

Fundamentals Level – Skills Module

# Taxation (Zimbabwe)

Specimen questions for June 2015

This is not a full specimen paper, it is a selection of specimen questions to give an indication of the style of the questions. It includes three multiple choice questions and one long question.

The full exam will consist of the following:

Section A – 15 multiple choice questions for 2 marks each

Section B – Four 10 mark questions and two 15 mark questions

All questions are compulsory.

To see an example of the full specimen exam, please refer to the F6 (UK) Specimen Paper.

**The Association of Chartered Certified Accountants**

# Paper F6 (ZWE)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

**SUPPLEMENTARY INSTRUCTIONS**

1. Calculations and workings need only be made to the nearest US\$1, unless directed otherwise.
2. All apportionments should be made to the nearest month.
3. All workings should be shown in Section B.

**TAX RATES AND ALLOWANCES**

The following tax rates and allowances are to be used when answering the questions.

**Tax rates – Individuals employment income**  
Year ended 31 December 2014

Taxable income band US\$	Rate of tax %	Amount within band US\$	Cumulative income tax liability US\$
Up to 3 000	0	3 000	0
3 001 to 12 000	20	9 000	1 800
12 001 to 24 000	25	12 000	4 800
24 001 to 60 000	30	36 000	15 600
60 001 to 90 000	35	30 000	26 100
90 001 to 120 000	40	30 000	38 100
120 001 to 240 000	45	120 000	92 100
240 001 and over	50		

NB. The AIDS levy of 3% is chargeable on income tax payable, after deducting credits.

**Allowable deductions year ended 31 December 2014**

**Pension fund contribution ceilings**

	US\$
(a) In relation to employers: in respect of each member	5 400
(b) In relation to employees: by each member of a pension fund	5 400
(c) In relation to each contributor to a retirement annuity fund or funds	2 700
(d) National Social Security contributions (on a maximum monthly gross salary of US\$700)	3.5% of gross salary
Aggregate maximum contributions to all the above per employee per year	US\$5 400

**Credits year ended 31 December 2014**

	US\$
Disabled/blind person	900*
Elderly person (55 years and over)	900*
Medical aid society contributions	50%
Medical expenses	50%

\* The amount is reduced proportionately if the period of assessment is less than a full tax year.

**Deemed benefits year ended 31 December 2014**  
**Motor vehicles**

Engine capacity:	US\$
Up to 1500cc	3 600
1501 to 2000cc	4 800
2001 to 3000cc	7 200
3001 and above	9 600

### Loans

The deemed benefit per annum is calculated at a rate of LIBOR +5% of the loan amount advanced.

### Value added tax (VAT)

Standard rate	15%
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### Capital allowances

	%
Special initial allowance (SIA)	25
Accelerated wear and tear	25
Wear and tear:	
Industrial buildings	5
Farm buildings	5
Commercial buildings	2.5
Motor vehicles	20
Movable assets in general	10

### Tax rates – Other than employment income Year ended 31 December 2014

	%
<b>Companies</b>	
<b>Income tax:</b> Basic rate	25
AIDS levy	3
<b>Individuals</b>	
<b>Income tax:</b> Income from trade or investment	25
AIDS levy	3

### Capital gains tax

Immovable property and unlisted marketable securities acquired after 1 February 2009	20% of gain
Immovable property and unlisted securities acquired prior 1 February 2009	5% of gross proceeds
Disposal of listed marketable securities	1% of gross proceeds
On principal private residence where the seller is over 55 years	0%
Inflation allowance	2.5%

<b>Capital gains withholding tax on sale proceeds</b>	<b>%</b>
Immovable property	15
Marketable securities (listed)	1
Marketable securities (unlisted)	5

**Note: Other than the withholding tax on listed marketable securities, the withholding tax is not final on the seller. The actual liability is assessed in terms of the Capital Gains Tax Act.**

<b>Withholding taxes</b>	<b>%</b>
On dividends distributed by a Zimbabwean resident company to resident shareholders other than companies and to non-resident shareholders:	
By a company listed on the Zimbabwe Stock Exchange	10
By any other company	15
Informal traders	10
Foreign dividends	20
Non-executive director's fees	20
Contracts (ITF 263)	10

<b>Non-residents' tax</b>	<b>%</b>
On interest	nil
On certain fees and remittances	15
On royalties	15

<b>Residents' tax on interest</b>	<b>%</b>
From building societies	15
From other financial institutions (including discounted securities)	15

### Elderly taxpayers (55 years and over)

#### Exemptions from income tax year ended 31 December 2014

	<b>US\$</b>
Rental income	3 000
Interest on deposits with a financial institution	3 000
Interest on discounted instruments	3 000
Income from the sale or disposal of marketable securities	1 800
Pension	No limit

Income from the sale or disposal of a principal private residence is exempt.

Benefit derived from the acquisition of a passenger motor vehicle from an employer is exempt.

**Section A – ALL 15 questions are compulsory and MUST be attempted**

*Note: Only three specimen questions provided. For full specimen exam, see F6 (UK) Specimen paper*

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet. Each question is worth 2 marks.

- 1 Elite Software Developers (Private) Limited employs three permanent employees earning US\$500, US\$700 and US\$900 each per month.

**What is the total amount of National Social Security Authority (NSSA) contributions payable by Elite Software Developers (Private) Limited for the year ended 31 December 2014?**

- A US\$5 400
- B US\$67
- C US\$798
- D US\$882

- 2 Matt, who is 30 years old, received the following items of income during the year ended 31 December 2014.

- (1) Net rental income from a garden flat in Durban, South Africa
- (2) Proceeds from the sale of household effects
- (3) Net rental income from a holiday resort lodge in Nyanga, Zimbabwe
- (4) Gain on the disposal of unlisted marketable securities (acquired on 2 May 2009)

**Which of the items of income may result in a charge to tax on Matt?**

- A 1, 2, 3 and 4
- B 3 and 4 only
- C 1 and 4 only
- D 1 and 3 only

- 3 Ray is a registered operator for value added tax (VAT) purposes under category C.

The following are Ray's VAT-inclusive sales and purchases for the month of August 2014:

	US\$
Sales for month	350 000
Sales returns	(14 500)
	<hr style="width: 50%; margin-left: auto; margin-right: 0;"/> 335 500
Purchases	(120 000)
	<hr style="width: 50%; margin-left: auto; margin-right: 0;"/> 215 500

**What is the amount of VAT payable by Ray for the month of August 2014?**

- A US\$34 500
- B US\$32 325
- C US\$30 000
- D US\$28 109

**Section B – ALL SIX questions are compulsory and MUST be attempted**

*Note: Only one specimen question provided. For full specimen exam, see F6 (UK) Specimen paper*

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

**1** Just Toys (Private) Limited (JT) commenced business operations in the retail of an assortment of toys in Zimbabwe in 2013. The following is JT's statement of profit or loss for the year ended 31 December 2014:

	Note	US\$	US\$
Turnover			1 960 000
Less: Cost of sales			(980 000)
Gross profit			980 000
Other operating income	1		45 000
Administrative expenses:			
Staff costs	2	(220 000)	
Repairs and maintenance	3	(135 000)	
Motor vehicle expenses	4	(104 000)	
Office expenses	5	(182 000)	
Donations	6	(23 000)	
Finance costs		(165 000)	(829 000)
Net profit for the year			196 000

**Notes**

1 Other operating income included:

	US\$
Bank interest received	6 000
VAT refund	10 000

2 Staff costs:

Included in the staff costs is US\$32 200 representing the payment by JT of US\$10 733 towards the pension contributions of each of the three senior managers.

3 Repairs and maintenance comprised:

	US\$
Replacement of faulty electrical installations at shop	76 500
Paving around the shop	53 200
Computer repairs	5 300
	135 000

4 Motor vehicles expenses comprised:

	US\$
Fuel and maintenance costs	28 000
Two passenger vehicles procured under a hire purchase agreement	62 500
Traffic fine	1 200
Insurance and licensing costs	12 300
	104 000

5 Office expenses included:

	<b>US\$</b>
Outsourcing of payroll function	15 000
Fit and supply contract for the shop kitchen	29 000
Utility payments	27 700
Depreciation	37 000
Rental expenses	58 000
Interim audit fees	12 000

6 Donations comprised:

	<b>US\$</b>
Mayor's Christmas fund	5 000
Ministry of Health for Harare Hospital Pediatrics' unit	13 000
Local church	5 000
	<u>23 000</u>

**Additional information**

JT does not have a formal tax policy on non-current assets and has made no elections in respect of special initial allowances (SIA). The following were the assets acquired and brought into use on commencement of business operations during the year ended 31 December 2013:

	<b>Cost US\$</b>
Commercial vehicles	53 000
Furniture and fittings	80 000
	<u>133 000</u>

In addition, JT acquired a business building for US\$70 000 and converted it into a shop during the year ended 31 December 2013.

**Required:**

**Calculate the taxable income and respective tax payable by JT for the year ended 31 December 2014.**

Note: Your computation should also list all of the items referred to in the notes 1 to 6, indicating with the use of a zero (0) any items which do not require adjustment.

**(15 marks)**

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# Answers

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Section A

**1 C**

The NSSA contributions payable by an employer are restricted to 3·5% of the gross monthly salary up to a maximum amount of US\$700 per employee per month.

$$(US\$500 + US\$700 + US\$700) \times 12 \times 3\cdot5\% = US\$798$$

**2 B**

**3 D**

	US\$
<b>Output VAT</b>	
Sales (15/115 x 350 000)	45 652
Sales returns (15/115 x 14 500)	(1 891)
<b>Input VAT</b>	
Purchases (15/115 x 120 000)	(15 652)
	<u>28 109</u>

## Section B

Marks

## 1 Taxable income and tax payable for the year ended 31 December 2014

	US\$	
Net profit for the year	196 000	½
<i>Add:</i>		
Pension contributions – three employees (32 200 – (5 400 x 3))	16 000	½
Replacement of faulty electrics	0	½
Paving around a shop	53 200	½
Computer repairs	0	½
Fuel and maintenance costs	0	½
Passenger vehicle procurement	62 500	½
Traffic fine	1 200	½
Insurance and licensing costs	0	½
Outsourcing of payroll function	0	½
Fit and supply contract	29 000	½
Utility payments	0	½
Depreciation	37 000	½
Rental expenses	0	½
Interim audit fees	0	½
Donations: Mayor's Christmas fund	0	½
Ministry of Health	0	½
Local church	5 000	½
<i>Less:</i>		
Bank interest received	(6 000)	½
VAT refund	(10 000)	½
Capital allowances:		
Shop paving (2.5% x 53 200)	(1 330)	½
Passenger motor vehicle (20% x 10 000 x 2)	(4 000)	½
Shop kitchen fittings (10% x 29 000)	(2 900)	½
Commercial vehicles (20% x 42 400) (working)	(8 480)	1
Furniture and fittings (10% x 72 000) (working)	(7 200)	1
Shop building (2.5% x 70 000)	(1 750)	½
Taxable income	<u>358 240</u>	
Corporate tax at 25%	89 560	½
3% AIDs levy	2 687	½
Tax payable	<u>92 247</u>	

15**Working:****Capital allowances – reducing balance****Year ended 31 December 2013**

	Wear and tear US\$	Income tax value US\$
Commercial vehicles (20% x 53 000)	10 600	42 400
Furniture and fittings (10% x 80 000)	8 000	72 000