ar April 2023 Icpar April CERTIFIED PUBLIC ACCOUNTANT FOUNDATION LEVEL 2 EXAMINATIONS F2.4: TAXATION **DATE: MONDAY 24, APRIL 2023** MARKING GUIDES AND MODEL ANSWERS

cparApril2023 IcparApril2023 IcparAp

## l2023 IcparApri<mark>QUESTION ONE</mark>?3 IcparApril2023 Icpa

## l2023 IcparApr<mark>Marking Guide</mark>2023 IcparApril2023 Ic

Question	<b>Description</b>	Marks	<b>Total Marks</b>
(a)	Adjusted taxable income and corporate income tax (CIT)	trApril202 trApril202	3 IcparApril202.
	Calculation of understatement of the closing stock	$1^{2}$	3 Teparapriiz02. 3 Temeda - 1202
	Sitting allowance to the shareholders	0.5	o repurapriizoz. 2 Ionau Amril 202
	Calculation MD electricity	1	3 Ionar Anvil 202
	Calculation of 20% Electricity	rAnri12	3 IcnarAnril202
	Calculation of 50% of Bad debts 12023 Ionar April 2023 Ion	rApril2	3 IcparApril202
	Calculation 10% of fuel IcparApril2023 IcparApril2023 Icp	ırApril2 <b>(1</b> 2	3 IcparApril202.
	Calculation of Management fees in excess of 2% of turnover	ırApri1.52 ırApril202	3 IcparApril202 3 IcparApril202
	Calculation of Donation in excess of 1% of turnover 23 Iop	rApril1.52	3 IcparApril202.
	Calculation of 20% of Communication IcparApril2023 Icp	ırApril2 <b>(1</b> 2	3 IcparApril202.
	Fines and penalties 2023 IcparApril2023 IcparApril2023 Icp	vApri0.52	3 IcparApril202.
	Increase in provision 23 IcparApril2023 IcparApril2023 Icp	vApri 0.52	3 IcparApril202.
	Accounting depreciation	WADM 0.5	3 1cparApril202.
	Calculation of Investment allowance	$r^{AP}$ $2^{2}$	5 IcparApril202.
	Calculation of tax depreciation	1.5	5 ICPARAPRIIZUZ. 2 r
	Adjusted taxable Income	0.5	) 10par2pr4202. 2 Tomas Ames 1202
	Tax payable (CIT)	0.5	2 Tonor Amril 202
il2023 Icpa il2023 Icpa	Net tax due	0.5	3 IcnarAnril202
	Total 123 IcparApril2023 IcparApril2023 IcparApril2023 Icp	ırApril202	3 IcparAprile 16
<b>(b)</b> 23 Icpa	Award 1 Mark for the correct (2) two criteria Appel 2023 102	ırApril202	3 IcparApril2( <b>2</b>
<b>(c)</b> )23 Icpa	Award 1 Mark for any two other types of tax / pril 2023 / gr	ırApril202	3 IcparApril20 <b>2</b>
il2023 Icpa	Total 023 IcparApril 2023 IcparApril 2023 IcparApril 2023 Icp	ırApril202	3 IcparApril2 <b>20</b>

12023 IcparApr<mark>F2.4</mark>3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 I<mark>Page 2 of 22</mark>3 IcparApril20. 12023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20.

### Model Answers 2023 IcparApril2023 Ic

#### a) Computation of adjusted taxable income (2023 Japan April 2023 Japan Apr

Description Lange April 2023 Lange April	Amount (FRW)	Amount (FRW)
Taxable income declared	parApril2023 IcparApril	638,985,783
Add: Non-deductible expenses 2023 IcparApril2023 Icp	parApril2023 IcparApril	2023 IcparApril202.
Understatement of the closing stock (W1) April2023 Ici	April 20 27,696,807	2023 IcparApril202.
Sitting allowance to the shareholders IcparApril2023 Icp	par April 20 50,000,000	2023 IcparApril202.
MD electricity (W2)   CparApril2023   CparApril2023   Cp	par April2023   500,000	2023 IcparApril202.
20% Electricity (W2)	900,000 par April 2023	2023 IcparApril202.
50% of Bad debts (W3)	25,250,227	2023 IcparApril202.
10% of fuel (W4)	3,500,000	2023 1cparAprii202.
Management fees in excess of 2% of turnover (W5)	36,319,454	2023 Teparapra202. 2023 TeparAnvil202
Donation in excess of 1% of turnover (W6)	20,613,637	2023 IcparApril202.
20% of Communication (W7)///2023 IcparApril2023 Icp	par April 202 2,404,613	2023 IcparApril202.
Fines and penalties 3 IcparApril2023 IcparApril2023 Icp	April 20 16,395,164	2023 IcparApril202.
Increase in provision   CparApril2023   CparApril2023   Cp	par April 2012,000,000	2023 IcparApril202.
Accounting depreciation ar April 2023 Icpar April 2023 Icp	1,020,199,473	2023 IcparApril202
Total add backs	parApril2023 leparApril	1,215,779,375
Less Tax depreciation (W9)	parapruz023 Icparapru	735,119,699
Adjusted taxable Income	parApril2023 TeparApril	1,119,645,459
Tax payable (CIT) 3 January April 2023 January April 2023 January 2023	parApril2023 IcparApril	335,893,638
Quarterly Prepayments parApril2023 IcparApril2023 Icp	63,524,386	2023 IcparApril202.
Withholding on Imports ar April 2023 Icpar April 2023 Icp	par April 20 48,320,642	2023 IcparApril202.
Withholding on Public Supplies 2023 Icpar April 2023 Icp	par April 202 4,583,310	2023 IcparApril202.
Total Credits 112023 1cparApril2023 1cparApril2023 1cp	parApril2023 IcparApril	116,428,338
Net tax due pril2023 IcparApril2023 IcparApril2023 Icp	parApril2023 IcparApril	219,465,300

## Workings: April2023 IcparApril2023 I

#### .W123 IcparApril2023 IcparApril2023

### $W^2$ 23 Icpar $_{April}$ 2023 Icpar $_{April}$ 20

- Electricity bills worth FRW 500,000 that was paid on behalf of MD is not allowed.
- 20% of electricity should not be allowed according to the article 26.8 of the law no 16 of 13/04/2018 on income tax.

Therefore, (5,000,000-500,000) \*20% = 900,000

l2023 IcparApri<mark>F2.4</mark>3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20<mark>23 iPage 3 of 22</mark>3 IcparApril20. I2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20.

<sup>\*</sup>Closing stock declared 249,271,259=90%

<sup>\*</sup>Closing stock that would have been declared= 249,271,259\*100/90=276,968,066

<sup>\*</sup>Closing stock that was not declared = (276,968,066-249,271,259) = 27,696,807

#### W3

50% of bad debts related to the debtor who was not declared insolvent and no other process that was put in place to recover the debt hence this will be rejected.

50% \* 50,500,454 = 25,250,227

#### W4.

10% of fuel cost is related to the fuel of MD and hence added back to CIT taxable base.

10%\*35,000,000=3,500,000

#### W5.

Article 26.9 of the law no 16 of 13/04/2018 on income tax state that management fees should not exceed 2% of the turnover, hence 23 Japan April 2023 Japan Apri

Management fees that were declared

95,092,180

Management fees that were allowed (2%\*2,938,636,320) =58,772,726

Management fees that is not acceptable (95,092,180-58,772,726) = 36,319,454

#### **W6**

Article 26.4 of the law no 16 of 13/04/2018 on income tax says that donation should not exceed 1% of the turnover and for charitable organizations.

Donation that was expensed

50,000,000

Donation that was allowed (1%\*2,938,636,320) = 29,386,363

Donation that is not acceptable (95,092,180-58,772,726) = 20,613,636

#### W7

20% of telephone should not be allowed according to the article 26.8 of the law no 16 of 13/04/2018 on income tax, hence added back

Telephone charge added back= 20% \*12,023,067= 2,404,613

#### W8. Computation of investment allowance.

Investment allowance will be allowed to the investor whose investment in assets is worth USD`50,000 each as indicated in the conditions to be fulfilled.

Therefore, Building is the only asset that qualify for investment allowance and was calculated as follows:

Since the old building was acquired 2 years ago as mentioned in the question, this means that it was depreciated at 5% per annum means 10% in 2 years. =290,935,978\*100/90=FRW 323,262,198.

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The new building is worth FRW 281,596,157 and it qualifies to an investment allowance at 50%.

#### Computation of Investment Allowance rapril2023 IcparApril2023 Icpa

rApril rApril	Description 12023 IcparApril2	Cost 16 Cost 1	Invest allowance @ 50%	Dep base   CoparApril 20	Dep charge @ 5%
rApril rApril		23 IcparApr FRW	cparApril20 FRW	April2023 Icpar FRW	23 IcparA FRW
Apri	New Building	281,596,157	140,798,079	April 202 281,596,157	14,079,808
rApri	Old Building	323,262,198	cparApril2023 Ic <sub>1</sub> 01	323,262,198	16,163,110
rApri	Total <sup>IcparApril2</sup>	023	lcparApril2023 Icpa	rApril2023 IcparApril20	30,242,918

12023 IcparApr **W9.**3 IcparApril2023 IcparApril2023

Item 112023 Icpa 112023 Icpa 112023 Icpa 112023 Icpa	Tax WDV b/f	Additions rApril2023 Icp rApril2023 Icp rApril2023 Icp	Depreciable amount	Investmen t allowance @50%	Depreciati on rate	Depreciati on charge
	FRW 023 Jan	FRW	FRW	FRW	cparApril2023	FRW,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Building s	290,935,978	281,596,157	arApril2023 Icp arApril2023 Icp	140,798,0 79	parApril 25%; sparApril 2023	30,242,918 (W8)
Worksho p equipme nt	2,500,000 April2023 Icpa April2023 Icpa April2023 Icpa	rAp1,392,906 rApril2023 Icp rApril2023 Icp rApril2023 Icp	rA 3,892,906 rApril2023 lcp rApril2023 lcp rApril2023 lcp	arApril2023-1 arApril2023 1 arApril2023 1 arApril2023 1	parApri 25% parApril 2023 parApril 2023 parApril 2023	lopar 973,227 lopar April 202 lopar April 202 lopar April 202
Compute r equipme nt	AP 1,201,432 (April 2023 Tepo April 2023 Tepo April 2023 Tepo April 2023 Tepo	"AP7,394,517" "April2023 Icp "April2023 Icp "April2023 Icp	A 8,595,949 11April 2023 lop 11April 2023 lop 11April 2023 lop	arApril2023_1 arApril2023 1 arApril2023 1 arApril2023 1	parApri 50% parApril2023 parApril2023 parApril2023	CP 4,297,975 CparApril202 CparApril202 CparApril202
Leased vehicles	1,033,149,4 98	1,186,580,0 00	2,219,729,4 98	arApril2023_1 arApril2023_1	25%	554,932,37 5
Furniture and fittings	5,500,000	10,000,500	15,500,500 April 2023 Top	arApril2023 1 arApril2023 1 arApril2023 1	parApril2023	3,875,125
Total Icpa	1,333,286,9 08	1,486,964,0 80	2,247,718,8 53	140,798,0 79	cparApril2023 cparApril2023	594,321,62 0

Total depreciation=FRW 594,321,620+FRW 140,798,079= FRW 735,119,699

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# b) The following are criteria required for a registered investor to be entitled to a flat accelerated depreciation rate of fifty per cent (50%) for the first year for new or used assets:

- 1.0 Invest in business assets worth at least fifty thousand US Dollars (USD 50,000) each. [2023]
- 2. Operate in at least one of export projects, manufacturing, telecommunications, agroprocessing, education, health; transport excluding passenger vehicles with less than nine (9) people seating capacity, etc...
- 3. Keep the assets for at least three (3) years after benefiting from the accelerated depreciation.

#### c) other types of taxes are:

- 1.0 Pay As You Earn (PAYE) due to the benefits in kind given to the Managing Director, pril2023 log
- 2. WHT of 15% will be applied to the payment of Management fees because the recipient is not in Rwanda
  - 3. Import duty, excise duty and VAT due to the imported vehicles from Japan.

#### QUESTION TWO 3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 Icpar

#### Marking Guide 2023 Icpar April 2023 Icpar April 2023 Icpar April 2023 Icpar April 2023

Question Apparap	ril20	Marks	Total Marks
(a) 23 IcparAp	Choosing the best offer to Mrs Jane April 2023 IcparAp	$ril2023~Ic_{l}$	oarApril2023
ril2023 IcparAp	1 Mark for each School fees of the children computed	2	parApril2023
vil2023 IcparApi	1 Mark for each Bonus computed well	2	)UFAPFII202;
ril2023 IcparApi ril2023 IcparApi	1 Mark for a well computed company car benefit	2	narApril202.
vil2023 IcparAp	1 Marks for a well computed company housing benefit	$_{ri12023}2_{\circ}$	oar Anril 2023
ril2023 IcparApi	1 Mark for each Computation of PAYE due 023 JeparAp	$_{ril2023}2_{c_l}$	parApril2023
vil2023 IcparAp	1 Mark for a well Computation of net salary 23 IcparAp	ril2023 <b>2</b> q	oarApril2023
ril2023 IcparAp	2 Mark Choosing best employer CparApril2023 IcparAp	ril2023 <b>2</b> 9	
ril2023 IcparAp	ril20 Total Total Total rapril2023 IcparApril2023 IcparApril2023 IcparAp	r112023 1c <sub>1</sub>	oarApril2 <b>14</b>
<b>(b)</b> (23 <i>IcparAp</i> )	1 Mark for employee and employer RSSB Contribution for each offer	ril2023 Ic <sub>l</sub> ril2023 Ic <sub>l</sub>	varApril20 <mark>4</mark> - varApril2023
(c) 23 23 23 24 25 26 26 26 26 26 26 26 26 26 26 26 26 26	0.5 for a valid point of exempted employment income	ril2023 [C]	$2^{-1}$
ruzvzs teparapi wil2023 IenavAn	Total Marks	ru2023 10j vi10003 Io	20

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### Model Answers 2023 IcparApril2023 Ic

### a) Computation of net salary for Jane for each employee: 12023 Icpar/April2023 Icpar/April2023 Icpar/April2023 Employer A Employer A

Description (Monthly) arApril2023 IcparApril2023 IcparApril2023 IcparApril2023	Amount (FRW)
Basic salary Pril2023 IcparApril2023	1,500,000
Communication allowance	200,000
School fees of the children per quarter (450,000/3)	150,000
Cash allowance Janas April 2023 Janas Ap	150,000
Housing allowance 3 Icnar April 2023 Icn	400,000
Bonus in 3 months (1,200,000/3) 023 Jepar April 2023 Jepa	ril2023 Icpay 400,000
rtTotal IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparAp	mil2023 Icp <b>2,800,000</b>
A company car (2,800,000*10%) 23 IcparApril2023 IcparApril2023 IcparApril2023	ril2023 Icpar 280,000
Total employment income Pril2023 IcparApril2023 Icp	3,080,000

#### 12023 IcparApr**PAYE due** April2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202

12023 IcparApr**Between 0-30,000**)23 IcparApril2**0%** IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2020 Between 30,001-100,000 w April 20% Icpar April 2023 Icpar l2023 IcparApr**Above 100,001** l2023 IcparApril2**30%** cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202

70,000\*20%=14,000 [cparApril2023 [cp

(3,080,000-100,000)\*30% = 894,000 cparApril2023 IcparApril2023 12023 LeparAp: PAYE due = 894.000+14.000 = 908.000 rApril2023 LeparApril2023 L

#### 12023 IcparApr**Summary** rApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

12023 1cpt	Descriptions	Amount in FRW
12023 1cpt	Total employment income	3,080,000
12023 Icpi	Less: PAYE due 2023 Januar April 2023 Januar Apr	(908,000)
12023 Icp	Partial Net salary 23 IcparApril2023	pril2023 Icp <b>2,172,000</b>

#### l2023 IcparApri ${f Employer~B}$ pril2023 IcparApril2023 IcparAprilAprilAPr

Description (Monthly)	Amount (FRW)
Basic salary April 2023 Icpar April 2023	1,500,000
Communication allowance April 2023 Icpar	pril2023 Icpar 350,000
School fees of the children per quarter (600,000/3) 3 IcparApril2023 IcparA	pril2023 Icpar 200,000
Cash allowance 2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparA	pril2023 Icpar 300,000
Total IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparA	pril2023 1cp 2,350,000
A company house (20%*2,350,000)	470,000
A company car (10%*2,350,000)	235,000
Total employment income	3,055,000

l2023 IcparApri<mark>F2]4</mark>3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 Page 7 of 22 l2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20

### PAYE Due April 2023 Icpar April 2023 Icp

### Summary Summar

Descriptions "12023 IcparApril2023 IcparApril2023 IcparApril	rii2023 IcparAprii2023 IcparAmount
Total employment income	3,055,000
Less: PAYE DUE	(900,500)
Partial Net salary	2,154,500

Net salary after PAYE from offer B is FRW 2,154,500, Thus, A is the best offer.

## b) Calculation of total employee and employer's RSSB contribution (pension and maternity) for each job offer payable per month

#### Offer AparApril2023 IcparApril2023 I

Type of	Descriptions   Descri	Amount
RSSB	il2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023	(FRW)
Contributio	il2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023	
n2023 IcparApi	il2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023	IcparApril2023
	3% Employee RSSB contribution 3%*(3,080,000-280,000)	Icpa 84,000
Pension parAp	5% Employer RSSB contribution 5%*(3,080,000-280,000)	Icpar 140,000
ril2023 IcparApı	Total Pension contribution vil2023 IcparApril2023 IcparApril2023	1cp 224,000
ril2023 IeparApı ril2023 IeparApı	0.3% Employee RSSB contribution 0.3%*(3,080,000-280,000)	1cparApr. 8,400
Maternity AP	0.3% Employer RSSB contribution 0.3%*(3,080,000-280,000)	1cparApril 8,400
:12023	Total Maternity contribution	16,800
uzuzo teparapi vil2022 Ionau An	Total Contribution for offer (A)	240,800

#### Offer B

Type of Contribution	Descriptions 112023 IcparApril2023 I	Amount (FRW)
rii2023 IcparApr	3% Employee RSSB contribution 3%*(3,055,000-235,000)	84,600
Pension	5% Employer RSSB contribution 5%*(3,055,000-235,000)	141,000
ri12023 IcparApr	Total Pension contribution	225,600
Maternity	0.3% Employee RSSB contribution 0.3%*(3,055,000-235,000)	8,460
ril2023 IcparApr	0.3% Employer RSSB contribution 0.3%*(3,055,000-235,000)	23 IcparApri 8,460
ril2023 IcparApr	Total Maternity contribution 2023 IcparApril2023 IcparApril20	23 IcparAp <b>16,920</b>

F2.4 1cparApril2023 1

l2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

Type of	Descriptions 12023 IcparApril2023 IcparApril2023 IcparApril	Amount (FRW)
Contribution		2023
rii2023 IcparApr	Total Contributions for offer (A)	242,520

## c) The following payments are not included in the calculation of taxable employment income:

- 1.0 The discharge or reimbursement of expenses incurred by the employee or his/her associate:
- 2. Contributions made by the employer for the employee to the public institution in charge of social security; \*\*JeparApril2023\*\*\*JeparApril2023\*\*JeparApril2023\*\*JeparApril2023\*\*JeparApril2023\*\*JeparApril2023\*\*\*JeparApril2
- 3. Pension payment from the public institution in charge of social security or from a qualified pension fund;
- 4. Employment income received by an employee who is not a Rwandan citizen from a foreign Government or a nongovernmental organization under an agreement signed by the Government of Rwanda, when the income is received for the performance of aid services in Rwanda;
- 5. Employment income received from an employer who is not a resident in Rwanda by a non-resident individual for the performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda.

#### **QUESTION THREE**

### **Marking Guide**

Question	Description April 2023 Januar	Marks	<b>Total Marks</b>
(a) 123 Janar	1 Mark for each item defined well 123 Januar April 2023 Januar Apr	arApril202	3 IcparApril2(6
( <b>b</b> ) 23 Icpar	0.5 Mark for one valid item provided 1cparApril2023 Ic	arApril202	3 IcparApril2( <b>2</b>
ril2023 Icpar	1 Mark for computation of markup 23 IcparApril2023 Icp	arApril2 <b>1</b> 2	3 IcparApril2023
il2023 Icpar.	1 Mark for computation of excise duty base 4pril2023 Ic	arApril2¶2	3 IcparApril2023
c) i.23 Icpar.	1 Mark for computation of excise duty per one bottle	arApril2¶2	3 IcparApril202:
	2 Marks for computation of total excise duty	arapruz2	3 IcparApril2023
112023 Icpar.	Total Total	arapru202	3 1cparAprii20 <b>5</b>
::12023	1 Mark for computation of selling price per unit without VAT	arApril202	3 IcparApril2023 3 IcparApril2023
c) ii. 3 Icpar	1 Mark for computation of selling price per unit VAT inclusive	arApril2 <mark>1</mark> 2 arApril202	3 IcparApril2023
	2 Marks for computation of total revenues (April 2023 Ic.)	arApril22	3 IcparApril2023
il2023 Icpar	Ap <b>Total</b> 3 IcparApril2023 IcparApril2023 IcparApril2023 Icp	arApril202	3 IcparApril20 <b>4</b> 3
c) iii. Icpar	1 Mark for each due date stated 12023 IcparApril2023 Icp	arApril202	3 IcparApril20 <b>3</b> :
ril2023 Icpar.	Total Marks Pril2023 IcparApril2023 IcparApril2023 Icp	arApril202	3 IcparApril2 <b>20</b>

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#### Model Answers

#### a) Definition of different terms:

- i. **Pre-clearance**: is a quick release procedure that allows trade facilitation in that declaration can be submitted to Customs and processed before the arrival of goods.
- **ii. Blue channel:** Blue channel is a facility accorded to compliant taxpayers by not subjecting their consignments to physical and documentary verification during the customs clearance process but rather allow their goods to clear faster and follow up with a customs post clearance audit.
- **iii. Inward processing:** It is the customs procedure under which certain goods can be brought into customs territory conditionally relieved from payment of import duties and taxes on the basis that such goods are intended for manufacturing, processing or repair and subsequent exportation
- **iv. Outward processing:** It is the customs procedure under which goods which are in free circulation in a Partner State may be temporarily exported for manufacturing, processing or repair outside the Partner State and then re-imported.
- **Export processing zone (EPZ):** This refers to a Customs area where one is allowed to import plant, machinery, equipment and material for the manufacture of export goods under security, without payment of duty.
- vi. A Bonded warehouse: refers to a customs-controlled warehouse for the retention of imported goods until the duty owed is paid.
- **b**) The following is an example of some goods, which are not warehoused:
- Salt:
- Cement:
- Acids for trade and business:
- Ammunition for trade and business
- · Chalk:
- Fireworks;
- Dried fish;
- Perishable goods;
- Combustible or inflammable goods except petroleum products for storage in approved places
- Live animals

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## i) Calculation of excise duty payable to RRA 2023 IcparApril2023 I

Descriptions TeparApruzuza IcparApruzuza Icpar	Amount FRW
Production cost per unit	750 April 2022 Langua April 2022 Langua April 750
5% Markup (Production cost*5%)	A ril2023 Ionar April2023 Ionar April 38
Excise duty base (Production cost +markup) 12023 Icpar	April2023 IcparApril2023 IcparApril788
Excise duty @ 39% per one bottle	April2023 IcparApril2023 IcparApri <sub>307</sub>
Total excise duty (55,456*307)	17,031,924

#### ii) Selling price of one bottle equal to= Production cost +Markup Excise duty VAT

Descriptions ril2023 IcparApril2023 IcparApril2023 IcparApril202	23 IcparApril202Amount FRW
Production cost per unit ar April 2023 Icpar April 2023 Icpar April 2023	23 IcparApril2023 IcparApril750
5% Markup Pril2023 IcparApril2023 IcparApril2023 IcparApril202	23 IcparApril2023 IcparApril238
Excise duty base (Production cost +markup)	23 1cp arApril2023 1cparApril788
Excise duty @ 39% per one bottle	25 1cp urAprii2023 1cparAprii307
Total selling price without VAT	1,095
Total selling price VAT inclusive	1,292
Total revenues (55,456*1292)	23 Ica ar April 2023 1 71,649,152

#### iii) The tax period is the calendar month divided into the following three periods:

- 12023 IcparApril? From 1st date to 10th date of the month; rApril2023 IcparApril2023 IcparApril2
  - 3. From 11th date to 20th date of every month; 12023 IcparApril2023 IcparApril202
  - 3. From 21st date towards end of the month pril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

Within five (5) days following periods mentioned above, the taxpayer declares and pays the excise duty.

parApr<mark>F2.4</mark>3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023**Page 11 of 22**3 Icpar parApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril

### l2023 IcparApriQUESTION FOUR IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

#### 12023 IcparApr**Marking Guide**2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202

Question	Description	Marks	Total Marks
(a) <sub>123</sub> Icpa	Giving and defining the following tax recovery procedures	23 IcparApril20	23 IcparApril202 23 IcparApril202
	Security on movable property April 2023 Topar April 20	23 $IcparApr 1 120$	23 IcparApril202.
	Mortgage eparApril2023 IeparApril2023 IeparApril20	23 IcparApr <b>1</b> [20	23 IcparApril202.
	Registration of security or mortgage on 20	23 IcparApr <b>1</b> [20	23 IcparApril202.
	property   cparApril2023   cpa	23 IcparApril20	23 IcparApril202.
	Warning Cpar April 2023 Icpar April 2023	23	23 IcparApril202.
	Seizure of the property of a taxpayer	23 lcparApr <b>1</b> 20	23 IcparApril202.
	Publication of auction	23 1000(AD) 2	23 1cparAprii202.
	Debtors of the taxpayer and possessors of the taxpayer's funds	23 IcparApril20	23 Icparriprii202. 23 IcparApril202.
	Recovery from directors and shareholders of a company	23 IcparApril 20	23 IcparApril202.
	Liability of representatives of non-residents with a permanent establishment	23	23 IcparApril202. 23 IcparApril202
	Liability for subcontractors ar April 2023 Januar April 2020	23 IcparApr <b>1</b> (20	23 IcparApril202.
12023 Icpa	ATotal 23 IcparApril2023 IcparApril2023 IcparApril20	23 IcparApril20	23 IcparApril2 <b>12</b>
<b>(b)</b> 23 Icpai 12023 Icpai	1 Mark of the books of accounts and record (2000,001-12,000000) given	23 IcparApr <b>1</b> 20 23 IcparApril20	23 IcparApril202. 23 IcparApril202.
	0.5 Mark for each book of account (12,000,001-20,000000) given	23 IcparApr <b>i</b> (20 23 IcparApril20	23 1cparAprit202. 23 1cparAprit202.
	0.5 Mark books of account (20,000,001-Above) given	23 IcparApr <mark>2</mark> 40 23 IcparApril20	23 IcparApril202. 23 IcparApril202.
	1 Mark for the maximum of 5 years to preserve books and records given	23 IcparApr <sub>1</sub> 20 23 IcparApril20	23 IcparApril202. 23 IcparApril202.
10022 1	Total	22 I am an Amril 1	32 January America (5)
(c) <sub>023</sub> Icpa 12023 Icpa 12023 Icpa			
	Taxpayers classified under (20,000,001 and	23	23 IcparApril202.
	Taxation of Taxpayers classified under 120	23	23 IcparApril202.
il2023 Icpai			
112023 Icpa	Total Marks April 2023 repurapril 2023 repurapril 20	23 IcparApril20	23 IcparApril 20

l2023 IeparApr<mark>F2.4</mark>3 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023**Page 12 of 22** 3 IeparApril20. I2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril20.

#### Model Answers

a) The following are tax procedures that are applied by Tax Administration to recover the tax assessed during the audit or any other tax assessment method: [2023 [cparApril2023 [cparApril2023]]

The procedures are classified under the following sections.

#### Section 1: Security and mortgage on the property of the taxpayer

- **Security on movable property**: The Tax administration has security on income and movable property of the taxpayer, wherever it may be located, for recovery of tax, interest, administrative fine and the cost of recovery.
- Mortgage: The Tax administration has a mortgage right on immovable property of the taxpayer wherever it may be located for recovery of tax, interest, administrative fine and the cost of enforcement.
- Registration of security or mortgage on property: Security on movable property and mortgage must be registered with the Registrar General for a period of two (2) years starting from the date security or mortgage was registered. In case of administrative or legal recourse, the security and the mortgage are extended for another period of two (2) years after the date of the final decision ordering the taxpayer to pay.

#### Section 2: Warning and seizure of the property of a taxpayer

- Warning: If tax, interest, administrative fine and enforcement costs are not paid within the period provided for by this Law, the Tax administration sends a warning letter to the taxpayer. The warning letter indicates the amount of tax, interest and administrative fine to be paid and the requirements of the law if they are not paid within fifteen (15) days from the receipt of the warning letter by the taxpayer.
- **Seizure of the property of a taxpayer:** If the taxpayer does not pay within the period referred to in of 15, the Tax administration may seize any movable or immovable property of the taxpayer, held by the taxpayer or a third person.

#### Section 3: Auctioning of property of a taxpayer

• **Publication of auction:** The Tax administration can start the public auction procedure or seized property without recourse to the court order.

#### Section 4: Recovery from third parties

- Debtors of the taxpayer and possessors of the taxpayer's funds: In case the tax is not paid within the fifteen (15) days period, the Tax administration may require any debtor, bank or any other party in possession of the taxpayer's funds to pay to the Tax administration the amount due to the taxpayer against the tax liability.
- **Recovery from directors and shareholders of a company:** Directors who are directly involved in the control and management of a private company are jointly liable for any tax

F2.4 Page 13 of 22

liabilities incurred by the company if it is evident that they intentionally or negligently caused the company to incur the tax liabilities, shareholders who are involved in the management of the company or misuse company's funds are also liable for any tax liability if willfully or by negligence, they caused the company's inability to meet its tax obligations.

#### Section 5: Representatives of non-residents and subcontract.

- Eliability of representatives of non-residents with a permanent establishment:

  Representatives acting on behalf of non-residents with a permanent establishment in Rwanda,
- ➤ **Liability for subcontractors:** A taxpayer, who subcontracts another person, must inform the Commissioner General in writing within fifteen (15) days from the date of commencement of the subcontract.

b)

- A person who carries out taxable activities in Rwanda and has an annual turnover exceeding twelve million Rwandan francs (FRW 12,000,000) but not exceeding twenty million Rwandan francs (FRW 20,000,000) must keep books of accounts and records including the following information:
- 1. Tax liability;
- 2. Withheld tax;
- 3. A declaration of a tax withheld:
- 4. Sales record.
- A person who carries out taxable activities in Rwanda and has an annual turnover exceeding two million Rwandan francs (FRW 2,000,000) but not exceeding twelve million Rwandan francs (FRW 12,000,000) must keep only records of sales.
- ➤ A person who has an annual turnover exceeding twenty million Rwandan Francs (FRW **20,000,000**) per year must keep the following additional documents:
- 1. A record of assets and liabilities:
- 2. Records of daily income and expenses related to the business activity;
- 3.0 Records of purchases and sales of goods and services related to his or her business;
- 4. Records of stock inventory at the end of the accounting period;
- 5. Information related to controlled transactions.

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12023 IcparApri<mark>k3</mark>023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 12023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202

12023 LeparApr • 20 Taxpayers classified under (2,000,001-12,000,000), are taxed as follows: 12023 LeparApril2023 LeparApril20

l2023 Icpar	Annual turnover 123 IcparApril2023 I	parApril2023 Jopan Annual flat amount of tax due FRW
	From 2,000,000 to 4,000,000	parApril2023 IcparApril2023 IcparApril2023 IcparA60,000
	From 4,000,001 to 7,000,000	parApril2023 IcparApril2023 IcparApril2023 Icpar120,000
	From 7,000,001 to 10,000,000	parApril2023 IcparApril2023 IcparApril2023 Icpar210,000
	From 10,000,001 to 12,000,000	parApril2023 IcparApril2023 IcparApril2023 Icpar300,000

2023 IcparAp •20 Taxpayers classified under (12,000,001-20,000,000) are taxed at 3% lumpsum on turnover ≥ IcparApril 20

12023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202

• Taxpayers classified under (20,000,001 and above) are taxed at 30% Real regime.

#### **QUESTION FIVE** 3 IcparApril2023 Icp

#### **Marking Guide**

Question April	Description 13 IcparApril2023 IcparA	Marks	Total Marks
a) i.	Computation VAT payable or refundable	112023 ICD 2	rApril202.
	Computation of the selling price VAT exclusive (consider total)	ril2023 Icpa	raprii202. rApril202.
	0.5 Mark for each output VAT Computed (3.5	il2023 15p	rApril202.
	marks) and input VAT computed (1.5 marks) (consider dates)	ril2023 Icpa ril2023 Icpa	
	Computation of the apportionment of the Input VAT	ril2023 I <b>2</b> pp	rApril202. rApril202
	Computation of VAT refundable ar April 2023 Icpar April 2	il2023 I <b>2</b> o	rApril202.
ril2023 IcparApri	12023 Total pril2023 IcparApril2023 IcparApril2023 IcparAp	ril2023 Icpa	rApril210.
r <b>a) ii.</b> 3 IcparApri ri12023 IcparApri	Define of VAT reverse charge and its cause 3 leparApt 12023 leparApril2023 leparA	ril2023 Icpa ril2023 Icpa	rApril20 <b>2</b> . rApril202.
b) i.	1 Mark of import duty computed for Rice and Sugar	rtt2023 Icp 2	rApril202
	1 Mark of VAT duty computed for Rice and Sugar	:10023 Tepl	2
	1 Mark of CIF computed for Rice and Sugar	vi12023 Icp	2
b) ii.3 IcparApri	2 Marks for accounting for the taxes (Import and VAT)	ril2023 Icp	rApril202.
ril2023 IcparApri	12023 /Total pril2023 IcparApril2023 IcparApril2023 IcparApril	ril2023 Icp 2	rApril210
ril2023 IcparApri	12023 Total Marks 1cparApril2023 IcparApril2023 IcparAp	ril2023 Icpa	rApril 20

12023 IeparApri<mark>F2.4</mark>3 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 **Page 15 of 22** 3 IeparApril20. 12023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril20.

### l2023 IcparApri<mark>Model Answer</mark> <sup>12023</sup> IcparApril2023 IcparApril202

#### 12023 IcparApr a) i. Calculation of VAT payable or refundable in the month of December 2018 IcparApril2023 IcparApril20

Date lepai	'AprilzUZ5 IcnarAi	Total Value of supplies	Exempted Sales	Taxable Sales VAT incl	Taxable Sales VAT Excl	Output VAT
29/12/201 8	Diesel 23 Icpar Ap	5,865,520	5,865,520	April2023 Icp April2023 Icp April2023 Icp	arApril2023 Io arApril2023 Io	parApril202 parApril202 parApril202
05/12/201 8	Rice +sugar	15,189,601	ril2023 Icpar ril2023 Ic <del>p</del> ar	17,923,729	15,189,601	2,734,128
19/12/201 8	Cooking oil	14,291,870	ril2023 Icpar ril2023 Icpar ril2023 Icpar	16,864,407	14,291,870	2,572,537
29/12/201 8	Sugar 2023 IcparAp	11,490,951	ril2023 Ic <u>p</u> ar ril2023 Icpar	13,559,322	11,490,951	2,068,371
20/12/201 8	Cooking oil	14,220,052	ril2023 Icpar ril2023 Icpar	4 <i>pml</i> 2023.1cp 16,779,661	14,220,052	2,559,609
12/12/201 8	Tyres 023 IcparAp	9,695,490	ril2023 Icpar ril2023 Ic <del>p</del> ar vil2023 Icpar	11,440,678	9,695,490	1,745,188
04/12/201 8	Sugar O23 IcparAp	11,707,555	ril2023 Icpar ril2023 Icpar ril2023 Icpar	13,814,915	11,707,555	2,107,360
26/12/201 8	Oil + sugar+ rice	7,345,591 ar Aj	ril2023 Icpar ril2023 Icpar	8,667,797	7,345,591	1,322,206
29/12/201 8	Transport sales	13,232,640	13,232,640	April2023 Icp April2023 Icp	arApril2023 Id arApril2023 Id	parApril202 parApril20 <u>2</u>
29/12/201 8	Hire machine Ap	7,919,564	ril2025 Icpar ril2023 Icpar vil2023 Icpar	9,345,085	7,919,564	1,425,521
27/12/201 8	Tyres 023 IcparAp	7,066,935	ril2023 Ic <u>p</u> ar ril2023 Icpar	8,338,983	7,066,935	1,272,048
03/12/201	Sugar 023 IcparAp	5,368,429	ril2023 Icpar ril2023 Icpar	6,334,746	5,368,429	966,317
18/12/201 3	Transport CparAp	11,888,700	11,888,700	April2023 Icp April2023 Icp	arApril2023 Io	parApril202 parApril202
Total Icpa	April2023 IcparAp April2023 IcparAp April2023 IcparAr	135,282,896	30,986,860	123,069,323	104,296,036	18,773,287

l2023 IcparApr<mark>F2.4</mark>3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023<mark>Page 16 of 22</mark> 3 IcparApril20. I2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20.

### Summary of computation of Input VAT April 2023 Icpar Apri

	pr <b>Date</b> 3 IcparAp	Goods Nature 2023 IcparApril 2023 1 2023 IcparApril 2023 IcparApril 2023 IcparApril 2023 1	op <b>Value</b> 12023 IcparAp oparApril2023 IcparAp	Input VAT paid (Price*18/118)
l2023 IcparA	lpril2023 IcparAp	ri 2023 IcparApril2023 IcparApril2023 I	cparApril2023 IcparAp	ril2023 IcparApril2023
l2023 IcparA	12/12/2018	Block parApril2023 IcparApril2023 I	1,101,695	168,055
	21/12/2018	Insurance on importation of goods	463,421	70,691
	27/12/2018	Advertisement	1,662,097	253,540
12023	24/12/2018	Construction material	1,883,720	287,347
12023 TepurA 12023 TeparA	01/12/2018	Training costs	457,627	69,808
12023	21/12/2018	Insurance import	2,040,020	311,189
	14/12/2018	400 bags of cement [cparApril2023]	2,881,356	439,529
	11/12/2018 / p	Alarm system/2023 IcparApril2023 I	cparApril2 (2,966,150)	ril2023 Icpai 452,4643
	12/12/2018	Security service 23 /cparApril2023 /	cparApril202450,000	ril2023 Icpar 468,644
	28/12/2018	Vehicle Insurance 1cparApril2023 1	2,474,430	377,455
	13/12/2018	Stationeries WZVZ3 ICparAprwZVZ3 I	1,447,458	220,799
	17/12/2018	Consumables	550,847	84,028
	14/12/2018	Steel plats	2,386,254	364,005
12023 IcparA 12023 IcparA	14/12/2018	55 m3 concrete mix	8,555,000	1,305,000
	07/12/2018	Audit fees 2018	1,780,000	271,525
	priTotal IcparApi	ri 2023 IcparApril2023 IcparApril2023 1	cparApril 31,100,075	ril2023 Icp <b>4,744,079</b>

# Because Imena Limited is selling both exempted and taxable goods, Inputs must be apportioned to the taxable sales

### Apportionment of Input April 2023 Icpar April 2023 Icpar

Details:parApril2023 IcparApril2023 IcparApril2023 IcparApril2023	3 IcparApril2023 IcparAp <b>FRW</b> 3 Id
Taxable Sales VAT Exclusive 2023 Icpar April 2023 Icpar pril 2023	3 IcparApril2023 104,296,036
Exempted Sales U23 IcparApril2023 IcparApril2023 Icpar2 pril2023	30,986,860 30,986,860 31
Total Value of supplies	135,282,896

3 JeparApril2023 JeparApril2023 JeparApril2023 JeparApril2023 JeparApril2023 JeparApril2023 JeparApril2023 JeparApril20

pril2023 leparApril2023 leparApril2023 leparApril20.

#### 12023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

12023 IcparApril2023 IcparApril2023

### Input VAT allowable=4,744,079\* 104,296,036/135,282,896= 3,657,437 April 2023 Icpar April 20

#### 2023 IcparAprVAT payable or Refundable = Output VAT-Input VAT pril2023 IcparApril2023 IcparApril2023 IcparApril2023

12023 IcparA	Output VAT	April 2023 Ignar April 2023 18,773,287
12023 IcparA	Input VAT (Apportionment) Input VAT (Apportionment)	April2023 IcparApril2023 Icp. 3,657,437
12023 IcparA	VAT payable ///2023 IcparApril2023 IcparApril2023 Icpa	April2023 IcparApril2023 Ic 15,115,850

12023 IeparApri<mark>F2.4</mark>3 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 **Page 17 of 22** 3 IeparApril20. 12023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril20. 12023 IcparApr ii. VAT reverse charge refers to the VAT chargeable to the import of the services from foreign 3 IcparApril20 12023 IcparApril20 23 IcparApril2

## b) i. Computation of Import duties, excise and VAT payable to RRA by INGENZI Limited in the month of May 2018.

CIF*Import duty rate
(CIF+Import duty) *Excise duty
(CIF+Import duty +Excise duty) *VAT rate
Cost+Insurance+Freight arApril2023 IcparApril2023
April2023 IcparApril2023 IcparApril2023 IcparApril2023
April2023 IcparApril2023 IcparApril2023 IcparApril2023
FRW 2,700,570 FR
FRW 405,086
FRW 720,152
FRW 3,825,808/Bag
FRW 3,018,562,5123 [cparApril2023 [cparApril202]
FRW 3,251,936,8003 IcparApril2023 IcparApril2023

#### il2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 \*Rice

Rice	Amount (FRW)
Import duty (CIF*25%= 3,018,562,512*25%=	754,640,628
Excise duty April 2023 Icpar April 2023	23 IcparApril2023 IcparApril2023
VAT= (CIF+Import duty + Port Charges) *18%=	679,176,565
(3,018,562,512+754,640,628) *18%   CparApril2023   CparApril2024	23 Icpar April2023 IcparApril2023

#### l2023 IcparAprik<mark>gugal</mark>cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 l2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202

Sugar   cparApril2023   lcparApril2023   lcparApril2023   lcparApril20	23 Icpar   Pril Amount (FRW)
Import duty (CIF*25%) = 3,251,936,800 *25%	812,984,200
Excise duty Prizoza IcparApriizoza IcparApriizoza IcparApriizoza	23 Icparaprii2023 IcparAprii2023
VAT= (CIF+Import duty + Port Charges)	731,685,780
*18%=(3,251,936,800+812,984,200)*18%	23 IcparApril2U23 IcparApril2U2;

l2023 IcparApr<mark>F2.4</mark>3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 <mark>Page 18 of 22</mark> 3 IcparApril20. I2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20. **ii.** Import duty and excise duty are added up to the CIF and form part of the cost of the product imported while VAT that was charged on Customs is not part of Purchase price but claimed on VAT filling and it is refundable.

**Dr.** Purchase price xxxx

Excise duty xxxx

Import duty xxxx

**Cr.** Supplier account xxxx

RRA payable xxxx

#### (Recognition of the purchase, import and excise duty)

#### **QUESTION SIX**

#### Marking Guide

Question	Details   CparApril2023   CparApril2023   CparApril202	Marks	<b>Total Marks</b>
(a)	0.5 for each content of audit notice	1cparAprii20	23 ICPAPAPA 6
(b)	Advise of postponement of the audit	leparapruzo LeparApril 10	23 Janay April 2
(c)	Fixed fines ar April 2023 Ichar April 2023 Ichar April 202	Icnar An 2	23 IcnarAnril202
ril2023 Icpan	Understatement fines 3 IcparApril2023 IcparApril202	IcparApi2 0	23 IcparApril2023
	Computation of the months late 1/2023 IcparApril202	3 IcparApr <b>2</b> 20	23 IcparApril202.
	Interest for late payment computation   IcparApril202	3 IcparApr <b>2</b> 20	23 IcparApril202.
ril2023 Icpar	Total penalties to be paid ar April 2023 1cpar April 202	3 IcparApi <b>2</b> 20	23 IcparApril202.
	Total tax payable 2023 1cparApril2023 1cparApril202	$1cparApr_2 > 0$	23 IcparApril2023
ritzuza icpar	Total Total	i IcparAprili U	12
vi12023 Icpan	Total Marks	Toparapriizo	20

### Model Answers 2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

- a) The following are contents of an audit notice according to the article 28 of the law no 026/2019 of 18/09/2019:
- 1. The audit to be conducted;
- 2. The place where the audit is to be conducted and the possible duration of the audit;
- 3. Any document required to be audited or any information required.
- 4. Type of the audit to be done whether comprehensive, issue, or refund
- 5.0 Expected completion date #2023 IcparApril2023 IcparApril2023
- 6.0 Names of the auditors to conduct the audit 2023 IcparApril2023 Icpar
- 7. Address of the taxpayer and Taxpayer Identification Number
- 8. Signature of the stamp of the Tax Administration representatives

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b) If the taxpayer is not ready for audit, he or she writes to the Tax administration requesting for a postponement, which should not exceed thirty (30) days and can only be allowed once.

#### c) Penalties that will be paid on the assessed tax are as follows: 3 IcparApril2023 IcparApri

Fixed fines of late filling and payment of the tax 023 IcparApril2023 IcparApril2

Understatement of the tax and interest for late payment or April 2023 Icpar April 2023 Icpa

- \*Fixed fines are **300,000** because taxpayer is a medium taxpayer with a turnover of more than 20,000,000
- \* Understatement tax is equal to 100% because the tax declared was FRW 0, if the understatement tax is 20% and above the understatement rate become 20%
- =20%\*33,312,540=FRW 6,662,508. CparApril2023 IcparApril2023 IcparA
- \*1.5% per month times the month late. ParApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

Months late counted are from 01/04/2020 until 31/12/2020 and 2023 leparApril2023 leparApril2023

9 Months were counted therefore, the total interest for late payment worth

1.5%\*33,312,540\*9=FRW 4,497,193

Total Penalties= 4,497,193+6,662,508+300,000= FRW 11,459,701

Total Tax Payable= 11,459,701+33,312,540=FRW 44,772,241

### QUESTION SEVEN cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

### Marking Guide 2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

Question	Description April2023 IcparApril2023 IcparApril2023 IcparApril2023  April2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023	Total Marks
r (a) 23 Icpar.	0.5 Mark for points given on source of revenue for decentralised entities	CparApril202
( <b>b</b> ) 23 Icnar	1 Mark for one type of decentralised tax given and explained	lenar April 203
( <b>c</b> ))23 Icpar	0.5 Mark for on item given on contents of the notice of assessment	1cparApril203
r( <b>d</b> ) 23 Icpar.	1 Mark for one reason given on the waiver of tax 023 IcparApril2023	1cparApril2(2
ril2023 Iopar r <b>(e)</b> 23 Iopar ril2023 Iopar	1 Mark for annual income calculated on each building parApril2023	1cparApril202.
	2 Mark for interest computation on building pril2023 IcparApril2023	${\it lcparApril20}_2.$
	1.5 Marks of Computation of rental income for each building	1cparApril203
o <b>(f</b> )023 Tepar ril2023 Tepar ril2023 Tepar ril2023 Tepar ril2023 Tepar	1 Mark for 10% penalty calculation	parapriizo <sub>1</sub>
	1 Mark for 1.5% interest calculation	lenge (pril201)
	1 Mark for 40% non-declaration of tax	ImarAnril201
	Total Marks pril2023 JeparApril2023 JeparApril2023 JeparApril2023	cparApril 20

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#### **Model Answers**

#### a) The revenue and property of decentralized entities come from the following sources:

- Taxes and fees paid in accordance with this Law;
- Funds obtained from issuance of certificates and their extension by decentralized entities;
- Profits from investment of decentralized entities and interests from their own shares and income-generating activities;
- Administrative fines
- Loans:
- Government subsidies:
- Donations and bequests;
- Fees from partners;
- Fees from the value of immovable property sold by auction; Separate
- Funds obtained from rent and sale of land of decentralized entities;
- All other fees and administrative fines that can be collected by decentralized entities according to any other Rwandan law.

#### b) Taxes to be paid to decentralized entities are as follows:

- 1) Immovable property tax: this is tax assessed and paid by the owner of the property, the usufructuary or any other person considered the owner.
- 2) **Trading license tax:** this refers to the tax, which is supposed to be paid by any person for each place who opens a business activity within a District.
- 3) **Rental income tax:** This refers to the tax, which is charged on income generated by an individual or any other person who is not subject to corporate tax from a rented immovable property located in Rwanda.

## c) The tax assessment notice of the tax administration to be addressed to a failing tax declarant contains at least the following details:

- a) Tax base calculation outline:
- b) Calculation of the value of the concerned immovable property;
- c) Calculation of the tax;
- d) Names of the owner, his/her proxy or usufructuary;
- e) Address of the owner, the proxy or the usufructuary;
- f) The due date for tax payment;
- g) Mode of payment;
- h) Consequences of late payment or nonpayment of tax;
- i) A reference to the taxpayer's right to complain and appeal.

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## d) The concerned District Council can only waive the due immovable property tax in the following cases:

- i. The taxpayer has provided a written statement of an inventory of his property justifying that he/she is totally indebted so as a public auction of his/her remaining property would yield no result;
- ii. The taxpayer proves that he/she is not able to pay immovable property tax.

### e) Two buildings of Kagabo located in Musanze City

New one was generating income starting from 1/06/2011, as at 31/12/2021, income generated is worth 7\*1,500,000=FRW 10,500,000

New building rental income calculation

Annual Income generated FRW 10,500,000

50% of gross revenue deemed as general expense FRW 5,250,000

Annual interest paid 12% \*30,000,000= FRW 3,600,000

Taxable rental income (10,500,000 - 8,850,000) = FRW 1,650,000

0-180,000 = 0%

180,001-1,000,000=20%

Above 1,000,000= 30%

(1,000,000-180,000) \*20%= FRW 164,000\*

(1,650,000 -1,000,000) \*30%=FRW 195,000\*

Rental income tax payable for New Building 164,000+195,000= FRW 359,000 Second building (Old one)

The old one is generating 1,200,000 in a quarter i.e 1,200,000/3=400,000, in a year =400,000\*12=4,800,000

50% of gross revenue deemed as general expense=50%\*4,800,000 = 2,400,000

Taxable rental income (4,800,000-2,400,000) = FRW 2,400,000.

(1000, 000-180,000) \*20%=164,000 [cpar/spii/2023 [cpar/spii/

(2,400,000-1000,000) \*30% = 420,000 par April 2023

Total =164,000+420,000= FRW 584,000

Total Rental Income Payable=584,000+359,000=FRW 943,000

#### f) Penalties to be paid are:

a. 10% of due tax=10%\*943,000=FRW 94,300

**b.** 40% of due tax =40% \*943,000= **FRW 377,200** 

c. 1.5%\*tax due/ month=1.5%\*943,000\*2= FRW 28,290

Total Tax Payable=943,000+94,300 +377,200 +28,290 = FRW 1,442,790

#### END OF MARKING GUIDES AND MODEL ANSWERS

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