



# Examiners' report

## F6 Taxation (ZWE)

December 2008

The paper consisted of five compulsory questions. The marks for question 1 and 2 totalled to 55 marks and 45 marks for the remaining three questions.

All candidates attempted the first two questions. Very low marks were recorded for question 1 and very high marks were achieved for question 2. A small number of candidates did not attempt one of the remaining 3 questions, notably question 5. Questions 3 and 4 were managed well and it was pleasing to see a number of candidates managed to score high marks here. Question 5 was poorly performed. Very low marks were achieved as a result of common errors and to a greater extent the inability to articulate the requirements of the question.

A smaller percentage of the candidates failed to clearly label the question being attempted. Others did not begin a question on a new page. Lack of preparation was evident and most errors should have been avoidable.

Although there has been a marked improvement in the quality of answers presented, preparation is crucial to avoid common errors such as the computation of tax payable instead of taxable income. Such errors only consume time unnecessarily. It is crucial to thoroughly read and understand the requirements of the question beforehand in order to structure the answer accordingly.

### Question 1

This question tested candidates' ability to identify the tax implications associated with the transfer of both movable and immovable assets to an employee as well as the computation of taxable income and tax payable from employment.

Part (a), the narrative component, was often omitted by candidates. Most candidates failed to recognise the question involved an elderly person, which meant that there was no taxable benefit to accrue in terms of the transfer of the motor vehicle.

Candidates did not achieve high marks on part (b) of the question due to the following errors:

- Unsure of what to be included in gross income
- Unsure of allowable deductions attributable to those in civil service
- Poor knowledge of prescribed limits on allowable deductions
- Treatment of tax credits as allowable deductions
- Computation of tax refundable instead of tax payable

### Question 2

The question on corporate tax required candidates to compute the capital allowances to be claimed by a company operating at a growth point. The question further required candidates to calculate the taxable income and respective tax payable and to identify the provisional date and tax to be remitted on that specific date.

Excellent answers were presented on this question and very high marks were rewarded.

The following errors and omissions were noted on this question:

- Failure to compute the growth point allowance for every qualifying asset
- Computation of the growth point allowance for non qualifying assets
- Incorrect tax rate for corporate tax
- Incorrect provisional dates and applicable tax component

### **Question 3**

The question on capital gains tax required candidates to calculate the capital gains and respective tax payable by an elderly couple in their individual capacities. The question tested the candidates' ability to identify qualifying specified assets for capital gains tax purposes.

Candidates' performance was very pleasing as most scored good marks. The few candidates who did not achieve high marks had problems in coming up with a proper capital gain computation.

The following were the common errors:

- Movable assets treated as specified assets
- The amount realised from the sale of the principal private residence included in the gross capital amount
- Incorrect recouped amounts and treatment thereof
- Incorrect computation of the inflation allowance

### **Question 4**

The question on Value Added Tax (VAT) required candidates to identify the tax implications of ordered selling price reduction, identifying a registration category from the given information as well as the calculation of the VAT position.

Most candidates scored very good marks on this question with the exception of a few who did not understand the question in that the provided information was exclusive of VAT. This was clearly stated. It is very important to read the question carefully so as not to lose marks unnecessarily. Incorrect output and input tax was consequently calculated which resulted in a loss of marks. Many candidates did not compute the VAT on the motor vehicle and cell phone benefits, again resulting in unnecessary loss of marks.

### **Question 5**

Question 5 required candidates to compute the assessed loss to be carried forward at the given date and to explain the tax implications of transferring assets within companies in the same group. The question further required candidates to state the tax registration requirements of a newly incorporated company.

Although few candidates did not attempt the question in its entirety, others managed to attempt part thereof.

Those that answered the question did not score high marks notably due to some of the following:

- Uncertain as to the requirements of the question
- Assessed loss treated individually and not accumulated for a maximum period of six years to come up with the loss to be carried forward at a particular date
- The tax implications of the transfer of assets not stated clearly due to the possibility of transferring the assets at income tax values.