Suggested solution

Section A

1 B

(30% x (25.75% x US$382,000)) = US$29,510

The third provisional tax instalment is 30% of the revised provisional tax payable for the year.

2 A and E

US$25,000/12 = US$2,083

The minimum annual sales value for compulsory value added tax (VAT) registration is US$25,000. The VAT registration category for the two-months VAT period of March/April is category B.

$25,000 is the annual threshold and US$4,167 is the two monthly threshold. Category A is the other two-month VAT period and Category D is for seasonal traders.

3 C

[(10% x US$2,000 x 11) + (7.5% x US$2,000 x 11) + (4.5% x US$700 x 11)] = US$4,197

Total allowable contributions to the pension fund, retirement annuity fund and NSSA pension fund. Benefit fund contributions are not allowable for employees.

4 A

(US$91,520 – US$65,000) x 65% = US$17,238

The deductible scrapping allowance is restricted to the amount applicable to business usage only.

5 B

A value added tax (VAT) registered operator should apply for deregistration within 21 days of cessation of trade. The capital gains tax (CGT) payment should be remitted within 30 days of the date of sale.

6 A and D

Only the deemed income is taxable. The deductions are not allowable as there was no cost incurred.

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7 B and D

Yellow Ltd is an unlisted company and since the bonus shares were acquired after 22 February 2019, they are taxed at the capital gains tax rate of 20% of the gain. The ordinary shares were acquired prior to 22 February 2019 and are therefore taxed at the capital gains tax rate of 5% of the gross proceeds realised on disposal.

8 B

Capital gains tax is a capital tax rather than a revenue tax. All the other taxes are revenue taxes.

9 C

Tax liability on dividend income - (20% x US$107,000) = US$21,400
Double taxation relief = US$15,000

Foreign dividends are taxed at 20%. Double taxation relief is the lower of the Zimbabwean tax and the foreign tax deducted.

10 US$3,756

[(2 x US$1,500) + (4.5% x US$700 x 2 x 12)] = US$3,756

Benefit fund contributions restricted to a maximum amount of US$1,500 for the year in respect of only one benefit fund. Contributions to more than one benefit fund are disallowable.

The maximum monthly prescribed earning for National Social Security Authority (NSSA) pension fund contribution calculation is US$700.

11 US$2,500

(5% x US$50,000) = US$2,500

CGT rate for the property acquired before 22 February 2019 is 5% of the proceeds. CGT is chargeable on the portion of the insurance proceeds which was not applied towards the construction of the warehouse building.

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12 D

(2.5% x US$250,000) + (10% x US$81,000 (W)) = US$14,350

Working - furniture and equipment

	US$
Cost	100,000
Year ended 31 December 2023 (10%)	(10,000)
	90,000
Year ended 31 December 2024 (10%)	(9,000)
	81,000

Wear and tear allowance on immovable and movable property is calculated on cost (straight line method) and written down value (reducing balance method) respectively.

13 A

(15/115 x US$18,200) – (15/115 x US$8,500) + US$1,500 = US$2,765 payable

Input VAT is claimed on the passenger car repairs and maintenance. Imported services are treated as standard rated supplies and output VAT is chargeable.

14 B

(10% x US$125,500 x 90/365) + (10% x US$110,000 x 60/365) = US$4,903

Interest is charged at the rate of 10% per year on the overdue tax.

15 US$9,750

(US$25,000 x 30%) + (US$15,000 x 15%) = US$9,750

For the local consultant, the withholding tax is 30% of the invoice amount in the absence of a valid tax clearance certificate (ITF 263). The non-resident's tax on fees is 15% of the invoice amount.

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Section B

16

(a) Three main objectives of double taxation treaties:

- Allocation of taxing rights between two tax jurisdictions.
- Mitigation of double taxation in respect of the same income.
- Reciprocal assistance in the administration and collection of taxes which are specified in the tax treaty.

The relief for Vickie is the mitigation of double taxation in respect of her income which is taxable in both Ireland and Zimbabwe.

(b) Provisional tax payable by Vickie for the year ended 31 December 2025

	US$	US$
Projected net profit		88,000
Adjustments:		
Office rent		0
Office rental deposit		13,000
Administrative expenses		0
Provisional taxable income		**101,000**
Provisional tax at 25.75%		26,008
Less double taxation relief on foreign tax paid – lower of:		
Zimbabwe tax (US$90,000/US$101,000) x US$26,008	23,175	
Foreign tax	15,000	(15,000)
Provisional tax payable		**11,008**

Due on:

	US$
25 June 2025 (35% x US$11,008) includes 10% for the first QPD	3,853
25 September 2025 (30% x US$11,008)	3,302
20 December 2025 (35% x US$11,008)	3,853
	11,008

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17

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

	US$
Net profit	115,400
Gross profit	0
Bank interest	(23,000)
Lease premium	0
Rent received	0
Lease improvement (US$83,000 x 6/(60/2))	8,586
Building inspection fees	2,200
Payroll costs	0
General entertainment	24,600
Depreciation	72,650
Foreign exchange loss	35,615
Other expenses (35% x US$27,500)	9,625
Donations	14,300
Capital allowances:	
Commercial buildings (2.5% x US$530,000)	(13,250)
Plant and equipment (capital allowances fully claimed)	0
Passenger car (25% x US$10,000 (restricted))	(2,500)
Taxable income	**244,226**

Tutorial note: The value of the lease improvements is taxable in equal instalments over the shorter of 10 years and the unexpired lease period with effect from the construction work completion date.

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18

Caleb and Rose's capital gains tax payable for the year ended 31 December 2025

Immovable property	**US$**	**US$**
Proceeds:		
Principal private residence		0
Residential property		320,000
Less recoupment on:		
Residential property (2.5% x US$155,000 x 4)		(15,500)
Lock-up garage (2.5% x US$25,000 x 2)		(1,250)
		303,250
Less:		
Residential property cost	155,000	
Less capital allowances (2.5% x US$155,000 x 4)	(15,500)	
Lock-up garage	25,000	
Less capital allowances (2.5% x US$25,000 x 2)	(1,250)	
Less inflation allowance:		
Residential property (US$155,000 x (145 – 120)/120)	32,292	
Lock-up garage (US$25,000 x (145 – 124)/124)	4,234	
Selling expenses	5,000	**(204,776)**
Capital gains		**98,474**
Capital gains tax at 20%		19,695
Payable as follows:		
Caleb – (50% x US$19,695)		9,848
Rose – (50% x US$19,695		9,847
		19,695

Undeveloped parcel of land	**US$**
Proceeds	50,000
Capital gains tax at 5%	2,500
Total capital gains tax payable as follows:	
Caleb – (50% x US$2,500)	1,250
Rose – (50% x US$2,500	1,250
	2,500

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(a) Information which must be disclosed

(i) Full name, physical address and contact telephone number of the lessor
(ii) Taxpayer identification number of the lessor
(iii) Address of the property being leased
(iv) Amount of the rent paid as detailed in the lease agreement
(v) Lease premium paid as detailed in the lease agreement
(vi) Lease period as detailed in the lease agreement

(b) VAT payable/refundable for November tax period

	US$
Export sales – zero rated	0
Local sales:	
VAT registered operators (15/115 x US$97,750)	12,750
Unregistered customers (15/115 x US$34,500)	4,500
Passenger car benefit ((15/115 x US$1,250)/12)	14
Sales returns – unregistered customer (15/115 x US$11,500)	(1,500)
Plumbing material sold to an employee (15/115 x US$13,500)	1,761
Raw material purchases:	
Registered suppliers (15/115 x US$38,333)	(5,000)
Unregistered suppliers	0
Rent paid (15/115 x US$8,625)	(1,125)
Fiscal tax register:	
Input VAT (15/115 x US$46,000)	(6,000)
Dispensation ((US$46,000 – US$6,000) x 50%)	(20,000)
Passenger car purchase	0
VAT (VAT withholding tax certificate)	(2,500)
VAT refundable	**(17,100)**

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

	US$	US$
Salary		60,000
Bonus		6,000
Less exemption		(700)
Relocation allowance – not taxable		0
Holiday allowance		3,300
Entertainment allowance:		
Work related	0	
Personal use	3,500	3,500
Cash in lieu of leave		3,000
Performance related bonus		2,700
Loan repayment		0
Loan benefit:		
Loan applied for educational purposes	0	
Loan applied for house repairs – taxable benefit ((1.2% +5%) x US$5,000 x 8/12)	207	207
Passenger car benefit		1,250
Housing benefit (US$1,000 x 12)		12,000
Life insurance policy contributions		0
Benefit fund contributions		0
Pension fund contributions:		
Employer pension fund	4,500	
National Social Security (NSSA) pension fund	378	(4,878)
Taxable income		**86,379**
Taxed as follows:		
Up to US$36,000		10,380
(US$86,379 – US$36,000) x 40%		20,152
Gross tax		**30,532**
Less credits:		
Disabled person (daughter)		(900)
Medical contribution (50% x US$3,800)	1,900	
Medical expenses (50% x (US$1,500 – US$1,000)	250	(2,150)
		27,482
Add 3% AIDS levy		824
Tax liability		**28,306**
Less PAYE		(27,000)
Tax payable		**1,306**

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21

(a) Closing inventory valuation as at 31 December 2025

	Bulls	Cows	Steers	Heifers	Tollies	Calves	Total
Opening inventory	2	50	30	150	200	60	492
Restocking/purchases	5			200	100		305
Births						35	35
Promotions/regrading				40	20	(60)	0
Promotions/regrading		140	150	(140)	(150)		0
Sales	(2)	(50)	(100)				(152)
Closing inventory	5	140	80	250	170	35	680
Fixed standard values (US$)	1,000	500	400	350	300	200	
Closing inventory valuation (US$)	5,000	70,000	32,000	87,500	51,000	7,000	252,500

(b) Taxable income and corporation tax liability for the year ended 31 December 2025

	US$
Net profit	123,500
Livestock gross profit	0
Stockfeed sales	0
Bank interest	(21,400)
Fencing of paddocks – special deduction	0
Veterinary services	0
Reinforcement of dam wall – special deduction	0
Wages and rations	0
Traffic fine	2,500
Staff costs	0
Borehole equipment	15,000
Special initial allowance (25% x US$15,000)	(3,750)
Tractor and trailer	43,000
Special initial allowance (25% x US$43,000)	(10,750)
Donations to farmer's association - disallowed	11,000
Less dispensation after drought enforced sales:	
Restocking allowance (50% x US$82,000)	(41,000)
Taxable income	**118,100**
Add 2023 drought enforced taxable income (1/3 x US$90,000)	30,000
Total taxable income	**148,100**
Corporation tax at 25.75%	**38,136**

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Mark scheme

Section A

Questions 1 – 15 (all questions worth two marks)

Maximum 30 marks

Section B

Question 16

a	Objective (1 mark each) Recommendation	3 1
Maximum 4 marks		
b	Provisional tax payable by Vickie for the year ended 31 December 2025: - Office rent - Office rental deposit - Administrative expenses - Provisional tax - Double tax relief - Due dates and amounts	 0.5 0.5 0.5 0.5 2 2
Maximum 6 marks		
Total 10 marks		

Question 17

a	Tavonga's taxable income for the year ended 31 December 2025: - Gross profit - Bank interest - Lease premium - Rent received - Lease improvement - Building inspection fees - Payroll costs - General entertainment - Depreciation - Foreign exchange loss - Other expenses - Donations - Capital allowances	 0.5 0.5 0.5 0.5 1.5 0.5 0.5 0.5 0.5 0.5 1 0.5 2.5
Total 10 marks		

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Question 18

a	Caleb and Rose's capital gains tax payable for the year ended 31 December 2025:	
	Immovable property	
	- Proceeds on principal private residence and residential property	1
	- Recoupment on residential property and lock-up	1
	- Residential property cost and capital allowances	1
	- Lock-up and capital allowances	1
	- Inflation allowance on residential property	1
	- Inflation allowance on lock-up	1
	- Selling expenses	0.5
	- Capital gains tax at 20%	0.5
	- Payable by Caleb and Rose	1
	Undeveloped parcel of land	
	- Proceeds	0.5
	- Capital gains tax at 15%	0.5
	- Payable by Caleb and Rose	1
Total 10 marks		

Question 19

a	Information (1 mark each)	3
Maximum 3 marks		
b	VAT payable/refundable for November tax period:	
	- Export sales	0.5
	- Local sales	1
	- Passenger car benefit	1
	- Sales returns	0.5
	- Plumbing material	0.5
	- Raw material purchases	1
	- Rent paid	0.5
	- Fiscal tax register	1
	- Passenger car purchase	0.5
	- VAT withholding tax certificate	0.5
Maximum 7 marks		
Total 10 marks		

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Question 20

a	Richard's taxable income and tax payable for the year ended 31 December 2025:	
	Taxable income	
	- Salary	0.5
	- Bonus	0.5
	- Exemption	0.5
	- Relocation allowance	0.5
	- Holiday allowance	0.5
	- Entertainment allowance	1
	- Cash in lieu of leave	0.5
	- Performance related bonus	0.5
	- Loan repayment	0.5
	- Loan benefit	2
	- Passenger car benefit	0.5
	- Housing benefit	1
	- Life insurance policy contributions	0.5
	- Benefit fund contributions	0.5
	- Pension contributions	1
	Tax payable	
	- Up to US$36,000	0.5
	- Balance at 40%	1
	- Disabled person credit	0.5
	- Medical contribution	0.5
	- Medical expenses	1
	- AIDS levy	0.5
	- PAYE	0.5
Total 15 marks		

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Question 21

a	Closing inventory valuation as at 31 December 2025:	
	- Opening inventory	0.5
	- Restocking/purchases	0.5
	- Births	0.5
	- Promotions/regrading	1
	- Sales	0.5
	- Closing inventory	0.5
	- Valuations	1.5
Maximum 5 marks		
b	Taxable income and corporation tax liability for the year ended 31 December 2025:	
	- Livestock gross profit	0.5
	- Stockfeed sales	0.5
	- Bank interest	0.5
	- Fencing of paddocks	0.5
	- Veterinary services	0.5
	- Reinforcement of dam wall	0.5
	- Wages and rations	0.5
	- Traffic fine	0.5
	- Staff costs	0.5
	- Borehole equipment and special initial allowance	1.5
	- Tractor and trailer and special initial allowance	1
	- Donations to farmer's association	0.5
	- Restocking allowance	1
	- Drought enforced taxable income	1
	- Corporation tax at 25.75%	0.5
Maximum 10 marks		
Total 15 marks		

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