



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

Final Examination Paper

January 2025

This examination paper consists of 6 pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: Apply the Tax Law provisions for the **2023 tax year**.

INSTRUCTIONS

1. Answer all four (4) questions
2. Mark allocations are as given in the question paper
3. Use of calculators is permissible

MARK ALLOCATION

QUESTION	MARKS
1.	25
2.	25
3.	35
4.	15
TOTAL	100

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QUESTION 1

Mehluli 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 for the year ended 31 December 2023, seeking advice on tax computations.

Income and Expenditure for the year 2023		US\$
Income		
Sales		10 000 000
Bank interest from CBZ (Net of withholding tax)		80 000
Rental from a property in Lesotho		100 000
Bank interest from Angola (gross amount)		90 000
Dividends from OK, Zimbabwe		40 000
Dividends from a Zambian Company		80 000
Sale of Industrial building	(Note 1)	1 500 000
Sale of Mercedes Benz	(Note2)	30 000
Expenditure		
Salaries and wages		600 000
Advertising costs at a construction Expo in Angola		100 000
Donations: to ZAOGA church		50 000
To a homeless persons' rehabilitation fund		150 000
Staff Christmas party		20 000
Travel expenses for two employees to a building convention		25 000
Construction of a commercial building	(Note 3)	500 000
Traffic fines for delivery trucks		15 000
Purchase of Prado		50 000

Additional information

1. The Industrial building was sold in November 2023 and it had been constructed in the year 2021 at a cost of \$ 650 000 and put into use that same year.
2. The Mercedes Benz was sold on 30 June 2023 for \$ 30 000 had been purchased on 1 January 2021 for \$ 60 000.
3. The commercial building was constructed at a growth point in Masvingo and completed in March 2023 and put into use on 1 April 2023.
4. The company claims maximum allowable deductions or SIA where applicable.

REQUIRED

- a) Compute Mehluli Land Developer's minimum tax liability as at 31 December 2023 **(13 marks)**
- b) The source rule is the backbone of the Income Tax Act in Zimbabwe. Explain how this rule is applied and give two examples of income deemed to be from a source within Zimbabwe **(5marks)**.
- c) Gross income excludes items of a capital nature but with specific inclusions. Explain the tests that can be used to distinguish revenue from capital in the determination of gross income **(6 marks)**.

QUESTION 2

Gamulangu Ltd ventured into gold mining in Gwanda in 2022 and began producing minerals in 2023. The life of the mine is estimated at 5yrs on 1 January 2023

The following expenses were incurred in 2022:	US\$
Buildings	\$500 000
Machinery	\$200 00
Staff housing (mine employees)	\$150 000
Passenger Motor Vehicle	\$ 40 000
Wages and Salaries	\$ 60 000
Administration expenses	\$ 20 000

Additional information

1. In 2023, the company sold minerals worth \$8 million and the passenger motor vehicle for \$ 15 000. The passenger motor vehicle had been originally purchased in 2022 for \$40 000
2. The company also incurred the following expenses

Administration expenses of \$480 000

Machinery was bought for \$420 000. Included in this expenditure is \$50 000 for new special equipment. The new equipment was replacing old equipment which was sold for \$45 000.

Toyota single cab	\$80 000
School	\$ 70 000
Staff house for teachers	\$100 000
Administration building in Bulawayo	\$200 000
Finance Director's house	\$80 000
Staff Canteen	\$120 000
Wages and Salaries	\$300 00

REQUIRED

- a) Calculate capital redemption allowance (CRA) using the provisions of paragraph 4(4) and 4(8) (new mine) of the 5th schedule **(7 marks)**
- b) Compute the tax liability for the company in terms of paragraph 4(2) and 4(3) (mixed basis) of the 5th schedule **(13 marks)**
- c) Miners are assessed for income tax purposes just as any other taxpayers, but with specific areas of variations. Elaborate on these areas of differences or variations. Make reference to the specific sections of the Income Tax Act **(5 marks)**

QUESTION 3

Mpofu Ltd is a manufacturing company in Zimbabwe. On May 2021 Mpofu Pvt Ltd purchased a plot of land for US\$1000 000 and also incurred transfer costs including stamp duty of US\$ 25 000. The company intended to build an industrial building on the piece of land. The company commenced the erection of the industrial building on the land on 1 June 2021. It was completed on 30 August 2021 at a cost of US\$1200 000 and brought into use in a process of manufacturing. The company extended the industrial building in January 2022 by adding another wing at a cost of US\$900 000 and it was put into use in October 2022. Due to continued

labour unrest and a serious cash constraint, the board of Mpofu Ltd made a decision to dispose of the industrial buildings. The industrial building was sold on 22 October 2023 for \$8 500 00. The amount was paid in 3 instalments, a deposit of \$3 600 000 in 2023, first instalment of \$2 900 000 in 2024 and the last instalment of \$2 000 000 in 2025. The company also painted the industrial building in December 2022 at a cost of US\$30 000. Selling costs amounted to 10% of the selling price. The company claimed maximum allowable capital allowances.

REQUIRED

- a) Capital Gains Tax is levied on the capital gain arising from the disposal of a specified asset. Elaborate on the definition of a specified asset for capital gains tax purposes **(4 marks)**.
- b) Calculate the capital gains tax payable by the company on the disposal in 2023, 2024 and 2025 (show all the relevant workings). **(17 marks)**.
- c) The Capital Gains Act provides for certain tax reliefs or postponements of capital gains tax liability. With reference to relevant sections of Act, explain any four of these reliefs **(4 marks)**.
- d) Section 21 of the Capital Gains Act exempts an elderly taxpayer on paying tax on the disposal of a PPR. Define a PPR in terms of the provisions of this section **(5 marks)**
- e) Elaborate on the concept of Rollover Relief and give an example to demonstrate the difference between Full and Partial Rollover Relief in the disposal of a PPR **(5 marks)**

QUESTION 4

Mr Joshua Sibanda who was ordinarily resident in Zimbabwe died at Mpilo Hospital on 1 February 2023 after a long illness and was survived by his wife and daughter Siphoh.

The following details are relevant:

	\$
Borrowdale House	1 300 000
Burnside House	500 000
Commercial Building	2550 000

Prado	80 000
Toyota Fortuner	130 000
Cash at Bank	400 000
Cash in hand	220 000
Shares in Econet	1 000 000
Unquoted Shares	200 000
House in England	340 000
Medical expenses incurred	320 000
Debts owing	470 000

Notes

- The executor of the estate received the following amounts on 30 November 2023:
 - Lump sum from pension fund \$ 380 000 paid as death benefit
- Sibanda had made the following donations before his death:
 - Douglasdale plot worth \$600 000 to Muzi his young brother in December 2020.
 - Luveve house to his niece, valued at \$100 000 in January 2019 and his niece passed away in 2021.
 - Lorry valued at \$100 000 to Thembiso children's home in August 2021
- The Master of High court accepted the Toyota Fortuner as a family car and the Borrowdale home as the PPR. His fees were 5% of gross estate
- The total number of shares at Econet was 160 000 and the bid price was said to be \$6.80 while the ask price was pegged at \$8.00
- Not mentioned in the list of expenses is \$80 000 funeral and tombstone expenses.

REQUIRED

- Calculate estate duty on Mr Sibanda's estate. **(13 marks).**
- Differentiate between an intervivos trust and a testamentary trust **(2 marks)**

END OF EXAMINATION PAPER