CERTIFIED PUBLIC ACCOUNTANT

FOUNDATION LEVEL 2 EXAMINATIONS

F2.4: TAXATION

DATE: MONDAY, 28 NOVEMBER 2022

MARKING GUIDES AND MODEL ANSWERS

QUESTION ONE

Marking Guide

Question	**Details**	**Marks**	**Total Marks**
a	Award 1 mark each point explained regarding to taxation period as far as VAT is concerned, Max. 3		**3**
b	**Input VAT**		
	Clothes	0.5	
	Agriculture fertilizers	0.5	
	Processed rice	0.5	
	Processed milk in Rwanda	0.5	
	Wines and bears	0.5	
	Computers and software	0.5	
	Telephone expenses	0.5	
	Electricity	0.5	
	Fuel	0.5	
	Minerals from local market	0.5	
	Watches	0.5	
	School books	0.5	
	Credit note	0.5	
	Output VAT		
	Clothes	0.5	
	Agriculture fertilizers	0.5	
	Processed rice	0.5	
	Processed milk in Rwanda	0.5	
	Wines and bears	0.5	
	Computers and software	0.5	
	Supply of Minerals to the central bank	0.5	
	Watches	0.5	
	School books	0.5	
	Debit note	0.5	
	Unrecorded sales	0.5	
	Bad debt	0.5	
	Computing Proportionate VAT with workings 0.5 Marks, Max 1 Marks	1	
	Computing the VAT Payable 0.5 marks Max	0.5	
	Total		**14**
c	**Condition to claim input VAT on Pre-registration**		
	Each point explained 1 mark, Max, 3 marks		**3**
	Total Marks		**20**

Model Answer

(a)

Taxation Period

The taxation period for the supply of goods and services is the earliest of one of the following:

i. The date on which the invoice is issued;

ii. The date on which payment of goods and services, including a partial payment is made. However, this Paragraph does not concern the advance payment made to the constructors who later reimburse it by deducting it from the invoices presented to the client;

iii. The date on which goods are either removed from the premises of the supplier or when they are given to the recipient.

(b)

Input Value Added Tax

Items	**Exempted**	**Zero rated**	**Standard rated**	**Input VAT (18/118)**
	FRW	**FRW**	**FRW**	**FRW**
Clothes	-	-	25,590,500	3,903,636
Agriculture fertilizers	9,657,800	-	-	-
Processed rice	-	-	15,821,100	2,413,388
Processed milk in Rwanda	8,769,900	-	-	-
Wines and bears		-	12,345,090	1,883,149
Computers and software	21,234,540	-	-	-
Telephone expenses	-	-	1,675,000*40%	102,203
Electricity	-	-	2,341,800*40%	142,890
Fuel	3,500,000	-	-	-
Minerals from local market	-	4,870,000	-	0
Watches	-	-	2,400,000	366,102
School books	3,100,000	-	-	-
Credit note	-	-	(2,340,000)	(356,949)
Input VAT				**8,454,419**

Proportionate Input VAT=Unportioned Input VAT*Taxable Sales/Total Sales

Unportioned Input VAT in FRW	**Taxable Sales in FRW**	**Total Sales in FRW**	**Allowable Input VAT in FRW**
A	B	C	D=A*(B/C)
8,454,419	82,100,000	139,611,900	4,971,695

Output Value Added Tax

Items	Exempted	Zero rated	Standard rated	Total Sales	Output VAT=Standard rated*18%
	FRW	**FRW**	**FRW**	**FRW**	**FRW**
Clothes	-	-	19,870,000	19,870,000	3,576,600
Agriculture fertilizers	12,450,000	-	-	12,450,000	-
Processed rice	-	-	34,500,000	34,500,000	6,210,000
Processed milk in Rwanda	11,450,900	-	-	11,450,900	-
Wines and bears		-	19,900,000	19,900,000	3,582,000
Computers and software	20,760,500	-	-	20,760,500	-
Supply of Minerals to the central bank	10,450,000	-	-	10,450,000	-
Watches	-	-	8,500,000	8,500,000	1,530,000
School books	2,400,500	-	-	2,400,500	-
Debit note	-	-	(5,450,000)	(5,450,000)	(981,000)
Unrecorded sales	-	-	8,780,000	8,780,000	1,580,400
Bad debt	-	-	(4,000,000)	(4,000,000)	(720,000)
Total	**57,511,900**	**-**	**82,100,000**	**139,611,900**	**14,778,000**

VAT Payable = Output VAT – Input VAT

= FRW 14, 778,000 - FRW 4,971,695 = FRW 9,806,305

(c)

Circumstances where the taxpayer may be allowed to claim pre-Registration Input Tax on goods:

(a) The goods were acquired for the purpose of the business which either was carried on or was to be carried on by him at the time of supply.

(b) The goods have not been supplied onwards or consumed before the date of registration (although they may have been used to make other goods which are still held).

(c) The VAT must have been incurred in the four years prior to the date of registration.

Circumstances where the taxpayer may be allowed to claim pre-Registration Input Tax on Services:

(a) The services were supplied for the purposes of a business which either was carried on or was to be carried on by him at the time of supply.

(b) The services were supplied within the six months prior to the date of registration.

QUESTION TWO

Marking Guide

Question	Description	Marks	Total Marks
(a)	**Computation of taxable income and tax payable**		
	Profit before tax	0.5	
	Add back non allowable expenses:		
	Withholding tax	0.5	
	VAT on imports	0.5	
	Construction steel boards	0.5	
	Purchase of delivery Van	0.5	
	Bad debt	0.5	
	Interest (50%*12,000)	1	
	Communication (20%*6,500)	1	
	Medical contribution	0.5	
	PAYE	0.5	
	Pension contribution	0.5	
	Less overstated closing stock (10/90*150,000)	1	
	Less non allowable incomes		
	Dividend from local company	1	
	Less Interest income	0.5	
	Trading income		
	Add back allowable interest income: (50,000*100/95)	1	
	Business income		
	Less Capital allowances W1	0.5	
	Taxable income		
	Corporate income tax 30%	1	
	Less WHT on imports	0.5	
	Less WHT on Interest (5%*52,632)	1	
	Total	**13**	
	Working on capital allowance 0.5 Mark each, Max 3 Marks	**3**	
	Total		**16**
(b)	Explaining the conditions for bad debt to be allowed. Each point 1 Mark explained. Max 4 Marks and there are 4 conditions		4
	Total Marks		**20**

Model Answer

(a)

Rubavu Steel Rolling Mills limited Computation of Taxable income and corporate income tax payable

Details	**FRW (000)**
Profit before tax	14,000
Add back non allowable expenses	
Withholding tax	30,000
VAT on imports	40,000
Construction steel boards	20,000
Purchase of delivery Van	15,000
Bad debt	12,000
Interest (50%*12,000)	6,000
Communication (20%*6,500)	1,300
Employee's Medical contribution	12,000
PAYE	16,800
Employee's Pension contribution	8,000
	175,100
Less overstated closing stock (10/90*150,000)	(16,667)
	158,433
Less non allowable incomes	
Dividend from local company	(35,000)
	123,433
Less Interest income	(50,000)
Trading income	73,433
Add back allowable interest income (50,000*100/95)	52,632
Business income	**126,065**
Less Capital allowances W1	(68,250)
Taxable income before tax	**57,815**
Corporate income tax 30%	**(17,344.5)**
Less WHT on imports	(30,000)
Less WHT on Interest (5%*52,632)	(2,632)
Net profit after Tax	**7,838.5**

W1 Capital allowances-Method 2					
Capital allowance					
	Building (FRW 000)	**Heavy machines (FRW 000)**	**Compute and Computers (FRW 000)**	**other assets (FRW 000)**	**Total (FRW 000)**
Cost/NBV	220,000	120,000	12,000	40,000	
Additional assets			8,000	50,000	
Dep. Base on accelerated dep. @50%	-	-	-	50,000	
Accelerated Dep.	-	-	-	25,000	**25,000**
Dep base for Normal dep.	220,000	120,000	20,000	65,000	
Dep rate	5%	5%	50%	25%	
Depreciation	11,000	6,000	10,000	16,250	**43,250**
Total					**68,250**

(b) Conditions for bad debt

i. If an amount corresponding to the debt was previously included in the income of the taxpayer;

ii. If the debt is written off in the books of accounts of the taxpayer;

iii. If the taxpayer has taken all possible steps in pursuing payment and has shown a court decision declaring the insolvency of his/her debtor.

iv. However, for an individual whose debt is less than three million Rwandan francs (FRW 3,000,000) in addition to the conditions referred to in points (i) and (ii) may not be considered, the taxpayer must provide proof that he has taken all reasonable steps over a period of three (3) years to recover the debt.

QUESTION THREE

Marking Guide

Question	**Description**	**Marks**	**Total Marks**
(a)	Reasons for having multiple tax system in Rwanda		
	Each point is 2 Marks well explained with a Max of 8 Marks	8	
	Total		**8**
(b)	Explaining the qualities of a good tax system		
	Each explained point is 1.5 marks with a Max of (12 marks)	12	
	Total		**12**
	Total Marks		**20**

Model Answer

(a)

Reasons for having multiple taxes in Rwanda taxation system:

1. **Revenue predictability:** To enable them have a high degree of confidence in the tax revenue figure used in the budget.

2. **Revenue stability:** Government needs some assurance that tax revenues will be stable enough to fund required spending. E.g., during economic recession with unemployment, government collect less income tax, if government collect other taxes that are not adversely affected by unemployment, it will collect more stable revenues.

3. **Taxpayer considerations**: It helps to ensure some degree of equity in the overall tax system. Horizontal and vertical equity. Another concept is that all who benefit from government services should contribute something toward the costs of government operations.

4. **Economic considerations:** decision in business between investments and spending, this would encourage earning and saving less, which would hurt the economy. Thus, the government tends to rely on income and consumption tax.

(b)

Canon of Equity
This canon stresses that there should be social justice in the allocation of tax burden; normally taxation imposes a burden upon taxpayers. This entails money burden and real burden of taxation which may be direct and/or indirect. The direct money burden of taxation refers to the amount of money that people have to pay as taxes to the government

Canon of Certainty
The tax which an individual has to pay should be certain and not arbitrary. The time of payment, the manner of payment and the amount to be paid, ought to be clear, plain and simple to the contributor, and to every other person

Canon of Convenience
Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it. E.g., VAT is payable on the 15th of every month which is convenient to all taxpayers.

Canon of Economy
This principle suggests that the cost of collecting a tax should not be exorbitant but the minimum. Also, there should be economy in sacrifice involved in the payment of tax by taxpayer. Generally, it supports the principle of minimum aggregate sacrifice in taxation.

Canon of Productivity
This principle states that the tax collected should yield enough revenue for the government but at the same time it should not distort production. The productivity of tax may be observed in two ways

Canon of Diversity
The burden of taxation should be widely distributed on the entire economy without causing much harm to anyone. There has been a controversy over the comparative advantages of single tax and multiple tax systems

Canon of Simplicity
The tax should be easily understood by the taxpayer in its nature, aims, and time of payment, methods and basis of taxation.

Canon of Coordination
In democratic countries like Rwanda, taxes are imposed by the central and the local governments; it is therefore desirable that there should be coordination between different tax authorities.

QUESTION FOUR

Marking Guide

Question	Description	Marks	Total Marks
(a)	Explaining the special tax incentives		
	Each point is 2 marks explained with examples max (10)	10	
	Total		**10**
(b)	Computing the customs tax		
	Computing the CIF	1	
	Computing the import duty	2	
	Computing the excise tax	2	
	Computing WHT	1	
	Computing the VAT	2	
	Computing the total customs tax	2	
	Total		**10**
	Total Marks		**20**

Model Answer

(a)

i. Preferential Corporate Income Tax Rate of Zero Percent (0%)
An international company which has its headquarters or regional office in Rwanda is entitled to a preferential corporate income tax rate of zero percent (0%) if it fulfils the following requirements:

1) To invest the equivalent of at least ten million United States Dollars (USD 10,000,000), in both tangible and intangible assets, in Rwanda;

2) To provide employment and training to Rwandans;

3) To conduct international financial transactions equivalent to at least five million United States Dollars (USD 5,000,000) a year for commercial operations through a licensed commercial bank in Rwanda;

4) To be well established in the sector within which it operates;

5) To use the equivalent of at least two million United States Dollars (USD 2,000,000) per year in Rwanda;

6) To set up actual and effective administration and coordination of operations in Rwanda and perform at least three (3) of the following services in Rwanda:

a) Procurement of raw materials, components or finished products;

b) Market control and sales promotion planning;

c) Information and data management services;

d) Treasury management services;

e) Research and development work;

f) Training and personnel management.

ii. Preferential Corporate Income Tax Rate of Fifteen Percent (15%)

A preferential corporate income tax rate of fifteen percent (15%) is accorded to:

1. A registered investor, exporting at least fifty percent (50%) of turnover of goods and services produced in Rwanda, including business processing outsourcing. This incentive excludes unprocessed minerals, tea and coffee without value addition according to the provisions of this Law.

2. A registered investor undertaking one of the following operations: energy generation, transmission and distribution from peat, solar, geothermal, hydro, biomass, methane and wind. This incentive excludes an investor having an engineering procurement contract executed on behalf of the Government of Rwanda;

3. A registered investor in the sector of transport of goods and related activities whose business is operating a fleet of at least five (5) trucks registered in the investor's name, each with a capacity of at least twenty (20) tons.

4. A registered investor operating in mass transportation of passengers and goods with a fleet of at least ten (10) buses registered in the investor's name, each with a capacity of at least twenty-five (25) seats;

5. A registered investor in the Information and Communication Technology (ICT) Sector with an investment involving one of the following activities: service, manufacturing or assembly. This incentive excludes ICT retail and wholesale trade as well as ICT repair industries and telecommunications;

6. A registered investor operating in the following financial services: global business activities, private equity funds, fund management, wealth management; mutual funds, collective investment schemes, captive insurance schemes, venture capital, and asset backed securities.

This incentive excludes locally oriented fund and wealth management, retail banking and insurance activities.

7. An investor registered in building low-cost housing and upon fulfilling the criteria provided under the instructions of the Minister in charge of housing.

iii. Corporate Income Tax Holiday of Seven Years

A registered investor investing an equivalent of at least fifty million United States Dollars (USD 50,000,000) and contributing at least thirty percent (30%) of this investment in form of equity in the sectors specified below is entitled to a maximum of seven (7) year corporate income tax holiday. The preferred sectors for investment include:

1) Energy projects producing at least twenty-five megawatts (25 MW); This incentive excludes an investor having an engineering procurement contract executed on behalf of the Government of Rwanda and fuel produced energy;

2) Manufacturing;

3) Tourism;

4) Health;

5) Information and Communication Technology (ICT) Sector with an investment involving manufacturing, assembly and service; This incentive excludes communication, ICT retail and wholesale trade as well as ICT repair companies or enterprises and Telecommunications;

6) Export related investment projects;

7) An investor registered in another priority economic sector as may be determined by an Order of the Minister in charge of finance.

iv. Corporate Income Tax Holiday of up to Five (5) Years

Microfinance institutions approved by competent authorities will be entitled to a tax holiday of a period of five years (5 years) from the time of their approval. However, this period may be renewed upon fulfilling conditions prescribed in the Order of the Minister in charge of finance.

v. Exemption of Customs Tax for Products Used in Export Processing Zones

A registered investor investing in products used in Export Processing Zones shall be exempted from customs taxes and duties according to the provisions of customs rules and regulations of the East African Community.

vi. Exemption of Capital Gains Tax

A registered investor shall not pay capital gains tax. However, income derived from the sale of a commercial immovable property shall be included in the taxable income of the investor.

vii. Value Added Tax Refund

The refund of the Value Added Tax paid by investors is made within a period not exceeding fifteen (15) days upon receipt of the relevant documents by the tax administration authority.

viii. Immigration Incentives

1) A registered investor and his/her dependants shall be issued with a residence permit in accordance with relevant laws.

A registered investor who invests an equivalent of at least two hundred and fifty thousand United States Dollars (USD 250,000) may recruit three (3) foreign employees without necessarily demonstrating that their skills are lacking or insufficient

(b)

Particular	**Value in USD**	**Exchanged rate**	**Amount FRW**
Free on board	30,000	1,010	30,300,000
Transport	2,500	1,010	2,525,000
Insurance	1,200	1,010	1,212,000
CIF	**33,700**	**1,010**	**34,037,000**
Import duty = (CIF * rate) = (34,037,000*25%)			**8,509,250**
Excise tax (CIF +Import duty) *rate			42,546,250
Excise tax at 10%			**4,254,625**
WHT (CIF * rate) (34,037,000*5%)			**1,701,850**
VAT = CIF +import duty +Excise tax + Port charges			
Port charges = (50,000*10)			**500,000**
Custom value for VAT			47,300,875
VAT = (18% *47,300,875)			**8,514,157.50**
Total customs tax to be paid at customs			**23,479,882.50**

QUESTION FIVE

Marking Guide

Question	Description	Marks	Total Marks
	Computation of taxable income and tax payable		
	Computation of cost of the work completed 1 mark Max 1	2	
	Computation of percentage of completion 1 mark Max 1	1	
	Computing the taxable income and tax payable		
	Particulars		
	Revenue (12%*300,000,000)	1	
	Less allowable expenses	-	
	Purchase of raw materials	1	
	Salaries and wages	1	
	Utilities	1	
	Technical fees W1	1	
(a)	Communication	1	
	Fuel	1	
	Interest W2	1	
	Marketing	1	
	Directors' remuneration	1	
	Total expenses	-	
	Business profit	-	
	Less capital deduction W3	1	
	Taxable business profit	1	
	Working technical fees	1	
	Working on interest	1	
	Working on Capital deduction	1	
	Total		**18**
(b)	Explaining the tax loss at the end of contract 2 marks	2	
	Total		**2**
	Total Marks		**20**

Model Answer

(a)

Computation of taxable income and tax payable

Determining the total cost of the work completed

Particulars	**Amounts FRW (000)**
Purchase of Machines	6,700,000
Purchase of Trucks	2,400,000
Purchase of raw materials	5,800,000
Salaries and wages	4,654,300
Utilities	310,500
Technical fees (i)	1,899,900
Communication	2,300,000
Fuel	4,430,000
Interest (ii)	2,034,090
Fines by REMA	200,000
Marketing	290,000
Directors Remuneration	1,500,000
Total cost	**32,518,790**
Estimated cost	**265,000,000**

Percentage of completion = $\frac{\text{Cost of the work certified}}{\text{Estimated costs}}$*100

Percentage of completion = $\frac{32,518,790*100}{265,000,000}$ **12%**

Computation of the taxable income and tax payable for the ended 31 December 2021

Particulars	**Amount FRW (000)**
Revenue (12%*300,000,000)	36,813,725
Less allowable expenses	
Purchase of raw materials	(5,800,000)
Salaries and wages	(4,654,300)
Utilities **(Assumed that all were for business)**	(310,500)
Technical fees W1	(736,275)
Communication **(Assumed that all were for business)**	(2,300,000)
Fuel	(4,430,000)
Interest W2	(1,600,000)
Marketing	(290,000)
Directors' remuneration	(1,500,000)
Total expenses	**(21,621,075)**
Business profit	**15,192,650**
Less capital deduction W3	(935,000)

Taxable business profit	**14,257,650**
Corporate income tax 30%	**4,277,295**

W1 Technical fees	**FRW (000)**
Amount paid	1,899,000
Amount allowed (2%*36,813,725)	736,275

W2 Interest	**FRW (000)**
Amount paid	2,340,900
Interest allowed (4,000,000*4) *10% (Thin capitalization)	1,600,000

W3 Capital Deduction			
Assets	**Amount FRW (000)**	**Dep Rate**	**FRW (000)**
Machines	6,700,000	5%	335,000
Motor vehicles (Trucks)	2,400,000	25%	600,000
Depreciation			**935,000**

(b) Loss at the end of the contract

The loss at the end of the long-term contract can be carried forward to offset the future profits or it can be carried backward to offset the previously reported profits.

QUESTION SIX

Marking Guide

Question	Computation of capital allowances/Deductions	Total Marks
	Computation of capital allowances for 2018	
	Each transaction is 0.5 Mark max 5	**5**
	Note: Marks are only awarded to accelerated depreciation and depreciation	
	Computation of Capital allowances for 2019	
	Each transaction is 0.5 Mark Max 7	**7**
	Note: Marks are awarded to accelerated depreciation, depreciation base and depreciation	
	Computation of Capital allowances for 2020	
	Each transaction is 0.5 Mark Max 8	**8**
	Note: Marks are awarded to accelerated depreciation, depreciation base and depreciation	
	Total Marks	**20**

Model Answer

Details	**Land**	**Buildings**	**Heavy machines**	**ICT Equip 11 years**	**Comp & Acc**	**Other assets**	**Capital allowances**
	FRW (000)	**FRW (000)**	**FRW (000)**	**FRW (000)**	**FRW (000)**	**FRW (000)**	**FRW (000)**
2018, cost	800,000	1,500,000	3,000,000	200,000	25,000	350,000	
Acc Dep at 50%		750,000	1,500,000	100,000	0	175,000	**2,525,000**
Dep Base	0	1,500,000	3,000,000	100,000	25,000	175,000	
Dep rate		5%	5%	10%	50%	25%	
Depreciation		75,000	150,000	10,000	12,500	43,750	**247,500**
WDV/NBV 31/12/2018	800,000	675,000	1,350,000	90,000	12,500	131,250	
2019 cost/WDV	800,000	1,500,000	3,000,000	90,000	12,500	131,250	
New assets					25,000	149,000	
Acc Dep 50%					0	74,500	**74,500**
Dep base	0	1,500,000	3,000,000	90,000	37,500	205,750	
Dep rate		5%	5%	10%	50%	25%	

Depreciation	-	75,000	150,000	9,000	18,750	51,438	**304,188**
WDV 31/12/2019	800,000	600,000	1,200,000	81,000	18,750	154,313	
2020 Cost/WDV	800,000	1,500,000	3,000,000	81,000	18,750	154,313	
New assets		245,000	300,000				
Acc. Dep 50%		122,500	150,000				**272,500**
Disposal					-6,000	-27,000	
Depreciation base	0	1,745,000	3,300,000	81,000	12,750	127,313	
Depreciation rate		5%	5%	10%	50%	25%	
Depreciation	-	87,250	165,000	8,100	6,375	31,828	**298,553**
WDV 31/12/2020	800,000	635,250	1,185,000	72,900	6,375	95,484	
Total capital allowance							**3,449,741**

QUESTION SEVEN

Marking Guide

Question	Description	Marks	Total Marks
(a)	Explaining the circumstances where the taxpayer may be audited more than once in a given tax period (2 marks for each, Max 8 marks)	8	
	Total		**8**
(b)	Explaining the burden of proof		
	Burden of proof for tax administrator 1 mark each Max	3	
	Burden of proof for taxpayer 1 mark each Max	3	
	Total		**6**
c.i)	i. Quarterly prepayments		
	Computing the quarterly prepayments 0.5 Marks Max	0.5	
	Showing the quarterly declaration dates 0.5 Marks Max	1.5	
	Total		**2**
c.ii)	ii. Computing the fines and penalties		
	Fixed fine for late declaration 0.5 Mark	1	
	Penalty for late payment 1.5 marks	1.5	
	Interest for late payment 1 Mark	1	
	Total penalties 0.5 mark	0.5	
	Total		**4**
	Total Marks		**20**

Model Answers

(a)

Circumstances where the taxpayer may be audited more than once in a given tax period

i. Complicity of the taxpayer and the tax auditor to evade taxes or commit any other act intending to non-payment of required tax,
ii. If the first audit was based on forged documents; If the tax officials discover that the first audit was based on forged documents, a new audit will be initiated,
iii. If the first audit was issue-oriented and the Tax administration wants to conduct a comprehensive audit,
iv. When the Commissioner General cancels the first audit based on appeal: The commissioner general may cancel the first audit basing on the new evidence discovered during the appeal procedure and thus instruct a new audit to be conducted.

(b)

Burden of Proof

Burden of Proof lies with the Tax Administration

The burden of proof lies with the Tax Administration when:

i. Rectifying tax declaration of the taxpayer;

ii. Indicating the method of proof based on signs and indications of prosperity;

iii. It applies for permission from provincial or City of Kigali Prosecutor to ask questions from a person bound by professional secrecy.

iv. Applying to the Provincial or City of Kigali Prosecutor for search warrant.

Burden of Proof lies with the Taxpayer

The burden of proof lies with the taxpayer when:

i. The Tax Administration conducts a tax assessment without notice;

ii. The taxpayer starts an appeal procedure to correct an unintentional error in tax declaration;

iii. The taxpayer wants to disprove the content of an affidavit.

(c)

i. Computing the quarterly prepayments and stating the dates of declaration

Particulars	**Amount FRW**
Tax Liability	26,000,000
Quarterly prepayments (25%)	**6,500,000**
Or (26,000,000/4)	
Declaration dates	
First quarter	30/6/2021
Second quarter	30/9/2021
Third quarter	31/12/2021
Final declaration	31/3/2022
ii. Fines and penalties	
Fixed fine for late declaration	300,000
Penalty for late payment (40%*6,500,000)	2,600,000
Since She did not exceed 60 days	
Interest for late payment (6,500,000*1.5%*2)	195,000
Total penalties	**3,095,000**

END OF MARKING GUIDE AND MODEL ANSWERS