



**National University of
Science and Technology**
Think in Other Terms



**FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES
SUPPLIMENTARY EXAMINATION JULY/AUG 2015
VALUE ADDEDV TAX I [CFS 2103]
TIME ALLOWED: 3 HOURS**

INSTRUCTIONS TO CANDIDATES

1. Answer ALL questions in Section A and Choose TWO questions from Section B
2. Quote relevant legislation where applicable.
3. The VAT Act (Chapter 23:12) and the General Regulations may be allowed in the examination room.
4. Write legibly.
5. Show workings
- 6.

INFORMATION FOR CANDIDATES

The paper contains four (5) printed papers.

Part marks are indicated in brackets at the end of each part question.

SECTION A (50 MARKS)

1. List any 3 foodstuffs that are zero rated in terms of the Value Added Tax (General) Regulations of 2003 **(3)**
2. What are the various times of supply for lay by agreements and door to door credit sales? **(3)**
3. List any five (5) supplies that are exempt in terms of the Value Added Tax Act [Chapter 23:12] **(5)**
4. Explain five scenarios under which the Commissioner may issue out an assessment of VAT. **(5)**
5. Under what circumstances can the commissioner register a person on a voluntary basis and when can voluntary registration be refused? **(6)**
6. Chitungwiza Municipality donated \$12500.00 to Yamuranayi, a PVO who is a registered operator, with the condition that the full amount be used to purchase basic foods and to distribute it in the Seke community. What are the VAT implications of this supply? **(3)**
7. Under what three instances can the supply of international transport of goods and services be zero rated? **(3)**
8. What is the time of supply for rental agreements? **(3)**
9. What are the three special times of supply of goods and services between 'connected persons'? **(3)**
10. Selous High School, is also a secondary school registered with the Ministry of Primary and Secondary Education. During the school holidays, it lets out its magnificent school grounds for use by students of the nearby Matapi School, for a fee of \$20 per person per day. This is done every school holiday and has raked in \$75000,00 in the previous year. What are the VAT consequences of such a supply, if any? **(5)**
11. Under what three (3) circumstances can input tax not be an allowable deduction? **(3)**
12. Mrs. Mamoyo runs a day care centre registered with the Ministry of Primary and Secondary Education. She charges \$150 per month for each of the 45 children enrolled in the day care centre. Her expenses amount to \$1150, of which \$150 is related to VAT. What are the VAT implications of such a supply? **(3)**
13. What are essential elements of the definition of 'trade' in section 2 of the VAT Act? **(5)**

SECTION B (50 MARKS)

QUESTION 1

Maroodza Gold (Pvt) Limited is a registered operator involved in the mining of alluvial gold along the Mazoe River in the Mashonaland Central province of Zimbabwe. On the 5th of February 2011, the company decided to cease trading as a result from of falling prices of gold on the international minerals market. The company has the following goods on hand before cessation of trade:

Item	Date Purchased	Qty	Cost	Open Market Value
Bulldozer	2007	3	\$250,000,00	\$200,000.00
Isuzu Double cab	2006	2	\$50,000,00	\$ 55,000.00
30 tonne truck	2008	2	\$55000. 00	\$45000.00
Mineral rights	2008	1	\$32000.00	\$ 32000.00
Computer	2010	1	\$10500.00	\$9000.00
Office refrigerator	2010	2	\$2500	\$2000

REQUIRED:

- a. What are the VAT implications of the transactions? Please indicate the timing and valuation of the transaction. Calculate the VAT due by the company to ZIMRA as a result of the cessation of trade. Do all the calculations to the nearest dollar and also assume that the company had no transactions other than the items mentioned in the question during the relevant tax period.
- b. Indicate on which date the company will have to pay the amount due to ZIMRA. (2 marks)

Please cite relevant legislation

(25 Marks)

QUESTION 2

Jumbo Logistics (Pvt) Limited, operates an international trucking business and local bus transport service. The company is registered for VAT on an invoice basis and accounts for VAT on a monthly basis and has a financial year end of the 28th of February. On the 1st of February 2010, the company imported a high- tech wheel balancing machine for \$7500.00 (including import VAT). The company's financial statements for the previous financial year shows that of the total revenue figure of \$250,000.00, realised from the business, \$75,000.00 came from the local bus transport business. In the same tax period the company purchased a second building from M & M Limited, a company not registered operator, for \$95000, 00. The building is to be used as workshop for servicing the company's truck. The building was registered in the company's name at the Deeds Registry during the same period and Stamp Duty at the rate of 10% was paid. The open market value of the building was \$105,000.00.

On the 2nd of March 2012, the whole business was disposed to Matlock (Pvt) Limited, a registered operator and both companies agreed in writing that the company is being disposed of as a going concern. All the assets which are necessary for carrying on such business were also disposed of during that time. The business was disposed of at a value of \$2,500,000.00.

All the above figures are inclusive of VAT.

REQUIRED:

- 1. What are the VAT implications of the above transactions?**
- 2. Calculate output tax, if any, that is payable by Jumbo Logistics.**
- 3. Calculate any input tax deductible.**
- 4. Please cite relevant legislation**

QUESTION 3

Kingdom Hotel, a registered operator for VAT purchases food valued at \$15,000. 00, for the purpose of providing meals to its guests, at a charge which covers both direct and indirect costs. However food valued at \$5000, 00 is prepared and under the hotel's social responsibility programme, is donated to Chakari Old People's Home.

The hotel, during the same tax period, stages a promotion in honour of its loyal clients who have stayed at the hotel more than twice in a month. It purchased neck ties, hand bags and pens and personalized these in the names of its clients. These were valued at \$1200, 00. In addition to the above promotional items customers in the above category were given 2 free nights, bed and breakfast valued at \$575.00. The cost of providing the free nights was calculated at \$265.00. Of the remainder of the food valued at \$10,000.00, employees consume food, being left overs, valued at \$1250,00.

REQUIRED:

- a) What are the VAT implications of the above transactions?**
- b) Calculate input tax, if any, which is claimable by Kingdom Hotel.**
- c) Please cite relevant legislation**

(25 Marks)

