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CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATION
S3.3 TAXATION
DATE: FRIDAY 30, MAY 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.

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%
Wear & Tear Allowance	
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 one of the following areas should not be considered as a permanent establishment?

- i) A mine, a quarry, or any other place for the exploitation of natural resources.
- ii) A site set for construction, a construction site, or a place where supervision or assembly works are carried out.
- iii) A place of operation aimed purposely at purchasing goods or merchandise or collecting information related to his/her business.
- iv) Place of provision of services, including consulting services, carried on by a person, with the support of employees or other personnel, for more than ninety (90) days in a twelve (12) month period, either continuously or intermittently.

- A (i) Only
- B (ii) Only
- C (iii) Only
- D (i) and (iv)

(2 Marks)

QUESTION TWO

C&G plc is a holding company based in Mumbai operating in the mining sector, The company is expanding its activities in Rwanda and opened a sister company named C Plus Ltd in December 2023 and started its operating activities in the same year. C Plus Ltd is registered on Corporate Income Tax (CIT), Value Added Tax (VAT), withholding taxes, and Pay As You Earn (PAYE)

C Plus Ltd has the obligation of filing the following taxes on which of the following dates?

- A VAT not later than 15/01/2024
- B CIT not later than 31/03/2024
- C PAYE not later than 15/01/2024
- D All of the above

(2 Marks)

QUESTION THREE

Mutambara is a taxpayer who was awarded by RRA as a good taxpayer in the last seven years, in 2020, his business was expanded and got engaged in other income-generating activities at the same time got loss from that period until now. Now he is looking for advice on using his losses, currently, his business become profitable.

Based on the above scenario, which one of the following statements is true?

- A The loss incurred should not be allowed to be carried forward for more than five years.
- B The earliest losses are being deducted before the latest losses.
- C The latest losses are allowed to be deducted from taxable income before the earliest losses.
- D None of the above.

(2 Marks)

QUESTION FOUR

From the below statements, one is wrong. The wrong statement is?

- A The taxpayers are required to file CIT with annexures of certified financial statements if their turnover is above FRW 600,000,000.
- B A large taxpayer is a person who has been notified by the tax administration following the directive of the Commissioner General.
- C The tax authority may designate a taxpayer as large even if the level of turnover is below FRW 600,000,000.
- D A taxpayer who earns turnover of FRW 1,000,000,000 is not required to file CIT with certified financial statements.

(2 Marks)

QUESTION FIVE

Which one of the following persons would not be treated as a resident in Rwanda in the tax period of 2023?

- A Minani Paul is a Rwandan who passed half of the year of 2023 abroad.
- B Frank is a Qatar citizen who has been seconded by his employer for the period of 1st March to 31st August 2023.
- C Henry Mwangi citizen of Kenyan who used to visit his business in Rwanda for the period of 31st May 2023 to 20th June 2023 and 25th September to 18th November 2023.
- D Edwin David Citizen of Tanzania is the sole trader of a business in Rwanda from 15th May 2023.

(2 Marks)

QUESTION SIX

3Ss Ltd is a holding company operating in Rwanda and has a subsidiary company in Tanzania named Superpower Ltd. In the year ended 31st December 2023, 3Ss Ltd made a profit before taxation of FRW 30,000,000 while Superpower Ltd made a loss of FRW 10,000,000.

Which one of the following will be corporate income tax to be paid by 3Ss Ltd?

- A FRW 9,100,000
- B FRW 6,000,000
- C FRW 9,000,000
- D FRW 6,100,000

(2 Marks)

QUESTION SEVEN

BBG Ltd is a company operating in Rwanda from 2019. In the fiscal year ended 31st December 2023, a company earned a turnover of two billion Rwandan francs but did not make taxable profit.

BBG Ltd is going to file a CIT return for the year 2023. **Which ones from the following annexures are required to be attached in the return?**

- A Certified financial statements
- B Company representatives
- C Balance sheet
- D All from the above

(2 Marks)

QUESTION EIGHT

A partnership is created when two or more people join together in business to generate a profit. The people who join together are known as partners.

Which of the following requirement (s) is or are considered during the remuneration of partners?

- A Charging income tax of 30% after allocation of profits.
- B Allocating dividends to partners after charging corporate income tax.
- C Partners who are not residents are supposed to be charged a withholding tax of 15% on the dividends.
- D B and C

(2 Marks)

QUESTION NINE

Tumusifu Ltd (TL) is a company that deals with the wholesale of school materials. In the fiscal year of 2023, a company realized that the CIT of the previous year was overstated by a withholding tax retained on public tenders awarded to TL and on importations totaled FRW 1,200,000 and FRW 800,000 respectively. Income Tax Quarterly Prepayment (IQP) paid totaled FRW 25,450,000.

In the same year, a company received a net profit after taxes from its foreign subsidiary company whose CIT rate is 35% and the tax paid in that country was FRW 16,280,000.

What is the credit not allowed to be deducted from the tax computed before submitting the tax return for the year ended 2023?

- A The excess of credit resulted from a subsidiary company.
- B All withholding taxes including the one paid by error.
- C Withholding tax retained on public tenders as well as the one retained on importations.
- D Income quarterly prepayments.

(2 Marks)

QUESTION 10

From the below statements, which one is False?

- A The taxpayer to be allowed to carry the loss forward for more than five years must apply in writing to the tax administration.
- B The taxpayer to be allowed to carry loss forward for more than five years should have distributed profit in the last five years.
- C The taxpayer to be allowed to carry loss forward for more than five years should Present sound reasons that have caused the loss and reliable strategies to overcome it.
- D The taxpayer to be allowed to carry loss forward for more than five years should not have distributed any profit in the last five years.

(2 Marks)

SECTION B

QUESTION 11

a) Mutabaruka Joseph is a taxpayer registered in tax administration from 2018 as a sole trader. In the year ended 2023, he earned the following income:

1. Operating profit worth FRW 25,000,000
2. Dividend from a Rwanda company FRW 1,500,000
3. Gross rental income worth FRW 35,000,000 received from the rent of machinery which was fully depreciated. Interest expense paid was FRW 6,728,300
4. Revenue from farming activities FRW 17,560,000
5. Tax retained on public tenders awarded to Mutabaruka Joseph of FRW 500,000.
6. Tax retained on importations of FRW 1,800,000.

Required:

Compute the tax liability of Mutabaruka Joseph for the year ended 31st December 2023. (8 Marks)

b) The following businesses are registered in the Rwanda Revenue Authority as small businesses and did not apply for real regime. The following taxpayers are required to file CIT for the year ending 31st December 2023.

1. Munyangabe earned an annual turnover of FRW 11,000,000.
2. Bwanakweri Anastase is registered as an individual business that deals in the sale of air tickets. He has an annual commission fee of FRW 19,000,000.

Required:

How much is required to be paid to RRA for each business above for the year ended 31st December 2023? (2 Marks)

(Total: 10 Marks)

QUESTION 12

Biphoca Ltd is a registered company operating in Kigali City in the business of the installation of electricity. In the year 2023 Biphoca Ltd won a tender for the installation of electricity in the building with a value of USD 5,000,000. The duration of the contract was three years starting from 13th March 2023. The estimated cost of the contract was FRW 3,924,000,000.

On 31st December 2023, the total cost incurred was worth FRW 1,993,270,000 and Biphoca Ltd wanted to issue the 1st invoice on the same date.

Note: The exchange rate on 31st December 2023, USD 1= FRW 1240

Additional information:

The following expenses were included in the cost incurred:

1. Fines and penalties worth FRW 28,000,000 incurred by the company.
2. Value Added tax worth FRW 50,000,000.
3. Donations worth FRW 5,000,000 were given to charitable organizations.
4. The telephone charge is worth FRW 1,500,000. No policy in place governing the use of communication
5. Unrealized exchange loss worth FRW 2,500,000

Required:

- i) **Compute the taxable income and the tax payable for Biphoca Ltd for the period ending 31 December 2023.** (8 Marks)
- ii) **Differentiate capital expenditure and revenue expenditure.** (2 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

Mukamurigo Marie Paul has been serving BBG Ltd recognized by RRA as a medium taxpayer. Based on the evaluation of the year ended 31st December 2021, Marie Paul was promoted and the terms of the employment contract were renewed and defined employment benefit for December 2022 as follows:

1. Annual salary of FRW 30,000,000.
2. Cash allowance per month was worth FRW 300,000.
3. BBG Ltd rented a fully furnished house and paid to landlord rent amounting to FRW 600,000 on behalf of the employee.
4. The family allowance was 10% of the monthly basic salary.
5. Responsibility allowance of FRW 200,000.
6. A communication allowance of FRW 100,000 per month.
7. The employer contributes FRW 100,000 per month in the statutory pension fund.
8. Monthly amount worth FRW 100,000 contributed by the employer in the employee mutual fund of BBG LTD
9. An official car rented by an employer from Nzaramba for a monthly amount of FRW250,000.
10. A subsistence allowance of FRW 200,000 per month.

In addition, in December 2022 Marie Paul received the following benefits from the employer:

11. At the end of the year, she went on annual leave together with his family, BBG Ltd bought her an Air ticket in Rwanda Air business class for FRW 2,000,000.
12. Marie Paul represented her employer in the meeting with PSF for five days and the amount spent on the mission for accommodation and transport amounted to FRW 2,000,000 which was reimbursed to her by the company.
13. She was voted as the employee of the year and received a performance bonus of FRW 3,000,000.
14. School fees for two children worth FRW 800,000 were received in December 2022.

Required:

- a) **Compute the taxable employment income and Pay As You Earn of Marie Paul for December 2022.** (14 Marks)
- b) BBG Ltd failed to declare and pay PAYE due on the due date for only Marie Paul, **compute the total tax liability paid by BBG Ltd on 20th January 2023.** (5 Marks)
- c) **What was the due date of PAYE said above?** (1 Mark)

(Total: 20 Marks)

QUESTION 14

a) NBG Ltd is a holding company based in country X which has a Double Taxation Agreement with Rwanda. NBG Ltd had registered a subsidiary company in Rwanda named New Exporter Company Ltd which mostly deals with the production and exports of different products.

Required:

- i) **Highlight the 5 benefits of the Double Taxation Agreements (DTA).** (5 Marks)
- ii) **Give examples of 5 countries that signed DTA with Rwanda and the respective tax rate on interest and technical fees** (5 Marks)

b) Before country X entered into Double Tax Agreement (DTA) with Rwanda, NBG Ltd from country X offered a service for the maintenance of software to 2NMS Ltd a local company that did not get anybody in Rwanda to offer the service. The agreed amount as per the contract was FRW 23,000,000 tax inclusive.

2NMS Ltd has dealt with other local suppliers, one of them is Bwanakweri who is not VAT registered in the tax administration but did not file income tax. 2NMS Ltd contracted with Bwanakweri in October 2019 for maintenance of the office building. The total contract amount was FRW 2,750,000 tax inclusive.

In the year 2017, 2NMS Ltd deposited an amount in the commercial bank for three years and attracted interest of 7% per year. In November 2019, a bank credited the bank account of 2NMS Ltd amount of interest worth FRW1,210,000 net of withholding tax.

Note that the above suppliers of 2NMS Ltd were paid in November 2019.

Required:

- i) **Compute the amount paid by 2NMS Ltd to the above suppliers and the amount remitted to RRA** (6 Marks)
- ii) **Who suffers the burden of withholding taxes?** (1 Mark)
- iii) **Briefly explain the final tax.** (1 Mark)
- iv) **State at least TWO interest income exempted from Withholding Tax under Rwandan Law** (2 Marks)

(Total: 20 Marks)

QUESTION 15

Godwin, Jes, Marie Partnership sharing a profits or loss in the ratio of 3:2:1 respectively. Their statement of profit/loss and other comprehensive income for the year ended 31 December 2021 are shown below.

Details	FRW"000"	FRW"000"
Gross Profit		98,000
Other Income:		
Interest (Net)		20,000
		118,000
Expenses:		
Salaries:		
Godwin	3,000	
Jes	1,000	
Marie	5,000	
Interest on Capital:		
Godwin	500	
Jes	300	
Marie	200	
Bad debt	15,000	
Electricity for business	4,000	
Audit fees	7,000	
Depreciation	1000	
Rent	500	
Repairs and Maintenance	9,000	(46,500)
Operating Profit		71,500

Additional Information:

1. Interest was received from 7 years government treasury bonds.
2. Repairs and Maintenance include FRW 6,000,000 for the purchase of Laptops.
3. 1/5 of the bad debts are still provision.
4. Allowance for capital allowance is FRW 12,000,000.

Required:

Compute the Godwin, Jes, Marie Partnership's taxable profit of each partner and the tax liability payable as at 31 December 2021 (Total: 20 Marks)

End of the question paper

