

Examiner's report

F6 Taxation (ZWE)

June 2011



General Comments

The examination consisted only of compulsory questions, a total of five. The first two questions accounted for 55 marks while the other three questions were allocated a total of 45 marks. The examination was mostly made up of computational questions to a greater extent and to a lesser extent, narrative parts.

The performance of candidates at this sitting was not to the expected standard. It was quite obvious that most candidates were ill prepared for the examination and had a lot of problems with time management. Candidates need to plan and structure an answer beforehand taking into account the depth of the detail required as shown by the allocated marks. A mismatch between the extent of the detail expected and the allocated marks will always result in time management problems. A clearly thought out and planned answer will almost always be well presented. The candidates who attempted questions 1 and 2 first achieved good marks and the quality of answers presented was also of a good and acceptable standard. It was also observed that the candidates who attempted questions 1 and 2 first did not have problems with time management.

It was noteworthy that a good number of candidates did not read through the requirements of most questions before attempting to answer. Generalised answers were presented for specific questions. This was quite evident in parts of questions 1 and 2. Candidates should always take note of the fact that specific questions will always demand specific answers.

The frequency of avoidable mistakes such as incorrect corporate tax rates, SIA rates, APDs instead of QPDs and the treatment of certain exemptions and allowable deductions was quite disturbing. The cut-off dates specified in the Syllabus and Study Guide were evidently not taken into account by most candidates which contributed immensely to the overall poor performance at this sitting. Candidates are advised to take seriously the 15 minutes reading and planning time at their disposal at the beginning of the examination.

Specific Comments

Question One

Although the question was fairly attempted when compared to the other questions, a good number of candidates did not pick up as much marks as expected, particularly regarding the narrative parts of the question as the answers presented lacked detail and were too generalised at the same time.

The question focused on personal income tax and required candidates to compute taxable income and tax payable from employment and from business. The narrative parts of the question required candidates to state and substantiate the tax treatment of the provided employment related payments and also the tax treatment of the stated provision for impaired debts.

In question 1(a)(i) only part marks were achieved by most candidates due to a lack of persuasive justification for the tax treatment stated.

Question 1 (a)(ii) required a very specific tax treatment, but generalised answers were presented therefore candidates did not gain as many marks as they could have.

In question 1(b)(ii) a good number of candidates failed to pick up the allocated mark due to a generalised answer. A specific month and year were stated in the question which in turn required a very specific date for an answer. The common generalised answer given by candidates was as follows:

- PAYE should be remitted within 10 (3, 5) days following the month of deduction



Most candidates achieved good marks in the computational part of the question, part 1(b)(i) although a few candidates did not compute the taxable income and tax payable from the business operations.

The following errors were noted:

- Incorrect exemption amounts, allowable deductions and tax credits
- Incorrect treatment of certain benefits
- Incorrect SIA, wear and tear rates and corporate tax rates

Question Two

The corporation tax question required candidates to explain the tax implications of the payment of the restraint of trade, narration of the value added tax registration position of the given situation and to state the possible tax advantages emanating from a related party transaction. The other part of the question focused on the computation of the CGT, income tax liability and the provisional tax.

Most candidates failed to achieve good marks in the narrative parts of the question due to inconsistent and contradictory facts. In fact the extent of the contradiction by most candidates was quite alarming.

In question 2(a)(ii) a good number of candidates did not pick up as many marks as possible because they only outlined value added tax registration position of the holding company and ignored the subsidiary company. Some candidates incorrectly stated that the subsidiary company was not required to register for VAT as it was covered by the holding company. It was also concerning to note that quite a good number of candidates used the provided net profit amount as the basis of their VAT calculations yet the turnover was provided.

Although most candidates gained all the allocated marks in part 2(a)(iii), it was observed that some candidates did not attempt that part of the question at all.

On the CGT part of the question, a significant number of candidates wasted valuable time by calculating tax on the disposal of a movable asset. It is important for candidates to know that CGT is only chargeable on clearly specified assets.

Most candidates did not achieve high marks on the computational parts of the question due to the following errors:

- Incorrect capital allowance rates (SIA and wear and tear)
- Incorrect corporate tax rate
- Incorrect treatment of allowable deductions and some exemptions
- Incorrect QPDs computation
- General incorrect computation of the taxable income

Question Three

This question involved both CGT and personal income tax calculations for an elderly tax payer.

It was quite remarkable that almost all the candidates performed very poorly on this question and a few did not attempt the question at all.

The narrative part of the question, 3(a), was the most omitted part of the whole question. Very low marks were recorded on this part of the question mostly due to inconsistencies and general erroneous facts such as the building being classified as an industrial building only on the basis of the floor space usage.

The marks recorded on the computational parts of the question were also very poor indeed and also quite concerning in that most candidates failed to classify the different types of taxable income and hence just applied the CGT rate. A good number of candidates erroneously calculated AIDs levy on CGT and on tax on interest.

Other errors noted:

- Incorrect CGT rate and withholding tax
- Incorrect calculation of the inflation allowances.
- Incorrect recoupment calculation and treatment
- Incorrect elderly tax payer exemptions and treatment

Question Four

The question focused on value added tax with three parts of the question being narrative and one computational part.

Although some candidates performed fairly well on the narrative parts of the question, the noted trend was that parts 4(a) (ii) and (iii) were often partially attempted. There was also a marked repetition on the answers to the narrative sections of the question.

Good marks were recorded in the computational part of the question, 4(b), with minor errors notably as follows:

- Incorrect VAT computation (both output and input)
- Input tax calculated on zero rated supplies
- Input tax calculated on depreciation, traffic fines and staff costs

Question Five

The question on the taxation of partnership income consisted of two narrative parts and one computational part.

Although partial marks were recorded in the narrative parts of the question it was observed that a few candidates got all the allocated marks in part 5(a)(ii). On the other hand the number of candidates who erroneously stated that the partners' tax should be remitted to ZIMRA according to APDs was quite concerning.

Partial marks were also recorded in the computational part of the question, 5(b), mainly due to the fact that a good number of candidates could not distinguish between allowable and disallowable expenses to be accounted for in the joint partnership income and those attributable to individual partners.

The following are some of the common errors noted:

- Incorrect tax rates
- Tax credits applied
- Incorrect capital allowances
- Incorrect treatment of some exemptions and allowable deductions