



# Examiner's report

## F6 Taxation (ZWE)

June 2009

### General Comments

The examination consisted of five compulsory questions. The marks for question one and two totalled 55 marks and 45 marks for the other three questions.

All the candidates attempted the first two questions, with most of those who attempted the questions first achieving high marks compared to those who attempted these questions at the end. The candidates that demonstrated good time management recorded very high marks for the first two questions and consequently passed the examination. The performance of candidates on question one was quite disappointing with part (a) of the question either partially attempted or entirely omitted. On the other hand very high marks were recorded for question two and almost all the candidates passed the question. A small number of the candidates did not attempt one of the remaining three questions notably question four. The performance on questions three and five was fair and a good number of candidates managed to score good marks on these two questions. Most candidates performed rather poorly on question four mainly due to failure to articulate the requirements of the question and overall poor time management.

The performance of candidates overall was disappointing as it was apparent that a good number were quite unprepared for the examination. Poor time management and failure to comprehend the requirements of questions also contributed significantly to the poor performance. It is important for candidates to start each question on a new page and to give a lot of prior thought to the proper and clear structure of the layout of the answers.

### Specific Comments

#### Question One

The question consisted of both narrative and computational components. Part (a), the narrative component, was only partially attempted or omitted in full. The question required candidates to identify the tax obligations of the employer where emoluments involving an expatriate employee are concerned, more so when part of the payment involves foreign currency. The candidates were further required to state the taxability of the expatriate employee and to identify her tax obligations at the end of the contract. Part (b) required candidates to compute the taxable income and tax payable of the stated employee. Although all the candidates attempted this part of the question, common mistakes such as treating the monthly emoluments as the taxable amount for the period, further militated against a better performance.

On the whole the candidates performed rather poorly on this question mainly as a result of the failure to attempt the question in full, which contributed to the low marks achieved.

The following contributed to the general poor performance on this question:

- Poor time management
- General lack of knowledge of the requirements on the narrative part of the question
- Failure to read and understand the requirements of the question

#### Question Two

The question included part questions on value added tax (VAT) and the computation of general corporate tax. The question in part (a) required candidates to calculate the output tax for the identified tax period, state consequences of non-compliance and also to list the tax invoice mandatory information. Part (b) required candidates to calculate the corporate tax due on the stated quarterly payment dates (QPDs).

All the candidates attempted both parts of the question and exceptionally good answers were presented with almost all the candidates passing the question with very high marks.

The only omission noted on this question was the failure to compute the lease improvement allowance.

### **Question Three**

The question on capital gains tax involving a corporate entity required candidates to calculate the following:

- The amount to be recouped as a result of the disposal of the immovable assets.
- The capital gains withholding tax
- The capital gain and tax payable

The question further tested the candidates' ability to identify qualifying specified assets for capital gains tax purposes.

Although overall the candidates performed fairly well on the question, a few candidates calculated capital gains tax on movable assets. The following were the common errors and omissions on the question:

- Incorrect capital gains withholding tax rate
- Movable assets treated as specified assets
- Incorrect recouped amounts
- Incorrect computation of the inflation allowance

### **Question Four**

The question on farming focused on the treatment of taxable income from distressed sales as a result of a disease outbreak.

Few candidates did not attempt the question and of the majority that did, the performance was poor. The following contributed to the low marks attained on the question:

- Incorrect livestock reconciliation statement and consequently incorrect closing stock value.
- Incorrect computation of the staff housing allowance
- Failure to recognise the outright special allowances applicable to farmers
- Incorrect computation and incorrect treatment of the taxable income from distressed sales.

### **Question Five**

The question on partnership required candidates to state the treatment of the share of profit on partner withdrawal and to compute the partners' taxable income and tax payable.

Almost all the candidates attempted the question and the overall performance was fair. The following common mistakes and omissions were noted on the question:

- Uncertain as to the disallowed expenses attributable to the joint partnership and to individual partners.
- Computation of wear and tear instead of SIA and were applicable incorrect wear and tear rates.
- Incorrect tax payable rate.