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## **CERTIFIED ACCOUNTING TECHNICIAN**

### **STAGE 3 EXAMINATIONS**

#### **S3.3: TAXATION**

**DATE: FRIDAY 29, AUGUST 2025**

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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. Show all your workings and assumption if any.
8. 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 Rwanda Revenue Authority's electronic system is used by taxpayers to declare Corporate Income Tax (CIT)?**

- A Electronic Tax system (E-tax)
- B Rwanda Electronic Single Window (RESW)
- C Electronic Billing Machine (EBM)
- D Rwanda Local Government Management System (RLGMS)

**(2 Marks)**

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### **QUESTION TWO**

LG Construction Company Ltd was awarded a contract to construct the road from Gatuna to Musanze. The contract started in 2021 and ended in 2024. The following is the profit or loss earned throughout the contract period:

Description	2021	2022	2023	2024
	FRW'000'	FRW'000'	FRW'000'	FRW'000'
Profit or Loss	50,000	10,000	45,000	(80,000)

**What amount of profit or loss did LG Construction Company Ltd record at the end of the contract term, as far as tax on long-term contracts is concerned?**

- A FRW (80,000)
- B FRW 25,000,000
- C FRW 105,000,000
- D FRW (35,000,000)

**(2 Marks)**

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### **QUESTION THREE**

**Which of the following statements is/are true in relation to losses incurred on business activity?**

1. The unrelieved loss is carried backward to be offset against taxable business profits of the previous five tax periods, with losses from earlier years used in priority to losses from later years.
  2. If 50% of the shares in any company change hands (directly or indirectly) in a tax period, the company is no longer allowed to carry forward its trade losses.
- A Both statements are true
  - B Both statements are false
  - C Statement 1 is true, while Statement 2 is false
  - D Statement 1 is false, while Statement 2 is true

**(2 Marks)**

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#### **QUESTION FOUR**

**Which of the following statements is/are true regarding the tax implication due to resident?**

1. Rwandan resident individuals and companies are liable to Rwandan taxes on their worldwide taxable sources of income.
  2. Non-resident persons pay tax on income derived from Rwanda and their country of origin, including income from the activities of Rwandan permanent establishments, in the case of companies.
- A Both statements are false  
B Both statements are true  
C Statement 1 is true while statement 2 is false  
D Statement 1 is false while statement 2 is true

**(2 Marks)**

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#### **QUESTION FIVE**

Migambi Holding Company sold one of its immovable properties located in Nyanza for FRW 250,000,000 in December 2024. The property had a net book value of FRW 190,000,000. Additionally, the company incurred a commission fee of FRW 3,000,000 and notary fees of FRW 300,000.

**What amount of capital gains tax is Migambi Holding Company required to pay as a result of the sale of this immovable property?**

- A FRW 17,010,000  
B FRW 3,000,000  
C FRW 2,835,000  
D FRW 18,000,000

**(2 Marks)**

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#### **QUESTION SIX**

If the exchange rate at the date of the original transaction differs from the exchange rate at the end of the tax period, the item must be retranslated using the closing exchange rate. This results in either an exchange gain or loss. The relevant exchange rates to use are those published by the competent institution.

**Which of the following institutions is recognized as the competent authority for publishing exchange rates to be used in foreign exchange transactions?**

- A Association of Forex Bureaus  
B The bank where you opened an account  
C Rwanda Stock Exchange  
D National Bank of Rwanda

**(2 Marks)**

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### QUESTION SEVEN

**Which of the following conditions is NOT a justification for claiming relief for bad debt of FRW 3,500,000?**

- A The amount has previously been included in the taxable income of the taxpayer.
- B The debt has been written off in the accounts of the taxpayer.
- C The taxpayer has taken all reasonable steps to recover the debt, and the debtor has been declared insolvent by a court decision.
- D The taxpayer must show that the amount was previously included in taxable income, has been written off in the accounts, and that recovery efforts have been made over a period of at least three years.

**(2 Marks)**

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### QUESTION EIGHT

ABC Ltd, a subsidiary of ABC Ltd Kenya, received products in May 2025 from its parent company at a cost of FRW 15,500,000. However, if the same products had been purchased locally, the cost would have been FRW 20,000,000.

**What amount should be considered as the cost of the product for tax purposes, as per Rwanda Revenue Authority (RRA) transfer pricing rules?**

- A FRW 15,500,000
- B FRW 20,000,000
- C FRW 4,500,000
- D FRW 0

**(2 Marks)**

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### QUESTION NINE

Hello Co Ltd purchased a building during the tax period for FRW 40,000,000 in the year ended 31<sup>st</sup> December 2024. An investment certificate was applied for and granted by the Rwanda Development Board (RDB) in 2023. The building is mainly used as retail premises, but it also includes living accommodation above the shop that is used by one of the directors.

**What is the maximum annual capital allowance for ended 31<sup>st</sup> December 2024 that can be claimed by Hello Co., Ltd in relation to this building?**

- A FRW 2,000,000
- B FRW 22,000,000
- C FRW 1,600,000
- D FRW 17,600,000

**(2 Marks)**

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### QUESTION 10

**Which of the following entity is not liable for corporate income tax?**

- A Partnership entities.
- B Government enterprises (commercial public institution).
- C Development Bank of Rwanda (BRD).
- D Co-operative societies.

**(2 Marks)**

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## **SECTION B**

### **QUESTION 11**

a) XYZ Ltd started its business in the year ended 31<sup>st</sup> December 2024, and an investment certificate was issued by the Rwanda Development Board in 2023. During the year, the company purchased the following assets:

- Commercial building: FRW 80,000,000
- Two motor vehicles: FRW 60,000,000
- Heavy machinery: FRW 70,000,000
- 30 computers: FRW 54,000,000
- Where applicable, Exchange rate of 1USD=FRW 1,000 was used.

**Required:**

- i) **Calculate the investment allowance XYZ Ltd will claim from the Tax Administration.**  
(4 Marks)
- ii) **Explain the effect on the investment allowance if XYZ Ltd sells its building in 2026.**  
(2 Marks)

b) A withholding tax (WHT) is a tax deducted at source by an entity making a payment. It is collected by that entity and remitted to the tax administration on behalf of the recipient. In Rwanda, withholding taxes apply to payments related to imports, public tenders, services, dividends, interest, and other categories. The standard withholding tax rate is 15%, unless an exception or reduced rate is applicable.

**Required:**

**List the exceptions where a reduced rate or nil withholding tax (15%) applies to dividends.**  
(4 Marks)  
**(Total: 10 Marks)**

### **QUESTION 12**

Isooko Ltd generated a taxable income of FRW 120,000,000 for the year ended 30<sup>th</sup> June 2023. The change of tax period was approved by the Minister of Finance and Economic Planning following Isooko Ltd's request to change the tax period ended 31<sup>st</sup> December to 30<sup>th</sup> June in order to harmonize with the tax calendars of its branches located outside the country.

**Required:**

- a) **Indicate the due date to file and declare the income tax return for the tax period ending 30<sup>th</sup> June 2023.**  
(2 Marks)
- b) **Compute the quarterly instalment prepayments for the subsequent tax period, and indicate the due dates for each instalment in accordance with Rwandan tax law.**  
(8 Marks)  
**(Total: 10 Marks)**

## **SECTION C**

### **QUESTION 13**

a) Muhire invested in a rental business, which he operated from 1<sup>st</sup> January to 30<sup>th</sup> June 2024, renting out two harvest machines at FRW 500,000 per machine per month. The machines were purchased using a 10% loan of FRW 5,000,000 from a commercial bank in Rwanda, which was the cost.

Starting 1<sup>st</sup> July 2024, Muhire registered a company named M Rental Company Ltd, under which he stopped renting out machines and began renting out a building at FRW 800,000 per month. The building had been acquired using the rental income generated from the machines and proceeds from disposal of the machines during the previous six months.

**Required:**

**Compute the total tax liability arising from the rental property of Muhire (individual business) and M Rental Company Ltd (company) for the year ended 31<sup>st</sup> December 2024.**  
(10 Marks)

b) Ubwiza Bank is a commercial bank operating in Rwanda since 2020. During the month of April 2024, the bank paid interest to various depositors and other services as follows:

- On 03<sup>rd</sup> April 2024, it paid FRW 13,500,000 of interest to Mukaneza, who had deposited FRW 234,000,000 for a period of 6 months.
- On 07<sup>th</sup> April 2024, it paid FRW 8,500,000 of interest to Rukundo, who had deposited FRW 150,000,000 for a period of 6 years.
- On 10<sup>th</sup> April 2024, it paid interest equivalent to FRW 300,000,000 to SNL Commercial Bank, located in the United Kingdom.
- On 15<sup>th</sup> April 2024, it paid interest equivalent to FRW 167,000,000 to Ghana Development Bank (GDB). As per Ghana's tax law, GDB is exempted from withholding tax on interest income.
- On 20<sup>th</sup> April 2024, Ubwiza Bank paid FRW 14,000,000 to Mugenzi Transport Service Company Ltd, a company registered in Rwanda that provides transportation services, for transport services rendered to the Bank.

**Required:**

**Calculate the withholding tax that must be declared and paid by Ubwiza Bank on the payments made in April 2024.**  
(10 Marks)  
(Total: 20 Marks)



## QUESTION 14

a) Muganza Co Ltd has been operating since 2015, engaging in the manufacturing of textiles. In 2023, the company expanded its operations by listing on the Rwanda Stock Exchange, and in 2024, it has issued 41% of its shares to the public. Below is the profit or loss account for the year ended 31<sup>st</sup> December 2024.

Description	Note	FRW'000'
Sales		345,200
Cost of sales		(123,800)
<b>Operating profit</b>		<b>221,400</b>
<b>Expenses</b>		
Salary and wages		55,000
Rent		3,500
Electricity	1	1,800
Water bill	1	1,200
Office maintenance		4,500
Office Stationery		7,300
Fuel	2	10,200
Bad debt	3	6,000
Depreciation	4	4,500
50 chairs and tables		10,000
4 staff computers		5,600
2 motor cycles		5,000
Cleaning cost		3,200
Trade license		1,000
Value added Tax	5	24,000
Withholding Tax on Import		14,000
Withholding tax on consultancy services		5,000
<b>Total expenses</b>		<b>161,800</b>
<b>Profit or Loss</b>		<b>59,600</b>

### Additional information:

1. Technical staff reside on the 3<sup>rd</sup> and 4<sup>th</sup> floors of the same building in which Muganza Co Ltd operates. The electricity and water bills paid cover the entire building.
2. Fuel was used in a company vehicle by the Marketing Manager both during and after working hours in his private affairs.
3. The bad debt recorded was a provision for the year ended 31<sup>st</sup> December 2024.
4. Muganza Co Ltd agreed with the Rwanda Revenue Authority (RRA) on a capital allowance of FRW 3,400,000.
5. Value Added Tax was determined based on the balance between input VAT and output VAT, as recorded in the VAT account.

6. Muganza Co Ltd hired an audit firm for FRW 8,600,000 VAT inclusive, and according to the contract, 50% was to be paid by the period ended 31<sup>st</sup> December 2024 and was not treated anywhere.

**Required:**

**Compute the taxable profit of Muganza Co Ltd for the year ended 31<sup>st</sup> December 2024.**  
(15 Marks)

b) Under Rwanda's Income Tax Law, the standard corporate income tax (CIT) rate for companies operating under the real regime is 30%. However, this rate may be reduced in certain situations, primarily as an incentive to promote investment, enhance productivity, and encourage compliance. These reductions are typically provided for under specific conditions outlined by the Rwanda Revenue Authority (RRA) and the Investment Code.

**Required:**

**List five types of companies that may qualify for a 0% corporate income tax rate, provided all other conditions are fulfilled.**  
(5 Marks)

**(Total: 20 Marks)**

## QUESTION 15

a) A direct tax is a tax imposed directly on the income, profits, or wealth of an individual or entity. It is paid directly to the government by the person or organization on whom it is legally imposed, rather than being passed on to another party. This type of tax is governed by tax laws and regulations enacted by the legislature and is non-transferable, meaning the person or entity taxed is the one legally responsible for payment.

**Required:**

**State FOUR (4) categories of direct taxation and SIX (6) sources of personal income in Rwanda.** (5 Marks)

b) Munezero is an accountant at Twiga Ltd, hired after detailed negotiations. During the month of June 2024, Munezero received the following earnings and benefits:

- Basic salary: FRW 700,000.
- Transport allowance: 1/7 of basic salary.
- Housing allowance: 1/7 of basic salary.
- Tender committee allowance: FRW 50,000.
- Communication allowance: FRW 30,000.
- Sick pay: FRW 250,000.
- Annual bonus: FRW 650,000.
- Leave allowance: FRW 450,000.
- Personal gym contribution: FRW 80,000 per month (paid by employer).
- Refund of accommodation fees: FRW 140,000 (related to a meeting in Musanze)
- Monthly payment to personal driver: FRW 45,000 per month (paid by employer on behalf of Munezero)

**Required:**

**Compute the taxable income and statutory deductions from Munezero's June 2024 salary; PAYE (Pay As You Earn), RSSB Pension contribution and Maternity Leave**

(15 Marks)

**(Total: 20 Marks)**

**End of question paper**

