT) was the best attempted of all the questions. Very high marks were achieved on this question with a number of candidates scoring all the allocated marks.

This question tested the candidates' ability to identify the due dates for the submission of VAT returns for the stated tax category, and the possible consequences of non compliance with the set deadlines. This question further required the candidates to compute the VAT liability for the stated months.

#### **Question 5**

This question required candidates to state the tax reliefs applicable to livestock farmers under drought conditions, as well as to compute the taxable income or loss of a farmer which involved identifying the special deductions applicable.

Although the question was fairly attempted, the following common errors militated against the achievement of high marks:

- Not coming up with a tax computation
- Not understanding the requirements of the question
- Granting minimum capital allowances
- Not recognising the maximum outright deductions applicable to farmers