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**CERTIFIED PUBLIC ACCOUNTANT  
FOUNDATION LEVEL 2 EXAMINATIONS  
F2.4 TAXATION  
DATE: MONDAY 24, FEBRUARY 2025  
MARKING GUIDE AND MODEL ANSWERS**

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## QUESTION ONE

### Marking guide

Description	Marks
COST 01/01/2019	1
Accelerated Depreciation rate	1
ALLOW.	1
DEP. VALUE	3
W & T Rate	1
W & T	1
Total Cap ALL.	1
cost/WDV 2020	1
additional assets	1
Accelerated Dep	1
Allowance	1
Dep. Value	1
W & T	1
Total Cap Allow.	1
Cost/ WDV 2021	1
disposal	1
Dep Value	1
W & T	1
<b>Total marks</b>	<b>20</b>

### Model answer

#### Computation for capital allowance for the year ended 31 December 2019, 2020 and 2021

Description	Plant and Machinery	Factory Building	Trucks	Laptop	Software	Office Furniture	Total
<b>2019</b>	<b>FRW'000'</b>	<b>FRW'000'</b>	<b>FRW'000'</b>	<b>FRW'000'</b>	<b>FRW'000'</b>	<b>FRW'000'</b>	<b>FRW'000'</b>
Cost	350,000	250,000	400,000	30,000		12,000	1,042,000
<b>Accelerated Depreciation @50%</b>	<b>175,000</b>	<b>125,000</b>	<b>200,000</b>	<b>-</b>		<b>-</b>	<b>500,000</b>
Depreciation value	350,000	250,000	200,000	30,000	-	12,000	
Depreciation rate	5%	5%	25%	50%	10%	25%	
<b>Depreciation</b>	<b>17,500</b>	<b>12,500</b>	<b>50,000</b>	<b>15,000</b>	<b>-</b>	<b>3,000</b>	<b>98,000</b>
Closing Balance	157,500	112,500	150,000	15,000	-	9,000	
<b>2020</b>							

<b>Description</b>	<b>Plant and Machinery</b>	<b>Factory Building</b>	<b>Trucks</b>	<b>Laptop</b>	<b>Software</b>	<b>Office Furniture</b>	<b>Total</b>
Cost/NBV	350,000	250,000	150,000	15,000	-	9,000	
Additional	120,000	80,000	45,000	-	8,000	-	
<b>Accelerated Depreciation @50%</b>	<b>60,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>
Depreciation Value	470,000	330,000	195,000	15,000	8,000	9,000	
Depreciation rate	5%	5%	25%	50%	10%	25%	
<b>Depreciation</b>	<b>23,500</b>	<b>16,500</b>	<b>48,750</b>	<b>7,500</b>	<b>800</b>	<b>2,250</b>	<b>99,300</b>
Closing Balance	194,000	136,000	146,250	7,500	7,200	6,750	
2021							
Cost/NBV	470,000	330,000	146,250	7,500	7,200	6,750	
Additional	-	-	-	-	-	-	
Disposal	-	-	-	4,000	-	6,000	
Depreciation Value	470,000	330,000	146,250	3,500	7,200	750	
Depreciation rate	5%	5%	25%	50%	10%	25%	
<b>Depreciation</b>	<b>23,500</b>	<b>16,500</b>	<b>36,563</b>	<b>1,750</b>	<b>720</b>	<b>188</b>	<b>79,220</b>
Closing Balance	170,500	119,500	109,688	1,750	6,480	563	

## QUESTION TWO

### Marking guide

<b>Description</b>	<b>Marks</b>
<b>a</b>	
Accounting loss	0,5
Repair and maintenance	1
Tax paid	0,5
Bad debt	1
Income tax	1
Depreciation	0,5
Donation	0,5
Communication	1
Dividend	0,5
Entertainment	0,5
<b>Less:</b>	

Description	Marks
Dividends received	0,5
Agriculture income	1
<b>Add back:</b>	
Dividends received (gross)	0,5
Foreign tax credit	1
<b>b</b>	
Audit postponement	1
Draft rectification note	2
Final rectification note	1
Appeal to the CG	2
Request for amicable settlement	2
Court case	2
<b>Total Marks</b>	<b>20</b>

### Model Answer

#### a) Computation of the taxable income, tax liability and tax payable for the year ending 31 December 2021

Description	Workings	FRW "000"	FRW "000"
Accounting loss			- 139 676
<b>Add back:</b>			
Repair and maintenance		25 000	
Bad debt		2 300	
Income tax		14 000	
Depreciation		-	
Donation		30 000	
Communication	15,000 * 20/100	3 000	
Dividend paid		8 000	
Entertainment		5 500	
Total additions		87 800	87 800
<b>Less:</b>			
Dividends received		28 000	
Agriculture income		12 000	
		40 000	- 40 000
Add back:		-	
Dividends received (gross)	28,000 * 100/90	31 111	
		31 111	31 111
<b>ADJUSTED LOSS</b>			- <b>60 765</b>
Foreign tax credit			3 111
WHT on importations			14 000
<b>NET TAX CREDIT</b>			<b>17 111</b>

b) Before starting a tax audit, RRA informs the taxpayer in writing, at least seven (7) working days before conducting an audit. In audit notice RRA informs the taxpayer of the audit to be conducted, the place where the audit is to be conducted and the possible duration of the audit, any document required to be audited or any information required.

Kalisa has the right to request a postponement of the audit, as the law provides that 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.

After the 7-day period stipulated in the audit notice has expired or the 30-day period has expired if the taxpayer has requested an extension, the RRA team goes to the field to conduct a thorough analysis of the taxpayer's tax compliance status. The field audit is concluded by the draft rectification note, containing details of all irregularities found and corresponding additional taxes if any. The taxpayer has the right to give his or her written opinion on the draft rectification note within thirty (30) days. He or she may also submit to Tax Administration additional evidence or explanations to indicate that the rectification is incorrect. In responding to the draft note for rectification, the taxpayer may request to provide additional explanations orally. When explanations provided by the taxpayer reveal new information that leads to an increase of the tax assessed or to a new tax previously not assessed, the Tax Administration issues a new draft note for rectification. In such case, the taxpayer is granted other thirty (30) days to provide explanations.

The Tax Administration issues to the taxpayer the final note for rectification alongside tax assessment notice when a period of thirty (30) working days has expired without any reaction of the taxpayer to the draft note for rectification, or after the Tax Administration has considered the explanations of the taxpayer on the draft note for rectification. The final note for rectification provides reasons of rejection of explanations provided by the taxpayer and how the new tax was calculated.

A taxpayer who is dissatisfied with the contents of the tax assessment notice appeals to the Commissioner General within a period not exceeding thirty (30) days from the day of receipt of the tax assessment notice. The Commissioner General makes a decision on the appeal in a period not exceeding sixty (60) days from the date of receipt of the appeal and communicates it to the taxpayer in writing. In case no decision is made by the Commissioner General within this period, the appeal is assumed to be valid.

A taxpayer who is dissatisfied with the decision of the Commissioner General, may request for an amicable settlement. If the two parties cannot resolve the dispute amicably, the taxpayer may file a case to the court within a period not exceeding thirty (30) days from the date both parties fail to reach an amicable solution. A taxpayer who is dissatisfied with the decision of the Commissioner General may also file a case to the competent court within thirty (30) days from the receipt of the decision of the Commissioner General, on the request for amicable settlement.

### QUESTION THREE

#### Marking guide

Description	Marks
<b>a</b>	
Transit Documentation	3
Customs Operations on Transits	4
Transit Guarantees (Change of Destination and Re-routing of T1	3
Trans-shipment	3

<b>Description</b>	<b>Marks</b>
<b>b</b>	
Bonded warehouse	2
public bonded warehouses	2
goods that are not allowed to be stored (1 mark per 1 type max 3)	3
<b>Total marks</b>	<b>20</b>

## **Model Answer**

**a)**

### **Transit Documentation**

Documentation is handled by a clearing agency acting on behalf of importers or exporters. Clearing agencies submit transit declarations (IM 8) to Customs through either the Bureau or Remote DTI. Careful attention is required when completing these forms, particularly in accurately indicating the destination country and exit office. Registered transit declarations, along with supporting documents, are submitted to Customs through the Acceptance desk and follow the approved Declaration Processing Path.

#### **Customs operations concerning transits involve several steps:**

- i. Customs review the documentation to determine the correct bond amount to be charged and generate a Transit document (T1) from the lodged declaration by the Clearing Agent, provided it meets all entry examination requirements.
- ii. The transit document (T1) consolidates information from the IM8 declaration and serves as the official record of the transit transaction.
- iii. Upon generation, all necessary fields on the T1 are completed, it is registered, and a T1 registration number with serial D is issued.
- iv. Customs automatically debit the Transit bond account of the clearing agency upon registration of the Transit document (T1).

### **Transit Guarantees:**

#### **Change of Destination and Re-routing of T1**

This customs procedure allows goods in transit to change their destination office. This change is permitted upon application using an approved customs form by the importer or their clearing agent. If the reason for change is deemed valid, the destination office can be electronically rerouted.

In cases where a truck uses the wrong exit or clearance office, the T1 can be rerouted to the correct destination after fulfilling all necessary formalities.

**Re-routing of T1s:**

Applies only once per T1.

Is applicable only to T1s that have not yet been validated at the initial destination office.

**Trans-shipment:**

This customs procedure involves transferring goods under customs supervision from one means of transport (vehicle) to another.

Goods may not be unloaded or transhipped from their transport means without written authorization from customs and under the supervision of Customs officers. Unloading or transshipment must comply with Customs' specified conditions and legal provisions.

Upon completion of the trans-shipment process, a new seal is affixed to the truck's documents by customs.

**b) i)** A bonded warehouse is a facility approved and controlled by the customs authorities, where goods can be stored in accordance with current regulations.

A public bonded warehouse is a facility, including its buildings and equipment, or an area designated for the storage of goods warehoused by any person and approved for this purpose by the customs authorities

ii) The following goods may not be stored in a public bonded warehouse:

- All acids which may constitute a danger to personnel or goods placed in the bonded warehouse.
- in the bonded warehouse;
- Weapons, military explosives and fireworks;
- Chalk;
- Cement;
- Dried fish;
- chemical and sulfur matches
- Fertilizers.
- Salt;
- Live animals.
- Prohibited goods.
- Perishable goods;
- Combustible or flammable goods, with the exception of petroleum products, which must be stored in approved premises;
- Any other goods that customs may publish in the official gazette.

## QUESTION FOUR

### Marking guide

Description	Marks
<b>a)</b>	
CIF	1
Import Duty	2
Excise Duty	1
WHT	1
VAT	1
IDL	1
QIF	1
AUL	1
Computer processing fees.	1
<b>b)</b>	
Free port:	2
Free port Authority:	2
Free port zone:	2
Control of goods entering free zones (1 mark each max 4)	4
<b>Total</b>	<b>20</b>

### MODEL ANSWER

a)

Descriptions	USD	Exchange rate	FRW
Cost	20,000	1,000	20,000,000
Insurance	5,000	1,000	5,000,000
Freight	5,000	1,000	5,000,000
CIF			30,000,000
Import duty			7,500,000
Excise duty			3,750,000
Handling charges	1,000	1,000	1,000,000
VAT @18%			7,605,000
IDL @ 1.5%			450,000
AUL @ 0.2%			60,000
WHT@5%			1,500,000
QIF @ 0.2%			40,000
Computer processing fees			3000
<b>Total</b>			<b>20,908,000</b>



b)

### **Answer**

#### **Free port:**

A designated area within a partner state's customs control where imported goods, exempt from duties, are organized for commercial purposes.

#### **Free port Authority:**

The entity authorized by national legislation in a partner state to establish, manage, and oversee facilities related to a free port.

#### **Free port zone:**

An allocated area managed by the free port authority where goods brought into this area are generally considered, for customs duty purposes, as being outside the customs territory.

#### **Control of goods entering free zones**

- i. All goods destined to enter a free zone via the customs territory must be declared and the carrier must provide a bond.
- ii. To control the movement of goods, the free zone operator must keep accurate records, which may include registers, relevant declarations and digital records. Customs authorities have the right to enter the premises of an approved entity within a free zone in order to inspect goods, carry out audits and physically check goods, if this is necessary to avoid loss of revenue.
- iii. Customs authorities may request a licensee to provide any information relating to its activities in the free zone.
- iv. Entry to or exit from a free zone by individuals or vehicles must be through designated points, respecting specified security protocols and opening hours.
- v. Customs authorities reserve the right to carry out random checks and to search any person or vehicle entering or leaving a free zone.

### **QUESTION FIVE**

#### **Marking guide**

<b>Descriptions</b>	<b>Marks</b>
Basic Salary	1
Communication Allowance	1
Overtime allowance	1
Housekeeper allowance	1
Medical insurance (Excess)	1
Reimbursement	1
Child treatment fee in Uganda	1
Total Cash allowance	
Benefits In kind	
Car Benefit @ 10%	2.0

<b>Descriptions</b>	<b>Marks</b>
Housing benefits	2
Loan benefit	2.0
<b>Total Benefits in Kind</b>	
Other income	
Consultant Income from Ministry of Health (Gross)	2
Total Taxable Employment Income	
Tax liability	
1-360,000	0.5
360,001-1,200,000	0.5
Above 1,200,000	0.5
Total	
Tax Payable	
Tax liability	1
Less withholding tax on consultant	1
Less PAYE	1
Total	20

### Model Answer

Annual taxable employment Income of Mukamana Erica		
Description	Monthly Income (FRW)	Annual
Basic Salary	800,000	9,600,000
Communication Allowance	120,000	1,440,000
Overtime allowance	50,000	600,000
Housekeeper allowance	40,000	480,000
Medical insurance (Excess)	40,000	480,000
Reimbursement		Exempted
Child treatment fee in Uganda		2,500,000
<b>Total Cash allowance</b>		<b>15,100,000</b>
<b>Benefits In kind</b>		
Car Benefit @ 10%		1,510,000
Housing benefits	$(15,100,000 \times 20\% - (250,000 \times 12))$	20,000
Loan benefit	$(8.5\% - 2\%) \times 12,000,000$	780,000

<b>Total Benefits in Kind</b>		<b>2,310,000</b>
Other income		
Consultant Income from Ministry of Health (Gross)		12,371,134
<b>Total Taxable Employment Income</b>		<b>29,781,134</b>
Tax liability		
1-360,000	0%	-
360,001-1,200,000	20%	168,000
Above 1,200,000	30%	8,574,340
<b>Total</b>		<b>8,742,340</b>
Tax Payable		
Tax liability		8,742,340
Less withholding tax on consultant		371,134
Less PAYE	150,000	1,800,000
Tax payable		6,571,206

#### Working 1: Loan Interest Benefit

Particulars	Workings	Amount in FRW	Amount in FRW
Loan	Interest Paid @2%	Interests that should have been paid @8.5%	Corresponding Benefit in Kind
12 000 000	240 000	1 020 000	780 000

## QUESTION SIX

### Marking guide

Particulars	Marks
Net profit	1
Add back:	
Depreciation	1
Partners salary	
Eric	1
Emmanuel	1
Charles	1
Interest on capital:	
Eric	1
Emmanuel	1
Charles	1
Provision for bad debt	1
Repair and maintenance	1
<b>Dividend (Net)</b>	1
Allowable capital allowance	1
Gross dividend income	1
<b>Total Taxable Income</b>	
<b>Tax liability (30% of taxable income)</b>	2
<b>Distribution of Profits to Each Partner:</b>	
Salary	1.5
Capital Interest	1.5
Profits to 30th September	1
Profits from 01st October	1
<b>Total Marks</b>	<b>20</b>

### Model answer

Descriptions	Amount	Amount
<b>Profit Before tax</b>		<b>58,700,000</b>
Add back non allowed expenses		
Office furniture	600,000	
Bad debts	2,000,000	
Depreciation	3,500,000	
<b>Salaries for partners</b>		
Eric	6,000,000	
Emmanuel	9,000,000	
Charles	7,000,000	
<b>Interest on capital</b>		
Eric	3,000,000	
Emmanuel	1,500,000	
Charles	2,500,000	
Total Addback		<b>35,100,000</b>
Less:		
Capital allowance		

Descriptions	Amount	Amount
Capital Allowance	- 12,000,000	
Less dividends net received	- 18,000,000	
Add Dividend gross	22,500,000	
<b>Total deduction</b>		<b>- 7,500,000</b>
Taxable income		86,300,000
<b>Tax payable @ 30%</b>		<b>25,890,000</b>
PAT		60,410,000

Distribution of Profits to Each Partner:				
For 9 Months				
Descriptions	Eric	Emmanuel	Charles	Total
Salaries	4,500,000	6,750,000	5,250,000	16,500,000
Interest on capital	2,250,000	1,125,000	1,875,000	5,250,000
Profit share	7,852,500	11,778,750	3,926,250	23,557,500
For 3 Months				
Salaries	1,500,000	2,250,000	1,750,000	5,500,000
Interest on capital	750,000	375,000	625,000	1,750,000
Profit share	3,926,250	2,617,500	1,308,750	7,852,500
<b>Total</b>	<b>20,778,750</b>	<b>24,896,250</b>	<b>14,735,000</b>	<b>60,410,000</b>

## QUESTION SEVEN

### Marking Guide

Descriptions	Marks
Standard purchase	1
Export to UG	1
Standard sales	1
Standard credit sales	1
Accounting fees	1
Purchase of office supplies	1
Internet Bill	1
Telephone expenses	2
Standard credit purchase	1
Provision for bad and doubtful debt	1
Purchases computers	1
Rent for June 2023	1
Legal fees	1
Salaries	1
Debit note	1
VAT reverse charge	1
VAT reverse charge deductible	1
C omputation of VAT payable/Refundable	2
<b>Total</b>	<b>20</b>

### Model Answer

Date	Descriptions	Input VAT (000)	Output VAT (000)
02/06/2023	Standard purchase	2,288	
04/06/2023	Export to UG		Zer rated
06/06/2023	Standard sales		534
09/06/2023	Standard credit sales		1,678
12/06/2023	Accounting fees	534	
15/06/2023	Purchase of office supplies	130	
18/06/2023	Internet Bill	79	
21/06/2023	Telephone expenses	Not allowed (Personal)	
24/06/2023	Standard credit purchase	275	
27/06/2023	Provision for bad and doubtful debt	Not allowed	
29/06/2023	Purchases computers	Exempted	
30/06/2023	Rent for June 2023	107	
30/06/2023	Legal fees	534	
30/06/2023	Salaries	N/A	
	Debit note	600	
	VAT reverse charge		900
	VAT reverse charge deductible	900	
	<b>Total</b>	<b>5,446</b>	<b>3,112</b>

**VAT Refundable = output VAT – Input VAT**

$$= \text{Frw } 3,112 - 5,446 = (2,334)$$

**End of Marking Guide and Model Answers**