



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.3: TAXATION
DATE: FEBRUARY 2025
MARKING GUIDE AND MODEL ANSWERS**

SECTION A

Marking Guide

Questions	Answer	Marks
1	D	2
2	B	2
3	C	2
4	C	2
5	D	2
6	D	2
7	C	2
8	A	2
9	C	2
10	D	2
Total marks		20

Models Answers

QUESTION ONE

The correct answer is D

Initial purchase price per share	900
Percentage increment (150%)	1.5
Current selling price per share	1350
Capital gain	450
Total shares	1,000,000
Total capital gain	450000000
Withholding tax on gain (5%)	0.05
Capital tax	22500000

A is wrong since it's the total selling revenue (Proceeds) of all the shares and not capital gain tax.

B is wrong since it's the initial purchase cost of the shares not a capital gain tax.

C is wrong since it's the capital gain not capital gain tax.

QUESTION TWO

The correct answer is B

Invested amount	150,000,000
Interest rate (8%)	0.08
Interest receivable	12,000,000
Withholding Tax(15%)	0.15
Withholding Tax (12,000,000*15%)*10/12	1,500,000

A is incorrect since it's the total interest receivable.

C is incorrect since it's considered the period of 12 months (1 year) instead of 10 months.

D is incorrect since it's the sum of total interest payable and withholding tax at 12 months.

QUESTION THREE

The Correct Answer is C

Profit for the year 2023	350,000,000
Correct loss brought forward	215,000,000
Taxable profit	135,000,000
Tax @30%	40,500,000
Profit after tax	94,500,000

A is incorrect because it is the taxable profit after deducting the correct loss brought forward

B is incorrect because it is the profit before tax and before deduction the loss brought forward

D is incorrect because it is the corporation income tax not a profit after tax.

QUESTION FOUR

The correct answer is C

Rent	450,000
Proportion for business(80%)	0.8
Rent-business related	360,000
Telephone cost	50,000
Telephone cost-business (25%)	0.25
Telephone cost-business	12,500
Credit sales	2,000,000
Bad debt proportion	0.05
Bad debt	100,000
Deductible expense	472,500

A is incorrect since it is the total of rent, telephone cost and bad debts that were written off without considering the part of non-allowance.

B is incorrect since it has not considered the bad debt as deductible expense

D is incorrect since it is the total of rent, telephone cost and doubtful debt without considering the part of non-allowance.

QUESTION FIVE

The correct answer is D

Estimated cost to completion		27,000,000,000
Cost to date		
Material	8,000,000,000	
Labor	2,000,000,000	
Overhead	5,000,000,000	
Total cost		15,000,000,000
Percentage of completion (15,000,000,000/27,000,000,000)		56%
Tender price		30,000,000,000
Estimated revenue 30,000,000,000*56%		16,666,666,667
Less total cost to date		15,000,000,000
Taxable profit		1,666,666,667

A is incorrect because it's the total cost spent

B is incorrect because it is the difference between tender price and the estimated cost.

C is incorrect because it's the estimated revenue based on the percentage of completion.

QUESTION SIX

The correct answer is D

Basic pay	800,000
Period in months	12
Annual pay	9,600,000
Car benefit rate(10%)	0.1
Car benefit	960,000
Chauffer annual pay (200,000*12)	2,400,000
Annual non cash benefits	3,360,000

A is incorrect since it is the total annual basic pay

B is incorrect because it's the sum of annual basic pay and car benefit

C is incorrect because it is the total annual driver pay

QUESTION SEVEN

The correct answer is C.

All the three benefits are taxable apart from payments made to RSSB. It is exempt.

QUESTION EIGHT

The correct answer A

Rental income	7,000,000
Allowable rate of expense(10%)	0.1
Allowable expense	700,000
Cost of machine	30,000,000
Tax depreciation rate	0.25
Tax depreciation	7,500,000
Total expense	8,200,000
Loss	(1,200,000)

B is incorrect because it has considered 50% as allowable expenses which makes the taxable loss of (4,000,000) i.e. 7,000,000- (50% of 7,000,000 + tax depreciation of 7,500,000)

C is incorrect because it has considered 50% as taxable profit after deducting 50% as allowable expenses and ignored the tax depreciation and the 50% is applied on immoveable assets.

D is incorrect because it has ignored the allowable expense of 10% and considered only the tax depreciation.

QUESTION NINE.

The correct answer is C

Tender price	45,000,000
VAT rate	18
VAT inclusive rate	118
Tender price exclusive of VAT ($45,000,000 \times 100 / 118$)	38,135,593
Percentage of withholding tax on tenders-Foreigners(15%)	0.15
Withholding tax	5,720,339

A is incorrect since it represents the withholding tax to the tender price (Inclusive of VAT)

B is incorrect because it represents VAT on the tender price.

D is incorrect since it is the withholding tax on VAT

QUESTION 10.

The correct answer is D

Records of the loans and deposits held in the bank is not correct because this can be part of A. the remaining are the records required to be kept by the taxpayer with turnover in excess of FRW 20,000,000.

SECTION B

QUESTION 11

Marking Guide

Correct entry of :	Marks
Monthly salary	0.5
House girl pay	0.5
Errand boy pay	0.5
Overtime allowance	0.5
Communication allowance	0.5
Total	
Motor car benefit (10%)	1
House benefit (20%)	1
Tender committee allowance	1
Notional cost of car's repair and maintenance	1
Total taxable income	
Amount subject to RSSB contribution	1
Employee 3.3%	1
Employer 5.3%	1
Total payment to RSSB	0.5
Total marks	10

Model Answers

	Benefit	Duration	Amount
	FRW	Months	FRW
Monthly salary	3,000,000	8	24,000,000
House girl pay	90,000	4	360,000
Errand boy pay	60,000	4	240,000
Overtime allowance	150,000	8	1,200,000
Communication allowance	100,000	8	800,000
Total			26,600,000
Motor car benefit (10%)	0.1		2,660,000
House benefit (20%)	0.2		5,320,000
Tender committee allowance			450,000
Less notional cost of car's repair and maintenance	70,000	8	(560,000)
Total taxable income			34,470,000

Amount subject to RSSB pension contribution(34,470,000-2,660,000+560,000)			32,370,000
Pension Contribution to RSSB			
Employee 3%	0.033		971,100
Employer 5%	0.053		1,618,500
Total payment to RSSB			2,589,600

QUESTION 12.

Marking guide

	Marks	
Calculation of dividend income	1	
Calculation of correct withholding tax	1	2
Calculation of the correct withholding tax on treasury bill	1	
Stating that it is exempt	1	2
Calculating correct withholding tax on bond	1	
Stating that it is exempt	1	2
Calculating the correct taxable income from gambling	1	
Calculating the correct withholding tax from gambling	1	2
Correct translation	1	
Calculating the correct withholding tax from Mauritius	1	2
Total		10

Model answers

Shares	
Quantity of shares bought	1,000,000
Dividend per share (10%*1350)	135
Dividend income	135,000,000
Withholding tax percentage (15%)	0.15
Withholding tax on dividend.	20,250,000
Capital Gain Tax	
Share price (450000*1350)	607,500,000
Share purchase price (450,000*900)	405,000,000
Capital Gain	202,500,000
Capital Gain tax	10,125,000
Treasury bills	58,000,000
Interest at 8% (58,000,000*8%)	4,640,000
Rate of withholding tax (5%)	0.05
Withholding tax	232,000
Fixed deposit	100,000,000

Interest (10%*100,000,000)*9/12	7,500,000
Rate of withholding tax (exempted)	Exempted
Withholding tax	0
Gambling	
Winning	65,000,000
Bet	50,000,000
Gross income	15,000,000
Allowable deduction	(30,000)
Taxable income	14,970,000
Withholding tax rate (15%)	0.15
Withholding tax	2,245,500
Dividends from Mauritius	
Shares	20,000
Dividend rate (10 cents)	10%
Exchange rate	1,350
Dividends declared (10%*1350*80*20,000)	216,000,000
Withholding tax rate (10%) because of double taxation agreement	0.1
Withholding tax	21,600,000

SECTION C

QUESTION 13

Marking guide

Correct figure for tax depreciation on;	Mark
Building	
Plant and machines	1
Computer accessories	1
Furniture and fittings	1
Machineries-Special	1
Computer software	1
Tax depreciation at the end of year 2022	1
Brought forward	
Land	1
Building	1
Plant and machines	1
Computer accessories	1
Furniture and fittings	1
Machineries-Special	1
Computer software	1
Additions	
Building extension	1
Furniture and fittings	1
Computers and accessories	1
Projectors	1
Photocopier	1
Tax depreciation at the end of year 2023	2
Total marks	20

Model answers

2022 Depreciation											
Description	Land	Building	Plant and Machinery	Machinery (Special)	Computer accessories	Furniture and fittings	Motor vehicle	Computer software	Projector	Photocopier	Total
Cost	200,000,000	150,000,000	250,000,000	100,000,000	10,500,000	30,500,000	15,000,000	13,000,000	-	-	769,000,000
Depreciation Rate	0%	5%	5%	5%	50%	25%	25%	10%	25%	25%	
Depreciation amount 2022	-	7,500,000	12,500,000	5,000,000	5,250,000	7,625,000	3,750,000	1,300,000	-	-	42,925,000
Bal b/f	200,000,000	142,500,000	237,500,000	95,000,000	5,250,000	22,875,000	11,250,000	11,700,000	-	-	726,075,000
2023 Depreciation											
Cost/NBV	200,000,000	150,000,000	250,000,000	100,000,000	5,250,000	22,875,000	11,250,000	11,700,000	0	0	751,075,000
Addition	0	18,000,000	0	0	7,500,000	4,500.00	0	0	1,000,000	2,000,000	28,504,500
Depreciation base	200,000,000	168,000,000	250,000,000	100,000,000	12,750,000	22,879,500	11,250,000	11,700,000	1,000,000	2,000,000	779,579,500
Depreciation Rate	0%	5%	5%	5%	50%	25%	25%	10%	25%	25%	
Depreciation amount 2023	-	8,400,000	12,500,000	5,000,000	6,375,000	5,719,875	2,812,500	1,170,000	250,000	500,000	42,727,375
Bal b/f	200,000,000	159,600,000	237,500,000	95,000,000	6,375,000	17,159,625	8,437,500	10,530,000	750,000	1,500,000	736,852,125

QUESTION 14**Marking guide**

		Marks	Total
	Correct calculations of		
a	Correct management fees	1	
	Excess charged	1	
	Correct technical fees	1	
	Excess charged	1	4
	Total cost in \$	1	
b	Exchange rate	1	
	original invoice cost in FRW	1	
	Retranslated cost	1	
	Retranslated cost in FRW	1	
	Increase in liability (FRW)/ Exchange loss	1	6
c	Sales	0.5	
	Less expenses		
	Rent of office space	0.5	
	Purchase of raw tea	0.5	
	Staff cost (150,000,000-16,415,000-45,000,000)	1	
	Management fee	1.5	
	Exchange loss	1	
	Correct technical fees	2	
	Total costs		
	Profit before tax		
	Tax %30%	1	
	Profit after tax		
	Rate of quarterly payment		
	Quarterly payment	1	
	First prepayment	1	10
Total			20

Model answers

14	(a)	Excess transfer price charged on management fees	
		Staff costs	150,000,000
		Management fees rate	30%
		Management fees charged	45,000,000
			100
			125
		Conversion rate	0.8
		Correct management fees	36,000,000
		Excess charged	9,000,000
		Excess transfer price charged on technical fees	
		Technical fees	60,000,000
			100
			115
		Conversion rate	0.869
		Correct management fees	52,173,913
		Excess charged	7,826,087

14	(b)	Original invoice cost	
		Number of iPhone	5
		Original invoice cost	2,450
		Total cost in \$	12,250
		Exchange rate	1,340
		Original invoice cost in FRW	16,415,000
		Retranslated cost	
		Exchange rate	1,385
		Total cost	12,250
		Retranslated cost in FRW	16,966,250
		Increase in liability (FRW)/ Exchange loss	551,250

14	(c)	Rwanda group limited		
		Profit and loss account for the year ending 31/12/2022		
			FRW	FRW
		Sales		400,000,000
		Less expenses		
		Rent of office space	90,000,000	
		Purchase of raw tea	50,000,000	
		Staff cost (150,000,000-45,000,000)	105,000,000	
		Management fee (2% of the turnover)	8,000,000	
		Exchange loss	551,250	
		Correct technical fees (2% of the turnover)	8,000,000	
		Total costs		261,551,250
		Profit before tax		138,448,750
		Tax %30%		41,534,625
		Profit after tax		96,914,125
		Rate of quarterly payment		25%
		Quarterly payment		10,383,656
		First prepayment	30/06/2024	

QUESTION 15

Marking guide

Item description	Marks
Reported loss	0.5
Add back non allowable expenses	
Purchase of a photocopier software	1
Parking fines	1
Appeal for tax dispute	1
Court expenses for breach of contract	1
Settling a personal dispute with a customer	1
Depreciation	1
Sponsorship to Lion sports	1
Loan repayment	1
Insurance-private	1
Cash embezzled by cashier	1
Value added tax paid to RRA	1
Doubtful debts adjustment	1
Subscription to a political party	1
Donation- allowed because it is below 1% of total revenue	1
Purchase of furniture	1
Total non-allowable expenses	
Less capital allowance	1
Less non Taxable Income	
Capital gain	1
Dividend from BK	1
Unrealized foreign exchange gain	1
Adjusted taxable profit	
Tax liability rate	
Tax liability	0.5
Total	20

Model answers

15	Sungura Limited		
	Adjusted profits or loss for the period ended 31/12/2023		
	Reported loss		-4,785,000
	Add back non allowable expenses		
	Purchase of a photocopier software	3,240,000	
	Parking fines	1,850,000	
	Appeal for tax dispute	Allowed	

Court expenses for breach of contract	250,000	
Settling a personal dispute with a customer	150,000	
Depreciation	700,000	
Sponsorship to Lion sports	1,850,000	
Loan repayment	4,000,000	
Insurance-private	900,000	
Cash embezzled by cashier	3,450,000	
Value added tax paid to RRA	550,000	
Doubtful debts adjustment	1,900,000	
Subscription to a political party	200,000	
Donation- allowed because it is below 1% of total revenue	-	
Purchase of furniture	15,000,000	
Total non-allowable expenses		34,690,000
		29,905,000
Less capital allowance		-7,000,000
Less non Taxable Income		
Dividend from BK		-5,100,000
Unrealized foreign exchange gain		-1,120,000
Total deductions		-13,220,000
Adjusted taxable profit		11,900,000
Tax liability rate		30%
Tax liability		3,570,000

END OF MARKING GUIDE AND MODEL ANSWER