



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF BUILT ENVIRONMENT
DEPARTMENT OF LANDSCAPE ARCHITECTURE AND URBAN DESIGN
PROPERTY TAXATION
BLP 4103

Examination Paper

April/May 2018

This examination paper consists of 6 pages

Time Allowed: 3 hours

Total Marks: 100

Examiner's Name: F. Mpofu

Special Requirements: Apply the Tax Law provisions for the 2016 tax year.

INSTRUCTIONS

1. Answer all four (4) questions
2. Each question carries 25 marks
3. Use of calculators is permissible

MARK ALLOCATION

QUESTION	MARKS
1.	25
2.	25
3.	25
4.	25
TOTAL	100

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Question 1

Methuseli Land developers, is a company involved in the construction business and also own properties that the company lets out. The company furnishes you with the following information seeking advice on tax computations.

Income	\$
Sale of houses	800 000
Sale of stands	200 000
Interest received from Botswana	4500
Dividends received from a Zimbabwean listed company	3500
Expenditure	
Salaries and wages	60 000
Subscriptions to Zimbabwe Land Developers Association	5 000
Entrance fees to Zimbabwe Land Developers Association	3 000
Employee medical aid	8 000
Contributions to approved benefit fund (9 employees)	20 000
Purchase of Prado	15 000
Purchase of Equipment	20 000
Purchase of T-35 Truck	30 000
Research expenditure (note 1)	40 000
Donations : Mpilo hospital	50 000
Independence day celebrations	20 00

Additional information

1. The research expenditure relates to money advanced to Tinashe a student at NUST who wanted to carry out a research on how to compact the ground to strengthen

foundation and swampy areas. Tinashe spent a total of \$100 000 on the experiment with \$30 000 being used to purchase capital items.

2. The company disposed of a Toyota Camry for \$ 12 000 in June 2016, the company had acquired the car for \$15000 in 2013
3. Rental income and expenses in respect of a house being managed by a Real Estate agent :

Gross rent received:

Burnside house (per month)	800
Nkulumane house (per year)	2 400
Prepaid rent	2 000
Expenses	
Estate agent's management fees	1200
Repairs and maintenance	850
Rates and security	190
Construction of a lock up garage and drive way	5400
Mortgage bond repayment	6500
Interest paid	2200
Insurance premium for the property	700

4. For the Burnside property Methuseli developers entered into a 7 year lease agreement on 1 March 2016 with Dube. The terms of the agreement were such that Dube would pay a premium of \$5 000 on the date of signing, monthly rentals of \$800 and effect improvements worth \$30 000. The improvements were completed on 31 July 2016.

REQUIRED

Compute Methuseli Land Developers's tax obligation as at 31 December 2016 (25 marks)

Question 2

Mr Mporu bought land for \$70 000 and developed at a cost of \$30 000. He subdivided the land into 5 equal-sized plots. Each plot is sold for \$120 000 under the following terms:

- Deposit \$12 000 payable in the year of sale and the balance in equal instalments in the next 2years.
- Transfer to be effected upon the payment of the final instalment.

Two plots, one plot and two plots were sold in 2013, 2014 and 2015 tax years respectively. Selling expenses amounted to \$40 000 in the first tax year and thereafter increased by 20% from the previous tax year. The selling expenses are only charged in the year of sale.

REQUIRED

- a) Determine the taxable income for all the tax years affected by these transactions **(20marks)**
- b) Elaborate on the tests used by the Commissioner General of taxes in deciding whether a transaction can be classified as gross income or capital in nature. **(5 marks)**

Question 3

Blessing Sibanda, who is 45 years of age, sold his PPR which was located in Bulawayo on September 2017 for \$1000 000. He intended to use the proceeds to purchase another PPR which was smaller. He purchased the new house in November 2017 at a cost of \$ 700 000. Blessing elected for rollover relief.

Additional information

1. He had bought the house for \$300 000 in April 2010
2. In February 2011, he erected a Dura wall for \$30 000
3. He then constructed a double lockup garage at a cost of \$15 000 in 2011
4. Additional bedroom wing on February 2012 for \$ 50 000
5. Swimming pool for \$40 000 in August 2013
6. He painted the house at a cost of \$ 10 000 in October 2017
7. He sold his house through an estate agent and was charged commission at 5% on the selling price.

REQUIRED

- a) Calculate Blessing's capital gains tax payable or assessed capital loss for the year ended 31 December 2012 assuming he elects roll over relief **(15 marks)**
- b) Identify 5 circumstances in which a specified asset is deemed to have been disposed **(5marks)**
- c) Outline the qualifying criteria for a principal private residence (PPR). **(5marks)**

Question 4

Mr. Phumuzani Zulu who was ordinarily resident in Zimbabwe died at Mpilo Hospital on 1 July 2016 after a long illness and was survived by his wife and son James.

The following details are relevant:

	\$
Principal Private Residence	250 000
Industrial park	450 000
Toyota Land cruiser	30 000
Mercedes Benz	30 000
Cash at Bank	80 000
Cash in hand	8 000
Shares in Econet	10 000
Unquoted Shares	6 000
Block of flats (Botswana)	340 000
Medical expenses incurred	20 000
Debts owing	50 000

Notes

1. The executor of the estate received the following amounts on 30 October 2016:

- Lump sum from a matured policy which was meant to cover estate duty \$14000
 - Lump sum from pension fund \$ 80 000 paid as death benefit
2. Phumuzani had made the following donations before his death:
- Lump sum payment \$300 000 to Muzi, his nephew in July 2012. Muzi died in November 2012.
 - Vacant stand in Gwanda to his niece, valued at \$16 000 in January 2013
 - Block of flats valued at \$500 000 to the Zulu Family Trust, a discretionary trust formed by him in 2012. His wife and son were the beneficiaries.
 - Lorry valued at \$10 000 to Thembiso children's home in August 2013
3. The Master of High court accepted the Toyota Cruiser as a family car. His fees were 5% of gross estate
4. The total number of shares at Econet was 6000 and the bid price was said to be \$2.80 while the asking price was pegged at \$3.00

REQUIRED

- a. Calculate estate duty on Mr Zulu's estate. **(20 marks).**
- b. Differentiate between an estate beneficiary with a usufructuary right and one with a contingent right. **(5 marks)**