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**CERTIFIED ACCOUNTING TECHNICIAN**  
**STAGE 3 EXAMINATIONS**  
**S3.3: TAXATION**  
**DATE: FRIDAY 30, AUGUST 2024**

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**INSTRUCTIONS:**

1. **Time allowed: 3 hours.**
2. This examination has **three** sections: **A, B and C.**
3. Section **A** has **10 multiple choice questions** equal to 2 marks each.
4. Section **B** has **2 questions** equal to 10 marks each.
5. Section **C** has **3 questions** equal to 20 marks each.
6. All questions are compulsory.
7. The question paper should not be taken out of the examination room

## TAX RATES AND ALLOWANCES:

The following rates of tax and allowances are to be used when answering the questions

### Personal Income Tax Rates (PIT)

Monthly Taxable Income		Tax Rate	Annual Taxable Income		Tax Rate
From (FRW)	To (FRW)	%	From (FRW)	To (FRW)	%
0	30,000	0	0	360,000	0
30,001	100,000	20	360,001	1,200,000	20
100,001	and above	30	1,200,001	And above	30

**Individual's housing benefit:** 20% of the employment income excluding benefits in kind

**Individual's Car benefit:** 10% of the employment income excluding benefits in Kind.

### RSSB contribution - Pension

Employer's contribution	5%
Employee's contribution	3%

### RSSB contribution – Maternity leave

Employer's contribution	0.3%
Employee's contribution	0.3%

**Corporate Income Tax Rate:** 30%

### Capital gains tax

Net aggregate gains are taxable at the company rate of tax

Gains on sale of shares are taxable at the rate of 5%

**Value Added Tax Rate: (VAT)**18%

### Withholding tax

Standard	15%
Government securities	5%
Import	5%
Public Tender	3%

**Gaming tax:** 13%

### Capital allowance

Description	Rate
Accelerated depreciation	50%
<b>Wear &amp; Tear Allowance</b>	
Buildings, heavy industrial equipment and machineries	5%
Intangible assets	10%
Information and communication systems whose life is over ten (10) years	10%
Computers and accessories, information, and communication systems whose life is under ten (10) years	50%
Other business asset	25%

Your answers should be based on Law N° 016/2018 of 13/04/2018 Establishing Taxes on Income where applicable

## SECTION A

### QUESTION ONE

**Which of the following statements is correct regarding the obligations of the taxpayer of the personal income tax.**

1. A resident taxpayer is liable to income sourced only in Rwanda
2. A non-resident taxpayer is liable to income only sourced only in Rwanda
3. A resident taxpayer is liable to income sourced in Rwanda and abroad
4. A non-resident taxpayer is liable to income sourced in Rwanda and abroad

- A Statement one is true but statement two is false.  
B Statement two and three are true.  
C All statements are true.  
D All statements are false.

**(2 Marks)**

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### QUESTION TWO

BMG Construction Company was awarded a contract in 2019 to build the road from Kigali to Ngororero, spanning a projected duration of 4 years. The contract was valued at FRW 46,500,000,456, with estimated costs initially set at FRW 35,000,500,000. By 2020, construction had progressed, resulting in completion up to Kamonyi at a total expenditure of FRW 12,865,768,500.

**What will be the tax payable for the period of 2020?**

- A FRW 1,268,123,967  
B FRW 1,183,582,378  
C FRW 1,056,769,980  
D None of the above

**(2 Marks)**

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### QUESTION THREE

In 2018, Kagabo purchased three excavator machines using his own money for FRW 450,000,000. These machines have been leased out to different clients, and generated income worth FRW 5,200,000 each per month.

**The following information should be considered when determining of the taxable income**

- i) 10% of the total rental income as deemed expenses
- ii) 50% of the total rental income deemed as expenses
- iii) Financial interests payable to the bank
- iv) Depreciation of the assets computed in accordance with tax law.

**Which of above statements will be allowed expenses in the determination of the taxable**

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**income from the above rented machines?**

- A (ii) only
- B (i) only
- C (i), (iii), and (iv)
- D (i) and (iv)

**(2 Marks)**

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#### **QUESTION FOUR**

On October 30, 2018, Mr. MIRIMO sold 500,000 of his shares to Mr. John for a total of FRW 750,000,000. These shares were originally purchased from GTC Ltd, a Rwandan-based company listed on the capital market in Rwanda, at a price of FRW 1,200 per share.

**What is the withholding tax on the capital gain?**

- A FRW 7,500,000
- B FRW 22,500,000
- C FRW 15,000,000
- D Exempted

**(2 Marks)**

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#### **QUESTION FIVE**

Kamana, a successful businessman in real estate, focuses on constructing commercial buildings for rent in Kigali city. In 2020, he constructed a commercial building financed by a bank loan of FRW 450,000,000 at an annual interest rate of 12%. By 2023, the building generated revenue amounting to FRW 150,000,000.

**The rental income tax payable for the year ended 31 December 2020 will be?**

- A FRW 6,108,000
- B FRW 6,164,000
- C FRW 6,300,000
- D None of the above

**(2 Marks)**

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## QUESTION SIX

**Which of the following interest income is subjected to the withholding tax?**

- A Interests on deposits in financial institutions for at least a period of one year.
- B Interests on loans granted by a foreign development financial institution exempted from income tax under applicable law in the country of origin.
- C Interests paid by banks operating in Rwanda to banks or other foreign financial institutions.
- D None of the above.

**(2 Marks)**

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## QUESTION SEVEN

Kimenyi is an employee of Umuringa ltd, a Rwandan resident company. He received a basic salary of FRW 9 million per year. He also lives in a fully furnished company house and he uses company car for both personal and private affairs.

**What is Kimenyi's taxable employment income?**

- A FRW 11.7 million
- B FRW 9 million
- C FRW 10.8 million
- D FRW 9.9 million

**(2 Marks)**

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## QUESTION EIGHT

If a person has declared taxable profit and paid income tax during the year, they are required to make quarterly tax payments for the following year. If the deadline for the second quarter installment is 30th September, and that date falls on a Sunday, **what would be the due date for declaring and paying that quarterly prepayment tax?**

- A 30<sup>th</sup> September
- B 1<sup>st</sup> October
- C 28<sup>th</sup> September
- D None of the above.

**(2 Marks)**

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## QUESTION NINE

**Which one of the following circumstances would the Minister permit a tax period other than 1<sup>st</sup> January to 31 December?**

- A Kamana, an individual in business, who wishes to change his tax period from December to June.as his business is seasonal.
- B Musoni Ltd, a small enterprise not required to prepare and keep books of accounts.
- C MK Ltd, a large company preparing its accounts, which wishes to prepare accounts to 30 June the company want have the same calendar as the parent company.
- D ABC Ltd want to change tax period because they think they are busy during the filing period.

**(2 Marks)**

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## QUESTION 10

Which of the following individuals would be treated as resident in Rwanda in the tax period 2019?

- i) Keza Cyntia, an individual whose habitual abode is in Rwanda
- ii) Rowe, a USA citizen who has been in holidays in Rwanda from January 2019 to December 2019.
- iii) James, who was seconded to Rwanda for the period from December 2019 to July 2020
- iv) Kamali a Rwandan resident who represent Rwanda in UK and lives there since January 2019.

- A All of the above
- B (i) and (iii)
- C (i), (ii) and (iv)
- D (iii) and (iv)

**(2 Marks)**

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## SECTION B

### QUESTION 11

The following are transactions that related to the investment made by Impano a Rwandan resident during the year 2020.

1. He holds shares in EYX Ltd, a private company listed at Rwanda Stock Exchange (RSE) and received a dividend income of FRW 4,500,000 during the year.
2. He invested in government securities with maturity period of 2 years, during the year, he received an interest income of FRW 5,000,000.
3. He owns a fixed deposit account in XYZ Bank with a maturity period of three years and received an interest income of FRW 6,500,000 at the end of the year.
4. He owns 80,000 shares valued at FRW 16,000,000 in ABC Ltd, a private company not listed on the Rwanda stock exchange. In the year, he sold 5,000 shares at FRW 300 each.
5. He has 70,000 shares in XWZ Ltd, a listed company on the RSE market. At the year-end, the company declared a dividend of FRW 150 per share.
6. He owns 15,000 shares of FRW 250 each in PK Ltd, a listed company on the Rwanda stock exchange market. During the year, he disposed of 8,000 shares at FRW 350 each.

**Required:**

**Compute the withholding taxes payable for each transaction.** (10 Marks)

**Note:** The amount was received net of withholding tax where applicable.

**(Total: 10 Marks)**

### QUESTION 12

The following are different businesses registered with the Rwanda Revenue Authority that seek advice from you as a tax consultant,

1. Andrew operates as a sole trader in Rwamagana district, under the real tax regime, selling hardware materials. His taxable profit for 2021 was FRW 120,500,000.
2. Cedro Leading Limited secured a government contract to supply educational materials to various government-owned schools in Rwanda. In 2021, they invoiced the government for FRW 20 billion inclusive of VAT, the company does not have Qitus fiscal status.
3. NEVA Ltd specializes in selling baby clothes, reporting an annual turnover of FRW 17,000,000.
4. GZ Shoes Ltd, based in Rwanda, sells a variety of shoes in downtown Kigali. Despite a significant turnover of FRW 900,000,000 in 2021, the company recorded expenses totaling FRW 750,500,000 and reported a cumulative loss of FRW 350,000,000 in 2020.
5. Hingaweze Ltd operates in the farming and cropping sector, generating a turnover of FRW 250,000,000 during the fiscal year 2021. The company specializes in various agricultural activities, including the cultivation of staple crops such as maize, beans, and potatoes, as well as cash crops like coffee and tea. The company has incurred the expenses of FRW 190,564,000.

**Required:**

**Compute their tax liabilities for the year ending 31<sup>st</sup> December 2021.**

(10 Marks)

**(Total:10 Marks)**

### SECTION C

#### QUESTION 13

XYZ Ltd is the company registered in Rwanda since 2018, the company has been registered in the same year as an investor and obtained an investment certificate. It deals with the supplying of the cleaning materials in Rwanda and outside Rwanda.

During the financial year ended 31 December 2020, the company's accountant has presented the following income statement for the tax purpose.

Descriptions	Notes	Amount "000" FRW	Amount "000" FRW
Sales			1,020,000
Cost of sales	1		800,000
Gross profit			220,000
Other income	2		703,800
Total income			923,800
<b>Expenses</b>			
Salaries and wages		46,237	
Interest expenses		3,000	
Water and Electricity		2,000	
Bad debts	3	11,000	
WHT	4	250,352	
Repair and maintenance	5	16,800	
Donation	6	5,000	
Communication	7	16,000	
Dividend paid		15,230	
Entertainment	8	12,600	
Fines and penalties		5,600	
Purchase of delivery van		35,000	
Fuel	9	7,500	
Office rent		65,000	
Insurance		235,000	
Other expenses		156,200	
Depreciation	10	14,000	
VAT	11	18,560	
Total expenses			915,079
<b>Operating Profit</b>			<b>8,721</b>

**Additional information:**

1. The cost of sales includes the closing stock of FRW 120,542,000, the auditors realized the amount has been Overstated by 10%.



2. Other income includes the following:

Descriptions	Notes	Amount
Dividend received from local company		336,800,000
Agriculture income		56,500,000
Dividend received from foreign company	i	310,500,000
<b>Total</b>		<b>703,800,000</b>

- i. Dividend was received from the investment made in south Africa; the amount was received net of 25% withholding tax.
3. Bad debt related to the one major client who disappeared long time ago, the company tried to recover the amount but failed to trace the client.
4. Withholding tax was paid to the custom for the goods imported from China.
5. Repair and maintenance include the amount paid to repair the company building
6. Donation was given to the recognized charitable organization in Rwanda
7. Communication was related to the airtime loaded to the staff telephone for business use, however there is no control measures that were put in place to monitor whether the amount was used fully for business.
8. Entertainment relates to amount paid to the general sports for all staff.
9. Fuel was entitled to the commercial and sales department staff in their daily operations, the company cannot identify the business and personal usage.
10. The capital allowance agreed by the tax administration was FRW 9,500,250.
11. VAT is recoverable.

**Required:**

- a) **Compute the taxable income and the tax payable for the year ended 31 December 2020** (15 Marks)
  - b) **What are the persons exempted from the employment income tax.** (3 Marks)
  - c) **Explain the treatment of the Casual laborers.** (2 Marks)
- (Total: 20 Marks)**

**QUESTION 14**

Landry and Gabi started a partnership business and established a company in Rwanda called LG Ltd. The company deals in the importing and selling of hardware materials, with different shops in Kigali City. The registered share capital of the company with the Rwanda Development Board (RDB) is FRW 2,000,000,000. The partners profit sharing ratio is 3:4 for Landry and Gabi respectively. The following accounts were captured for the year ended 31 December 2019.

Particulars	FRW (000)	FRW (000)
Sales		<b>2,150,000</b>
Opening stock	279,000	
Purchases	971,000	
Closing stock	(486,000)	
Cost of sales		<b>(764,000)</b>
<b>Gross profit</b>		<b>1,386,000</b>
Administrative expenses	81,000	
Finance expenses	326,000	
Staff costs	380,120	

Selling and distribution	352,000	
Other expenses	69,780	
<b>Total expenses</b>		<b>(1,208,900)</b>
<b>Profit</b>		<b>177,100</b>

**Additional information:**

1. Included in purchases, were the VAT on goods amounting to FRW 110,809,000 the VAT recoverable.
2. Finance expenses included interest on partner's capital as follows:

<b>Name</b>	<b>FRW (000)</b>
Landry	37,800
Gabi	32,500
<b>Total</b>	<b>70,300</b>

3. Staff cost included Landry and Gabi's salary equivalent to FRW 2,000,000 and FRW 3,000,000 respectively.
4. Administration expenses include depreciation of FRW 15,000,000, the capital allowance accepted by the tax administration is FRW 9,500,000.
5. Other expenses include:

<b>Particulars</b>	<b>FRW (000)</b>
Office rent	10,000
Partners Christmas gifts	7,500
Computers repairs	2,500
School fees for partners' kids	6,000
Staff communication allowance	18,000
Provision for doubtful debts	25,780
<b>Total</b>	<b>69,780</b>

**Required:**

Based on the information above, **compute the taxable income and the tax liability for the partnership business and the profit shared to each partner for the year ended 31 December 2019.**

(20 Marks)

**(Total: 20 Marks)**

## QUESTION 15

EGES Ltd, a registered Rwandan company, received an RDB investment certificate in 2020. Located in the Masoro Special Economic Zone within Gasabo District, the company operates in both the road construction and real estate sectors. It began its operations in January 2020 and have purchased the following assets in the same year.

1. Land and office building equivalent to FRW 389,000,000 and 840,000,000 FRW respectively.
2. Office computers are worth FRW 96,800,000.
3. Office Furniture FRW 74,000,000.
4. Three tractors of FRW 450,000,000
5. Heavy Excavators of FRW 2,100,000,000.
6. Motor vehicles of FRW 340,000,000.

During the period of 2021, the company purchased additional tractors worth FRW 415,000,000. In the same year, the company sold computer for FRW 6,000,000.

### **Required:**

**Compute the capital allowances of Moses Engineering Business Group for the years ended 2020 and 2021.**

(20 Marks)

**(Total: 20 Marks)**

**End of Question Paper**

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