



CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATION
S3.3 TAXATION
DATE: FRIDAY 28, FEBRUARY 2025

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.

SECTION A

QUESTION ONE

Rukundo is a business man in Musanze town and he is classified as a large taxpayer. Rukundo owns a supermarket and a meat eatery that is frequented by many customers from Rusizi. In the year 2010 he diversified his investment by buying 1,000,000 shares of Brixton Ltd, a public company at FRW 900 each. He currently wants to sell all the shares to fund his supermarket expansion project. The market price of each share is 150% above the initial purchase price.

What is capital gain tax payable to the tax authority by Rukundo?

- A FRW 1,350,000,000
- B FRW 900,000,000
- C FRW 450,000,000
- D FRW 22,500,000

(2 Marks)

QUESTION TWO

Alexis Munezero opened an eight percent special interest saving account with bank of Kigali in 2009 by depositing FRW 150,000,000 that will remain fixed for the period of 10 months. The relationship manager advised him that the interest payable is non compounding.

What is the withholding tax amount the bank will deduct in his interest payable?

- A FRW 12,000,000
- B FRW 1,500,000
- C FRW 1,800,000
- D FRW 13,800,000

(2 Marks)

QUESTION THREE

Brixton Limited is a company registered at Rwanda development board and Rwanda stock exchange as an autonomous division of Sophyrwah Limited an Asian pacific island top body lotion manufacturer. In the year 2022, Brixton Limited reported a FRW 235,000,000 loss. Tax authority revealed that the correct loss was FRW 215,000,000. In the year 2023, Brixton reported FRW 350,000,000 profit before tax.

What is Brixton Limited profit after tax in the year 2023?

- A FRW 135,000,000
- B FRW 350,000,000
- C FRW 94,500,000
- D FRW 40,500,000

(2 Marks)

QUESTION FOUR

Brandon Limited is a company registered at Rwanda development board and Rwanda stock exchange as an autonomous division of Sophyrwah Limited an Asian pacific island top body lotion manufacturer. In the month of August 2024, the manager made the following payments.

1. Rent of FRW 450,000 of which 20% is personal cost
2. Telephone of FRW 50,000 of which $\frac{1}{4}$ is for business
3. Bad debts written off and doubtful debts is 5% and 10% of the credit sales respectively. Credit sales for the month were FRW 2,000,000. Where applicable, all conditions to be fulfilled to claim the bad debts were met by the Brandon Limited.

What is the total deductible expenses?

- A FRW 600,000
- B FRW 327,500
- C FRW 472,500
- D FRW 700,000

(2 Marks)

QUESTION FIVE

Amahoro Construction Limited (ACL) won a tender of FRW 30,000,000,000 to build a 30 kilometers road from Huye to Muhanga 01/01/2024 for the period of 3 years. The total contract costs were estimated to be FRW 27,000,000,000. As at end of 31st December 2024, the company had incurred the following costs:

Material cost of FRW 8,000,000,000
Labor cost of FRW 2,000,000,000
Overhead cost of FRW 5,000,000,000

What is the taxable profit for ACL?

- A FRW 15,000,000,000
- B FRW 3,000,000,000
- C FRW 16,666,666,667
- D FRW 1,666,666,667

(2 Marks)

QUESTION SIX

Jean Paul is employed at a basic salary of FRW 800,000 per month. He is also given a company car for his private use which was bought two years back at a cost of FRW 4,000,000 together with the driver who is paid by the company at FRW 200,000 per month.

What is Jean Paul's total annual non-cash benefits?

- A FRW 96,000,000
- B FRW 96,960,000
- C FRW 2,400,000
- D FRW 3,360,000

(2 Marks)

QUESTION SEVEN

Jeanette Solange is a new accounts assistant at Nturere Limited. She is in charge of payroll preparation. She has come across the following details in Mugisha's copy of employment contract.

- i) Basic salary FRW 600,000
- ii) Sick pay FRW 80,000
- iii) Payment made to RSSB FRW 50,000
- iv) Payment received from a non-qualified pension fund.

Which of the above details represent a payment that is exempted from employment income tax?

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

(2 Marks)

QUESTION EIGHT

Maxine Joseph bought washing machine worth FRW 30,000,000 which he rented to Mama Safi laundry in Remera at a rental cost of FRW 7,000,000 per year. The tax depreciation for such a machine is 25 % per year.

What is Maxine Joseph's taxable rental profit or loss?

- A FRW (1,200,000)
- B FRW (4,000,000)
- C FRW 3,500,000
- D FRW (500,000)

(2 Marks)

QUESTION NINE

French paradise Limited, a foreign company, supplied a data equipment costing FRW 45,000,000 to Rwanda development board. The amount is inclusive of Value Added Tax (VAT).

What is the withholding tax on such a supply?

- A FRW 6,750,000
- B FRW 1,144,068
- C FRW 5,720,339
- D FRW 1,029,661

(2 Marks)

QUESTION 10

Which of the following is not the type of record that are required to be kept by a taxpayer with turnover of FRW 20,000,000 and above per year?

- A Business assets and liabilities
- B Daily records of income and expenses
- C Records of closing trading stock
- D Records of loans and deposit held in the bank

(2 Marks)

SECTION B

QUESTION 11

Joel Bahati has been recruited as the chief electrical engineer of Give Away Non-Profit Organization branch of Rwanda. His contract started on 01/05/ 2023 on the following terms:

1. Monthly salary of FRW 3,000,000.

Joel Bahati employs a house girl and an errand boy both are paid by the company. The house girl receives a salary of FRW 90,000 per month and the errand boy receives a salary of FRW 60,000 per month. The two employees started working on 01/09/2023.

Overtime allowance of FRW 150,000 per month

2. A company car which he uses for private purposes. Joel Bahati contributes FRW 70,000 per month on repair maintenance of the car.

3. A furnished house.

Communication allowance FRW 100,000 per month.

Joel Bahati pays FRW 200,000 per month as PAYE to RRA

4. He earned FRW 450,000 as tender committee allowances.

Required:

Determine the taxable annual income of Joel Bahati and his pension contribution to RSSB.

(10 Marks)

(Total:10 Marks)

QUESTION 12

Uwimana Francine owns a solar equipment shop in Nyamata city. She sells solar powered plumbs, solar lights, solar panels and solar dryers. In the year 2022, she won a world bank project tender of supplying solar dryers to two hundred cooperative societies. From this tender, she made a profit of FRW 778,000,000 and made a choice of reinvesting this amount as follows:

1. Bought 1,000,000 shares on 01/04/2022 of BK Limited at FRW 900 per share. He sold 450,000 of these shares at 1,350 per share. Dividends of 10% of the market price per share was declared before the sale transaction was made.
2. Bought 8% FRW 58,000,000 treasury bonds with a maturity period of four years.
3. Invested in non-compounded 10% FRW 100,000,000 in bank fixed deposit. The deposit will mature after 25 years. The interest credited on her account annually.
4. He gambled FRW 50,000,000 in the current year of 2022 at a local casino and won FRW 65,000,000.
5. Bought 20,000 shares from a Mauritius company at \$80 each. A dividend of 10 cents a dollar was declared at the time when 1\$=FRW 1,350

Required:

Based on the above transactions, **calculate the withholding taxes as per the year ended 31st December 2022.**

(10 Marks)

(Total:10 Marks)

SECTION C

QUESTION 13

Brixton public company Limited is a company registered at Rwanda Development Board and Rwanda stock exchange as an autonomous division of Sophyruah Limited an Asian pacific island top body lotion manufacturer. The company applied registration certificate but has not yet provided by RDB. The company is located in Rulindo districts. It started its operation in 01/01/2022 and acquired its assets.

Asset	Date of acquisition	Value in FRW
Land	02/05/2022	200,000,000
Buildings	04/06/2022	150,000,000
Plant and Machinery	07/06/2022	250,000,000
Computers and accessories with useful life of 5 years	14/07/2022	10,500,000
Furniture and fittings	15/03/2022	30,500,000
Motor vehicle (Car)	03/02/2022	15,000,000
Machineries (Special)	28/04/2022	100,000,000
Computer software	09/06/2022	13,000,000

On 01/01/2023, the company purchased additional assets which included:

1. Extension of factory building FRW 18,000,000
2. Furniture and fittings FRW 4,500,000
3. Computer and accessories FRW 7,500,000
4. 2 Projectors at FRW 500,000 each
5. Photocopier costing FRW 2,000,000 on credit.

Additional information:

The car is registered under the name of Mugisha Emmanuel, one of the directors of Brixton public company Limited.

Required:

Compute the capital allowances for the tax purposes for Brixton public limited for the years ended 31/12/2022 and 2023.

(20 Marks)

(Total: 20 Marks)

QUESTION 14

Rwanda group Ltd is a tea manufacturing company located in Musanze. It owns tea farms at the foot of Virunga mountain. Rwanda group Ltd has two divisions. One of the divisions is located in Texas USA and another one in Gursensy island in United Kingdom. The Texas USA division is known as Alliance three mountain tea. Apart from marketing Rwanda group tea, Alliance three mountain tea also provided technical and management advice to the Rwanda group Ltd. The United Kingdom division purely does blending, repackaging and marketing Rwanda group tea in Europe.

Rwanda group Ltd income statement for the year ended 31/12/2022 is as follows:

	FRW	FRW
Sale of Mountain tea		400,000,000
Less expenses		
Rent of offices in the USA and UK	90,000,000	
Purchase of raw tea from cooperatives	50,000,000	
Staff costs	150,000,000	
Technical fees	60,000,000	(350,000,000)
Profit before tax		50,000,000
Tax rate 30%		0.3
Tax		15,000,000
Profit after tax		35,000,000

Additional information:

1. Thirty percent of the staff costs was paid to a management expert in the USA. This amount is 25% higher than the market rate.
2. The technical fees were paid to a USA expert. This amount was 15% higher than the recommended industry rate.
3. The company bought five iPhone for its senior management at a cost of \$ 2,450 each on credit from USA supplier on 28/02/2023. They had not yet made the payment as at the end of tax period 31/12/2023, this was also included in the staff cost.
4. Exchange rate

Date	Rate
28/02/2023	1\$= FRW 1,340
31/12/2023	1\$= FRW 1,385

Required:

- a) Calculate the excess transfer price charged for the technical and management fees made to the experts. (4 Marks)
 - b) Calculate the deductible tax expense in relation to the iPhones. (6 Marks)
 - c) Correct the income statement and calculate the quarterly prepayment amount for the year 2023 and indicate the date when the first prepayment will be made. (10 Marks)
- (Total: 20 Marks)**

QUESTION 15

Sungura Limited is a supermarket chain. It has ten outlets located in various parts of Rwanda. Its income statement for the year ended 31/12/2023 is as follows:

Description	FRW	FRW
Sales		86,750,000
Unrealized foreign exchange gain		1,120,000
Capital gain on sales of shares (Gross)		5,280,000
Recovery from insurance for stolen stock		4,800,000
Discount received		1,850,000
Dividend from Bank of Kigali (Net)		5,100,000
Total income		104,900,000
Less expenses		
Purchases	42,630,000	
Purchase of a photocopier software	3,240,000	
Staff salaries	12,690,000	
Legal expenses	4,025,000	
Depreciation	700,000	
Sponsorship to Lion sports club	1,850,000	
Repair expenses	3,500,000	
Rent and rates	2,450,000	
Loan repayment	4,000,000	
General expenses	9,450,000	
Insurance premium	2,500,000	
Director's fees	3,000,000	
Audit fees	1,500,000	
Debenture interest	450,000	
Travelling expenses	2,700,000	
Purchase of additional furniture	15,000,000	
Total expenses		109,685,000
Net loss		(4,785,000)

Additional information:

- Legal fees include:
 - Parking fines of FRW 1,850,000
 - Appeal against a tax dispute of FRW 650,000
 - Court expenses for breach of contract of FRW 250,000
 - Settling a personal dispute with a customer of FRW 150,000
- Insurance premium of FRW 900,000 was paid in relation to a private car owned by one of the directors.

3. General expenses:

- Cash embezzled by a cashier of FRW 3,450,000
- VAT paid to Rwanda Revenue Authority of FRW 550,000
- Donations to a charitable organization of FRW 800,000
- Doubtful debts adjustment of FRW 1,900,000
- Subscription to a political party of FRW 200,000

4. Capital allowance of FRW 7,000,000 was agreed with RRA.

Required:

Calculate the adjusted taxable profit or loss and tax liability for the year ended 31/12/2023.

(20 Marks)

(Total: 20 Marks)

End of the question paper

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