



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.3 TAXATION
FRIDAY 30, MAY 2025
MODEL ANSWERS AND MARKING GUIDE**

SECTION A

| Question Number | Answer |
|------------------------|---------------|
| 1 | C |
| 2 | D |
| 3 | B |
| 4 | D |
| 5 | C |
| 6 | C |
| 7 | D |
| 8 | D |
| 9 | A |
| 10 | B |

Section A – Marks allocation

2 marks for each correct answer

Total Marks 20

Model answers

QUESTION ONE

The correct answer is C

Because the activities are solely for the purchases of stock and collecting of information related to business and are not performing income-generating activities taxable in Rwanda.

A, B and D are areas to be considered as permanent establishments because the activities be performed should taxed in Rwanda.

QUESTION TWO

The correct answer is D

Because after being registered in the tax administration on Corporate Income Tax, Value Added Tax and Pay as you Earn. A company is required to submit the declarations of VAT and PAYE not later than 15th of the following month of the registration. The due date of CIT is 31st March following the year of the operation.

QUESTION THREE

The correct answer is B

Because the Income Tax Act states that companies making losses are allowed to deduct from taxable income for the period the losses from previous years starting on the earliest losses. A is incorrect because loss should be allowed to be carried forward for more than 5 years after getting approval of the conditions set out by the Income Tax Act. C is incorrect because the law allows the taxpayers to deduct from taxable income the earliest losses.

D is incorrect because the real answer is B

QUESTION FOUR

The correct answer is D

Because a taxpayer who earns more than FRW 600,000,000 is required to file CIT with an annexure of Certified Financial Statements. A is incorrect because a taxpayer who earns more than FRW 600,000,000 is required to submit certified financial statements. B is incorrect because A large taxpayer is a person who has been notified by the tax administration following the directive of the Commissioner General. C is incorrect because the tax authority may designate a taxpayer as large even if the level of turnover is below FRW 600,000,000.

QUESTION FIVE

The correct answer is C

Because Henry Mwangi is not Rwandan and did not stay in Rwanda for more than 183 days in Rwanda. A is incorrect because MINANI has a permanent residence in Rwanda. B is incorrect because Frank passed in Rwanda 184 days. D is incorrect because Edwin is staying in Rwanda 231 days in year.

QUESTION SIX

The correct answer is C

Because loss sourced abroad should not be allowed to affect taxable income thus the result is $\text{FRW } 30,000,000 \times 30\% = \text{FRW } 9,000,0000$. A and C are incorrect answers with no basis of calculation while B is incorrect because FRW 6,000,0000 was computed after the deduction of foreign loss.

QUESTION SEVEN

The correct answer is D

D is the correct answer because a company earned more than FRW 600,000,000 is required to annex on declaration Certified Financial Statements while the company representative is important in case of contact with RRA and balance sheet showing the wealth of the company.

QUESTION EIGHT

The correct answer is D

Because a partnership is taxed as a company. Income tax is charged on the profit realized by a partnership before the allocation of dividends to partners while the dividends allocated to Partners who are not residents are supposed to be charged a withholding tax of 15% on the dividends. A is the incorrect answer because income tax is charged before the allocation of the dividends to partners.

QUESTION NINE

The correct answer is A

Because the tax paid by the subsidiary company was at a rate of 35% while the income tax rate in Rwanda is at a rate of 30% as per the Income Tax Act. Thus, excess of 5% should not be allowed to be deducted from tax payable. B is incorrect because Tumusifu has the right to claim taxes paid to the tax administration by error in the corresponding period. C and D are incorrect because the taxpayer has the right to deduct from computed withholding tax paid importations, withholding tax retained on public tenders, and IQP.

QUESTION 10

The correct answer is B

Because conditions determined by ministerial order restricted taxpayers who earned profit for the last five years to carry the loss forward. A, C, and D are incorrect because a taxpayer who requested to carry loss for more than five years must apply in writing to the tax administration, should Present sound reasons that have caused the loss and reliable strategies to overcome it but should not have distributed any profit in the last five years.

SECTION B

QUESTION 11

Marking Guide

a) Computation of tax liability of Mutabaruka Joseph

| Description | Marks |
|--|----------|
| Award 1 marks for adjustment of dividend income | 1 |
| Award 2 marks for working on rental income | 2 |
| Award 1 mark for revenue from farming activities | 1 |
| Award 2 marks for computation of tax payable | 2 |
| Award 0.5 marks for each withholding tax deducted from tax payable | 1 |
| Award 1 mark for tax due | 1 |
| | 8 |

b) Award 1 mark for each correct answer for 1 and 2

2 Marks

(Total 10 Marks)

Model answer

a) Computation of the tax liability of Mutabaruka Joseph for the year ended 31st Dec 2023

| Description | Amount" FRW | Amount" FRW |
|--|---------------------------|-------------------|
| Operating profit | | 25,000,000 |
| Dividend from a Rwanda company | | 1,764,706 |
| Rental income | 35,000,000 | |
| Less: | | |
| Interest expense | 6,728,300 | |
| Deemed expenses 10% of the gross rental income | 3,500,000 | |
| Net rental income | 24,771,700 | 24,771,700 |
| Revenue from farming activities | 17,560,000- 12,000,000 | 5,560,000 |
| Total taxable income | | 57,096,406 |
| Tax payable | | 16,936,922 |
| Less: | | |
| Withholding tax retained on public tenders | | 500,000 |
| Withholding tax retained on importations | | 1,800,000 |
| Withholding on dividend (15%*1,764,706) | | 264,706 |
| Tax due for the year ended 31st December 2023 | | 14,372,216 |

b) MUNYANGABE is a small taxpayer who must pay a flat amount, his income tax payable for the year ended 31st December 2023 was **FRW 300,000**.

BWANAKWERI Anastase is a small taxpayer who must pay a lump sum amount of 3% of the turnover $19,000,000 \times 3\% =$ **FRW 510,000**.

QUESTION 12

Marking Guide

- i) Computation of taxable income and the taxable payable for Biphoca ltd

| Description | Marks |
|--|----------|
| Award 1 mark the estimation of % of completion | 1 |
| Award 1 marks the amount invoiced/Revenue | 1 |
| Award 1 mark the net profit | 1 |
| Award 0.5 marks for each add-back | 2 |
| Award 0.5 marks Charitable organization not added back | 1 |
| Award 0.5 marks Taxable income for the year | 1 |
| Tax liability | 1 |
| Total | 8 |

- ii) Award 1 mark for each definition 2 Marks
(Total 10 Marks)

Model answers

- i) Computation of taxable income and the taxable payable for Biphoca ltd

Model answers

| Description | Amount" FRW" | Amount" FRW" |
|---|-------------------|----------------------|
| Revenue | | 3,162,000,000 |
| The cost incurred as at the date | 1,993,270,000 | |
| Add back: | | |
| Fines and penalties | 28,000,000 | |
| Value Added tax | 50,000,000 | |
| Donation $(3,277,072,885 \times 1\%) > 5,000,000$ | 0 | |
| Telephone 20% of 1,500,000 | 300,000 | |
| Unrealized exchange loss | 2,500,000 | |
| Total Add backs | 80,800,000 | |
| Adjusted The cost incurred as at the date | | 2,074,070,000 |
| Taxable income for the year | | 1,087,930,000 |
| Tax liability $(1,087,930,000 \times 30\%)$ | 30% | 326,379,000 |

Workings- % of completion is estimated.

| | | |
|------------------------------|--|-----|
| % of completion is estimated | $1,993,270,000 / 3,924,000,000 \times 100$ | 51% |
|------------------------------|--|-----|

Workings- Invoiced amount.

| | | |
|-----------------|-------------------------------------|--------------|
| Amount invoiced | $5,000,000 \times 51\% \times 1240$ | 3,162,000000 |
|-----------------|-------------------------------------|--------------|

- ii. Capital Expenditure in simple term is long-term asset investments for future benefit.
Revenue Expenditure in simple term is short-term costs for day-to-day operations.

SECTION C

QUESTION 13

Marking Guide

| Description | Mark |
|--|-----------|
| Award 2 marks computation of monthly salary | 2 |
| Award 0.5 marks for each component of employment income except Family allowance | 5 |
| Award 2 marks computation of family allowance | 2 |
| Award 0.5 marks for pension and reimbursement not taken in the employment income | 1 |
| Award 2 marks gross taxable employment income | 2 |
| Award 2 marks on the computation of PAYE | 2 |
| Award 2 marks the computation of the administrative penalties. | 2 |
| Award 2 marks the computation of the interest on late payment. | 2 |
| Award 1 mark the total tax liabilities | 1 |
| Award 1 mark on the due date | 1 |
| Total | 20 |

Model answers

a) Computation of employment income & PAYE

| Description | Amount "FRW" | Amount "FRW" |
|--|-------------------------------------|-------------------|
| Monthly basic salary | 30,000,000/12 | 2,500,000 |
| Cash allowance | | 300,000 |
| Housing benefit | | 600,000 |
| Family allowance | 2,500,000*10% | 250,000 |
| Responsibility allowance | | 200,000 |
| Communication allowance | | 100,000 |
| Contribution in the mutual fund | | 100,000 |
| Car benefit | | 250,000 |
| Subsistence allowance | | 200,000 |
| Air ticket | | 2,000,000 |
| Performance bonus | | 3,000,000 |
| School fees | | 800,000 |
| Reimbursement | | Exempted |
| Gross taxable employment income | | 10,300,000 |
| PAYE for Marie Paul | (10,300,000-100,000) *30%+14,000 | 3,074,000 |

b) Tax liability paid by the employer on 20th January 2023

| | | |
|-----------------------------------|----------------|------------------|
| Principal tax | | 3,074,000 |
| Administrative fine | 3,074,000*20% | 614,800 |
| Interest in late payment | 3,074,000*1.5% | 46,110 |
| Total tax liabilities paid | | 3,734,910 |

c) The due date was 15th January 2023,

QUESTION 14

Marking Guide

a)

i. Award 1 mark for each benefit of the double taxation agreement (5 Marks)

ii. Award 1 mark for each country with tax rates (5 Marks)

b)

i. Award 1 marks for computation of net amount and 1 mark for withholding tax (4 Marks)

Award 1 marks for stating that interest is exempted (1 Marks)

Award 1 marks for the calculation of withholding tax remitted to RRA (1 Marks)

ii. Award 1 mark (1 Mark)

iii. Award 1 mark (1 Mark)

iv. Award 1 mark for interest income exempted (2 marks)

(Total 20 Marks)

Model answers

a)

i. Benefits of double taxation agreements:

- They address the possibility of double taxation conflicts between two countries.
- They prevent people, investors, or companies from being obliged to pay twice for the same taxable event in two different countries.
- They serve to promote foreign investment. which might otherwise be discouraged if companies were forced to pay locally and in their country of fiscal residence for taxable activities.
- They reduce the tax burdens of foreign investors and provide legal security to investors.
- They can also be an effective weapon in the fight against fraud and tax evasion.

ii. Countries signed DTA with Rwanda and tax rate agreed on Interest and Technical fees:

| Country | Interest | Technical fees |
|----------------|-----------------|-----------------------|
| Belgium | 10% | 10% |
| Mauritius | 10% | 12% |
| South Africa | 10% | 10% |
| Barbados | 10% | 10% |
| Singapore | 10% | 10% |
| Jersey | 10% | 10% |

b)

i. Net amount paid to NBG Ltd was FRW19,550,000 ($23,000,000 \times 85/100$) and withholding retained by 2NMS Ltd was FRW 3,000,000.

The net amount paid to Bwanakweri was FRW 2,337,500 ($2,750,000 \times 85/100$) and FRW 412,500.

Interest expense is exempted

The total withholding tax to be remitted to RRA was FRW 3,358,696 $3,412,500(3,000,000+412,500)$

iii. Withholding tax is suffered by the beneficiary of the payment.

iv. Tax is final if there is no further tax charged to the recipient of the payment.

v. EXEMPTED INTEREST INCOME

The following interest income is exempted from the withholding tax:

- Interests on deposits in financial institutions for at least a period of one year;
- interests on loans granted by a foreign development financial institution exempted from income tax under applicable law in the country of origin;
- interests paid by banks operating in Rwanda to banks or other foreign financial institutions

QUESTION 15**Marking Guide**

| QUESTION | DETAILS | MARK S | TOTAL MARKS |
|--------------------|--|-------------------|------------------------|
| 13 | Gross Profit | 1 | |
| | Add: Non-deductible expenses | | |
| | Salaries: | | |
| | Godwin | 1 | |
| | Jes | 1 | |
| | Marie | 1 | |
| | Interest on Capital: | | |
| | Godwin | 1 | |
| | Jes | 1 | |
| | Marie | 1 | |
| | Repairs and Maintenance -Lap | 1 | |
| | Depreciation | 1 | |
| | Bad debt. 15,000,000*1/5 | 1 | |
| | Less: Non-Trading Income | | |
| | Interest (Net) | 1 | |
| | Add: Taxable Income | | |
| | Interest-Gross-20,000*100/95 | 2 | |
| | Capital allowance | 1 | |
| | Taxable Profit | | |
| | Tax Payable $49,053 \times 30\% - (21,053 - 20,000)$ | 1.5 | |
| | Net Profit= $(49,053 - 14,716)$ | | |
| | Award 0.5 Marks on each attributed to partners | | |
| | Salary | 1.5 | |
| | Interest on capital | 1.5 | |
| | Profit | 1.5 | |
| Total Marks | | | 20 |

Model Answer

Computation of Godwin, Jes, Marie Partnership's taxable profit of each partner and the tax liability payable as at 31 December 2021

| DETAILS | FRW'000" | FRW'000" |
|---------------------------------------|----------|----------|
| Gross Profit | | 71,500 |
| Add: Non-deductible expenses | | |
| Salaries: | | |
| Godwin | 3,000 | |
| Jes | 1,000 | |
| Marie | 5,000 | |
| Interest on Capital: | | |
| Godwin | 500 | |
| Jes | 300 | |
| Marie | 200 | |
| Repairs and Maintenance -Lap | 6,000 | |
| Depreciation | 1,000 | |
| Bad debt. 15,000,000*1/5 | 3,000 | 20,000 |
| Less: Non-Trading Income | | |
| Interest (Net) | | 20,000 |
| Add: Taxable Income | | |
| Interest-Gross-20,000*100/95 | | 21,053 |
| | | 61,053 |
| Capital allowance | | 12,000 |
| Taxable Profit | | 49,053 |
| Tax payable (49,053*30%) | | 14,716 |
| Less: WHT on Interest (5%*) | 1,053 | |
| Net tax Payable | | 13,663 |
| Net Profit After Tax= (49,053-14,716) | | 35,390 |

Distribution of profit to each partner

| Details | Godwin | Jes | Marie | Total |
|---------------------|---------------|---------------|---------------|---------------|
| | FRW'000" | FRW'000" | FRW'000" | FRW'000" |
| Salary | 3,000 | 1,000 | 5,000 | 9,000 |
| Interest on capital | 500 | 300 | 200 | 1,000 |
| Profit | 17,695 | 11,797 | 5,898.31 | 35,390 |
| Total | 21,195 | 13,097 | 11,098 | 45,390 |

End of Marking Guide and Model Answer