Specimen Exam

Exam Name: Taxation (E1 ZWE)
Time Allowed: 3 hours
Pass Mark: 50%

This exam contains 2 sections:

Section A:
15 questions, each worth 2 marks
30 marks in total

Section B:
4 questions, each worth 10 marks
2 questions, each worth 15 marks
70 marks in total

Note: This specimen examination has been prepared based on legislation passed by 30 September 2025 (to be updated).

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Section A

Question 1

On 1 September 2025, the finance manager of Deer (Pvt) Ltd revised the provisional taxable income for the year ended 31 December 2025 from US$242,000 to US$382,000. This was necessitated by an improved economic outlook projected for the last quarter of the year.

What is the amount of the third provisional tax instalment payable by Deer (Pvt) Ltd for the year ended 31 December 2025 following the projected revision on 1 September 2025?

A US$114,600
B US$29,510
C US$34,428
D US$18,695

Question 2

Zoe commenced business operations on 1 March 2025. On 1 June 2025, Zoe submitted her application for value added tax (VAT) registration to the Zimbabwe Revenue Authority (ZIMRA). Zoe also submitted her actual sales records for the three months of March, April and May 2025 together with the sales projections from 1 June 2025 to 31 December 2025 in support of her VAT registration application.

Zoe was registered to submit VAT returns every two months with effect from 1 March 2025.

Which TWO of the following are the projected monthly sales threshold which Zoe must have attained to be registered for value added tax (VAT) with effect from 1 March 2025 and her VAT registration category?

A US$2,083
B US$25,000
C US$4,167
D Category A
E Category B
F Category D

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Question 3

Jack was engaged by a local company as a full-time employee on 1 February 2025, earning a monthly salary of US$2,000.

During the year ended 31 December 2025 Jack contributed the following amounts:

- 10% of his monthly salary to an employer registered pension fund
- 5% of his monthly salary to an employer administered benefit fund
- 7.5% of his monthly salary to a retirement annuity fund

Jack also contributed towards the National Social Security Authority (NSSA) pension scheme for the year ended 31 December 2025.

What is Jack's total allowable amount in respect of all of his contributions for the year ended 31 December 2025?

A US$5,400
B US$5,297
C US$4,197
D US$4,578

Question 4

Molly operates a car rental business in Zimbabwe. During the year ended 31 December 2025, Molly disposed of the following cars which had developed irreparable engine faults:

	Date acquired	Cost (US$)	Income tax value (US$)	Selling price (US$)
Commercial truck	2022	95,000	60,800	40,000
SUV	2021	60,000	30,720	25,000
		155,000	**91,520**	**65,000**

Molly used 65% of both cars for the car rental business and 35% for private use.

Molly meets all the conditions for claiming the scrapping allowance.

What is the amount of the scrapping allowance to be deducted in the computation of Molly's taxable income for the year ended 31 December 2025?

A US$17,238
B US$0
C US$26,520
D US$9,282

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Question 5

Rudo, a value added tax (VAT) operator, ceased trading operations on 1 May 2025 and also disposed of her registered trademarks on the same date.

On 1 June 2025, Rudo applied for VAT deregistration to the Zimbabwe Revenue Authority (ZIMRA).

Rudo also remitted the capital gains tax payable in respect of the disposal of the trademarks on 1 June 2025 to the ZIMRA.

Which of the following options show the dates by when Rudo was required to apply for value added tax (VAT) deregistration and remit her capital gains tax payment?

Option	VAT deregistration application date	Capital gains tax remittance date
1	25 May 2025	31 May 2025
2	22 May 2025	31 May 2025
3	22 May 2025	10 June 2025
4	25 May 2025	10 June 2025

A Option 1
B Option 2
C Option 3
D Option 4

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Question 6

Spin Ltd (Spin) is the holding company of Clear (Pvt) Ltd (Clear), an industrial cleaning services company.

Spin owns a multi-storey commercial building in which it occupies two storeys while Clear occupies a single storey and the rest of the storeys are occupied by tenants.

The rental arrangement between Spin and Clear for the year ended 31 December 2025 is as follows:

- Clear occupies the single storey rent free in exchange for offering free cleaning services to Spin
- Spin charges unrelated parties a monthly rent of US$15,000 for a single storey
- Clear charges unrelated parties monthly cleaning services of US$8,000 for two storeys

Which TWO of the following actions would ensure the rental arrangement between Spin Ltd (Spin) and Clear (Pvt) Ltd (Clear) is compliant with transfer pricing principles?

A Include the arm's length yearly rental income of US$180,000 in the gross income of Spin for the year ended 31 December 2025

B Deduct the yearly rental expenses of US$180,000 in the computation of Clear's taxable income for the year ended 31 December 2025

C Deduct the yearly cleaning services expenses of US$96,000 in the computation of Spin's taxable income for the year ended 31 December 2025

D Include the arm's length yearly cleaning services income of US$96,000 in the gross income of Clear for the year ended 31 December 2025

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Question 7

Donald disposed of his entire shareholding in Yellow Ltd, an unlisted company, on 10 January 2025.

The following information relates to Donald's shareholding before the disposal of the shares on 10 January 2025:

	Date acquired	Number of shares
Ordinary shares	15 February 2019	60,000
Bonus shares	21 April 2020	20,000
		80,000

Which TWO of the following statements regarding the capital gains tax treatment of the shares disposed of by Donald on 10 January 2025 are correct?

A The ordinary shares are taxed at the capital gains tax rate of 20% of the gain. The cost of the ordinary shares is diluted on account of the acquisition of the bonus shares.

B The bonus shares are taxed at the capital gains tax rate of 20% of the gain. The cost of the bonus shares is determined by reference to the cost of the ordinary shares.

C The bonus shares are taxed at the capital gains tax rate of 5% of the gross proceeds realised on disposal.

D The ordinary shares are taxed at the capital gains tax rate of 5% of the gross proceeds realised on disposal.

Question 8

Which of the following is NOT an example of a revenue tax?

A Corporation tax

B Capital gains tax

C National social security and pension fund contributions

D Value added tax (VAT)

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Question 9

Wall Ltd, a Zimbabwean based company, is a holding company of two foreign based subsidiary companies. Wall Ltd received the following dividends from the subsidiary companies for the year ended 31 December 2025:

	Net dividends received (US$)	Foreign tax deducted (US$)	Total (US$)
Foreign subsidiary 1	55,250	9,750	65,000
Foreign subsidiary 2	36,750	5,250	42,000
	92,000	**15,000**	**107,000**

Which of the following options show the tax liability of Wall Ltd on the dividend income received and the double taxation relief in respect of the foreign tax suffered for the year ended 31 December 2025?

Option	Tax liability on dividend income	Double taxation relief
1	US$27,553	US$15,000
2	US$21,400	US$21,400
3	US$21,400	US$15,000
4	US$27,553	US$27,553

A Option 1
B Option 2
C Option 3
D Option 4

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Question 10

Silver (Pvt) Ltd contributed the following amounts to two registered benefit funds in respect of its two permanent employees for the year ended 31 December 2025:

Benefit fund 1	US$14,300
Benefit fund 2	US$10,000
Total	**US$24,300**

Silver (Pvt) Ltd also contributed to the National Social Security Authority (NSSA) pension fund scheme in respect of the two employees for the year ended 31 December 2025.

The employees earn a monthly salary of US$1,000 each.

Calculate the total amount of Silver (Pvt) Ltd's allowable deduction in respect of its contributions to the benefit funds and National Social Security Authority (NSSA) pension fund on behalf of its employees for the year ended 31 December 2025.

US$ ☐

Question 11

George operates a warehousing business in Zimbabwe. On 30 June 2025, George received US$160,000 from his insurance company in compensation for his warehouse building which was destroyed by a fire on 1 April 2025. The destroyed warehouse was acquired on 14 January 2019 at a cost of US$100,000.

George applied the insurance proceeds as follows:

	US$
Construction of new warehouse building	110,000
Warehouse equipment acquisition	50,000
	160,000

Calculate George's capital gains tax liability on receipt of the insurance proceeds on 30 June 2025.

US$ ☐

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Question 12

Bella operates a storage business for imported goods. The following is an extract of Bella's non-current assets as at 1 January 2025:

	Acquisition date	Cost (US$)
Commercial building	20 January 2023	250,000
Furniture and equipment	1 February 2023	100,000

What is the total amount of wear and tear allowances to be deducted by Bella in the computation of her taxable income for the year ended 31 December 2025?

A US$15,250
B US$16,250
C US$31,250
D US$14,350

Question 13

Mist Co Ltd (MCL) is a value added tax (VAT) registered operator and submits VAT returns every month. The accountant of MCL initially calculated a VAT liability of US$1,500 for the July 2025 period before receiving the following additional information requiring adjustments:

	US$
Repairs and maintenance to a passenger car	8,500
Imported services invoice dated 28 July 2025	18,200

All amounts are inclusive of VAT, where applicable.

What is the total amount of value added tax (VAT) payable by or refundable to Mist Co Ltd for the July 2025 period?

A US$2,765 payable
B US$1,983 refundable
C US$3,874 payable
D US$874 refundable

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Question 14

Bob is a registered employer for PAYE purposes. Bob remitted the PAYE for the months of May and June 2025 late as detailed below:

	Number of days late	PAYE (US$)
May 2025	90	125,500
June 2025	60	110,000
	150	**235,500**

What is Bob's exposure to interest chargeable by the Zimbabwe Revenue Authority (ZIMRA) on the overdue PAYE remittance for the months of May and June 2025?

A US$23,550
B US$4,903
C US$9,678
D US$14,708

Question 15

Tania operates a business of manufacturing domestic water purifying kits in Zimbabwe. During the year ended 31 December 2025, Tania contracted a local consultant for the establishment of security systems and procedures manuals at her factory. Tania also contracted a Namibian resident for a market research survey as she planned to establish an office in Namibia in the following year. The agreed contract fees are detailed below:

	Invoice amount US$
Local consultant (ITF 263 not provided)	25,000
Namibian resident	15,000
	40,000

Calculate the total amount of withholding tax which Tania was obliged to deduct from the contract fees for the remittance to the Zimbabwe Revenue Authority (ZIMRA).

US$ ☐

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Section B

Question 16

The following scenario relates to two requirements.

Vickie, an Irish national, arrived in Zimbabwe on 1 May 2025 to work as an independent contractor with local authorities. Vickie's work mainly involved designing and implementing systems to combat carbon emissions in the areas outlined in her signed contract.

Vickie commenced her work on 1 June 2025 after setting up an office. Her projected statement of profit or loss for the seven-month period to 31 December 2025 was as follows:

	Note	US$
Income		
Contract fees		143,000
Gross fees from Ireland	1	90,000
		233,000
Expenses		
Office rent		(26,000)
Office rental deposit		(13,000)
Administrative expenses		(106,000)
Net profit		**88,000**

Note 1

The gross fees from Ireland comprised of estimated fees receivable from Irish students who accessed Vickie's custom designed learning programs online. The estimated foreign withholding tax was US$15,000.

Other information

Vickie has been researching the tax dispensations which might be available to her as a foreigner in receipt of income from both Zimbabwe and Ireland.

She is seeking more insights into how the Zimbabwe tax system interacts with other tax jurisdictions like her native country, Ireland.

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Requirements:

(a) Summarise the three main objectives of double taxation treaties and recommend which objective will be of benefit to Vickie.

(4 marks)

(b) Assess the provisional tax which Vickie was obliged to pay for the year ended 31 December 2025, including the remittance dates and the provisional tax due on the respective date.

Note: Your computation should start with the net profit of US$88,000 and should list all the expenses from the question, indicating by the use of zero (0) any expense which does not require adjustment.

(6 marks)

(10 marks)

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Question 17

The following scenario relates to one requirement.

Tavonga operates a business in the food and culinary industry of Zimbabwe. The following information relates to Tavonga's business operations for the year ended 31 December 2025:

Lease agreement

On 1 May 2025, Tavonga signed a five-year lease agreement with Gora Ltd for the lease of one of his two food outlets. The terms of the lease agreement were as follows:

- Gora Ltd to pay a one-off lease premium of US$15,000 on signing the lease agreement
- Gora Ltd to pay a monthly rent of US$10,000 on signing the lease agreement and thereafter on the first day of every month
- Gora Ltd is required to refurbish a section of the building and turn it into a drive through area in accordance with the approved plan for a value of not less than US$75,000
- The refurbishment of the building must be completed within a period of two months from 1 May 2025

Gora Ltd completed the refurbishment of the building at a total cost of US$83,000 on 15 June 2025. The building inspector approved the refurbishment of the building and issued the certificate of occupancy on 30 June 2025.

Income and expenses for the year ended 31 December 2025

Tavonga's statement of profit or loss reflected a net profit of US$115,400 after taking into account the following income and expenses:

	US$
Income	
Gross profit	406,265
Bank interest received	23,000
Lease premium	15,000
Rent received	80,000
Expenses	
Building inspection fees	(2,200)
Payroll costs	(232,000)
General entertainment	(24,600)
Depreciation	(72,650)
Foreign exchange loss	(35,615)
Other expenses (65% allowable)	(27,500)
Donations to a private school	(14,300)

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Non-current assets

	Year acquired	Cost (US$)
Commercial buildings	2021	530,000
Plant and equipment	2021	182,000
Passenger car	2023	70,000
		782,000

Tavonga's policy on non-current assets is to always claim the maximum capital allowances available.

Requirement:

Calculate Tavonga's taxable income for the year ended 31 December 2025.

Note: Your computation should start with the net profit of US$115,400 and should list all items referred to in the question, indicating by the use of zero (0) any item which does not require adjustment.

(10 marks)

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Question 18

The following scenario relates to one requirement.

Caleb, aged 60, and Rose, aged 57, signed a mutual divorce settlement on 25 June 2025 after thirty-two years of marriage. The following jointly owned immovable properties were sold during the year ended 31 December 2025 and proceeds shared equally in accordance with the terms of the divorce settlement:

(1) Principal private residence acquired on 1 May 2023 at a cost of US$350,000. A perimeter wall was constructed around the property on 5 July 2024 at a cost of US$10,000. The property was sold at its market value of US$800,000 on 1 September 2025.

(2) A residential property acquired on 10 June 2021 at a cost of US$155,000. On 1 March 2023, Caleb and Rose constructed a double lock-up garage at the residential property at a cost of US$25,000. The property was being leased out to tenants. The property was sold at its market value of US$320,000 on 14 October 2025. Caleb and Rose incurred selling expenses of US$5,000 on disposal of the residential property.

(3) An undeveloped parcel of land acquired on 12 February 2019 at a cost of US$30,000. The parcel of land was sold for US$50,000 on 15 October 2025.

Note: You should assume the following consumer price indices (CPI):

Date	CPI
12 February 2019	100
10 June 2021	120
1 March 2023	124
1 May 2023	125
5 July 2024	130
1 September 2025	140
14 October 2025	145
15 October 2025	145

Requirement:

Calculate the capital gains tax payable by Caleb and Rose on the disposal of their specified assets for the year ended 31 December 2025.

(10 marks)

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Question 19

The following scenario relates to two requirements.

Quality Products (Pvt) Ltd (QPPL) is a value added tax (VAT) registered operator and is fully compliant with the fiscalisation requirements. QPPL is registered to submit VAT returns on a monthly basis. The following information is available for the November 2025 VAT period. All amounts are inclusive of VAT where applicable:

	US$
Export sales of manufactured goods	50,000
Local sales to VAT registered operators	97,750
Local sales to unregistered customers	34,500
Sales returns – goods from unregistered customers	(11,500)
Raw material purchases from VAT registered suppliers	(38,333)
Raw material purchases from unregistered suppliers	(23,000)
Rent paid	(8,625)

Additional information

(1) A new fiscal tax register (equipment) was acquired at a cost of US$46,000 during the month.

(2) A new passenger car, with an engine capacity of 3000 cc, was purchased on 10 November 2025 for US$69,000 and allocated to a newly recruited senior manager.

(3) On 5 November 2025, QPPL received a VAT withholding tax certificate reflecting an amount of US$2,500 from a customer who had bought goods worth US$50,000.

(4) An employee bought plumbing material for personal use at the cost price to QPPL of US$10,000. The selling price of the plumbing material was US$13,500.

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Requirements:

(a) Summarise the information which must be disclosed to the Zimbabwe Revenue Authority (ZIMRA) when a value added tax (VAT) registered operator conducts business in rented premises.

(3 marks)

(b) Calculate the value added tax (VAT) payable by or refundable to Quality Products (Pvt) Ltd for the November 2025 VAT period.

Note: You should list all items referred to in the question, indicating by the use of zero (0) any item on which VAT is not chargeable or reclaimable.

(7 marks)

(10 marks)

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Question 20

The following scenario relates to one requirement.

Richard is a senior manager at the head office of a leading solar energy company in Harare. On 2 January 2025, his employer transferred him to lead a solar energy project at one of their remote field offices in Zimbabwe for a period of two years. The following information relates to Richard's earnings and deductions from employment for the year ended 31 December 2025:

	Note	US$
Salary		60,000
Annual bonus		6,000
Relocation allowance	1	12,000
Holiday allowance		3,300
Entertainment allowance	2	8,500
Cash in lieu of leave		3,000
Performance of related bonus		2,700
Loan repayment	3	(10,000)
Life insurance policy contributions		(1,200)
National Social Security Authority (NSSA) pension contributions		(378)
Contributions to employer's pension fund		(4,500)
Benefit fund contributions		(2,400)
Medical aid fund contributions		(3,800)

Notes

(1) The amount was paid to assist Richard with the relocation expenses to his new workstation. Richard has never received such an allowance from his employer before.

(2) Richard applied US$5,000 of the amount received towards employer related business and the balance on personal expenses.

(3) The amount was the total settlement of the interest free loan which Richard obtained from his employer on 1 February 2025. Richard applied 50% of the loan towards tuition fees for his disabled daughter. The balance of the loan was applied towards the general repairs and maintenance of his private residence. Richard repaid the loan on 1 October 2025.

The average secured overnight financing rate (SOFR) for the year ended 31 December 2025 was 1.2%.

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Additional information

(4) Richard had free use of a fully expensed company allocated passenger car, with an engine capacity of 2800cc, for the year ended 31 December 2025.

(5) Richard was offered a rent-free house at his new workstation which he accepted. The cost of the house in rentals to the employer was US$3,500 per month. Richard indicated that the value to him was US$1,000 which was the monthly rental of some houses in his new neighbourhood.

(6) Richard incurred a total of US$1,500 in prescription medicine of which he recovered US$1,000 from his medical aid fund.

(7) PAYE of US$27,000 was deducted from Richard's earnings for the year ended 31 December 2025.

Requirement:

Calculate Richard's taxable income and tax payable for the year ended 31 December 2025.

Note: You should list all items referred to in the question, indicating by the use of zero (0) any item which is not taxable or not deductible.

(15 marks)

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Question 21

The following scenario relates to two requirements.

Green Ranching Co. Ltd (GRCL) operates a cattle ranching business in Zimbabwe. The assessed carrying capacity of the ranch is 900 head of cattle. Due to erratic rains in the prior farming season, GRCL was forced to destock its herd of cattle after the proclamation of the area as drought stricken. GRCL's taxable income from the drought enforced sales for the year ended 31 December 2024 was US$90,000. GRCL elected for the tax relief available on the taxation of the income from drought enforced sales.

The following information was extracted from GRCL's livestock trading records for the year ended 31 December 2025:

(1) Livestock inventory as at 1 January 2025

	Number of livestock	**Approved fixed standard values (US$)**
Bulls	2	1,000
Cows	50	500
Steers	30	400
Heifers	150	350
Tollies	200	300
Calves	60	200
	492	

(2) Livestock restocking

GRCL acquired the following livestock to replenish its depleted herd of cattle:

	Livestock acquired	**Cost (US$)**
Bulls	5	12,000
Heifers	200	50,000
Tollies	100	20,000
	305	**82,000**

(3) Livestock sales

	Livestock sold
Bulls	2
Cows	50
Steers	100
	152

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(4) Livestock births/promotions/regrading

- 35 calves were born on the ranch
- A total of 60 calves were regraded, 40 to heifers and 20 to tollies
- 150 tollies were regraded to steers
- 140 heifers were regraded to cows

GRCL's statement of profit or loss for the year ended 31 December 2025 reflected a net profit of US$123,500 after accounting for the following items:

	Note	US$
Income		
Livestock gross profit		213,500
Stockfeed sales		157,400
Net bank interest		21,400
Expenses		
Direct livestock expenses	1	(104,800)
Administrative expenses	2	(164,000)
Net profit		**123,500**

Notes

(1) Direct livestock expenses

	US$
Fencing of paddocks	25,000
Veterinary services	17,300
Reinforcement of dam wall	28,000
Wages and rations	32,000
Traffic fine	2,500
	104,800

(2) Administrative expenses

	US$
Staff costs	95,000
Purchase of borehole equipment	15,000
Purchase of tractor and trailer	43,000
Donations to a local farmer's association	11,000
	164,000

Additional information

GRCL's policy is to always claim the tax dispensations that might be available in any year.

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Requirements:

(a) Calculate Green Ranching Co. Ltd's closing inventory valuation as at 31 December 2025.

(5 marks)

(b) Prepare a computation of the taxable income and corporation tax liability of Green Ranching Co. Ltd for the year ended 31 December 2025.

Note: Your computation should commence with the net profit of US$123,500 and should list all items referred to in the question and notes 1 to 2, indicating by the use of zero (0) any item which is not taxable or not deductible.

(10 marks)

(15 marks)

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