



**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 2 EXAMINATIONS**

F2.4: TAXATION

DATE: MONDAY 24, NOVEMBER 2025

INSTRUCTIONS:

1. Time Allowed: **3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **seven** questions and **only five** questions are to be attempted.
3. Marks allocated to each question are shown at the end of the question.
4. Show all your workings and assumption if any.
5. 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 (VAT) Rate: 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 machinery	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.

QUESTION ONE

VisionTech Ltd is a VAT-registered company based in Kigali, Rwanda. It provides ICT products, services, and training programs. The company files VAT returns monthly and uses the invoice basis of VAT accounting.

Below is a summary of its transactions for June 2025:

Sales Transactions:

No.	Description	Amount (FRW)
1	Sale of desktop computers to SMEs	40,000,000
2	Export of 100 solar panels to Uganda	15,000,000
3	ICT training for university students	6,000,000
4	Supply of printed books to public school	5,000,000
5	Sale of accounting software to a private firm	12,000,000
6	Internet installation for a hospital	10,000,000
7	Sale of medical diagnostic kits to a private clinic	4,000,000
8	Free donation of tablets to a charitable organization	2,000,000
9	Sale of SIM cards and routers to telecom companies	9,000,000
10	Sale of data bundles to government institution	6,000,000

Purchases & Expenses:

No.	Description	Amount (FRW)
1	ICT inventory from local supplier	30,000,000
2	Lease of showroom premises	5,000,000
3	Utility bills (water, electricity)	1,200,000
4	Security services (local firm)	800,000
5	Hotel and meals for staff retreat	3,000,000
6	Maintenance of office vehicles	1,500,000
7	Purchase of accounting software license	2,000,000
8	Transport services from local carrier	1,000,000
9	Printing and stationery	900,000
10	Legal consultancy services	2,500,000

Note: All transactions are excluding VAT where applicable

Required:

- Compute the net VAT payable or refundable to the Rwanda Revenue Authority.
(13 Marks)
 - Discuss the treatment of input VAT in relation when a taxpayer deals with both taxable, exempted and, zero rated supplies.
(3 Marks)
 - Explain at least FOUR the circumstances where by input VAT paid should be denied.
(4 Marks)
- (Total: 20 Marks)**

QUESTION TWO

Partners A, B, and C have been operating under a formal partnership agreement since 2015. The partnership, established to carry out consulting and related professional services, has grown steadily over the years. The following represents the partnership's trial balance as at 31 December 2024, reflecting the financial position after nearly a decade of operations. Their profit-sharing ratio is 2:1:3 for A, B, and C respectively.

Account	Debit (FRW)	Credit (FRW)
Cash at Bank	16,000,000	
Furniture and Equipment	18,000,000	
Accumulated Depreciation		5,000,000
Account receivable	15,000,000	
Cash in Hand	35,600,000	
Prepayment	42,800,000	
Employees' salaries	25,000,000	
Office Rent	12,000,000	
Utilities & Maintenance	4,000,000	
Travel and Per Diem	5,000,000	
Entertainment Expenses	2,500,000	
Depreciation – Computers	5,400,000	
Bank Charges	600,000	
Partner A – Salary	12,000,000	
Interest on Partner B's Loan	2,000,000	
Interest on Capital - Partner A	800,000	
Interest on Capital - Partner B	700,000	
Interest on Capital - Partner C	500,000	
Drawings - Partner A	1,200,000	
Drawings - Partner B	850,000	
Drawings - Partner C	1,000,000	
Loan from Partner B		20,000,000
Consulting Revenue		80,000,000
Bank Interest Income (Net)		10,000,000
Capital - Partner A		20,000,000
Capital - Partner B		17,500,000
Capital Partner C		12,700,000
Retained earnings		35,750,000
TOTAL	192,150,000	192,150,000

Additional Information:

- 1) Partner Salary: Only Partner A actively manages the firm and receives FRW 1,000,000 per month, already included in the TB.
- 2) Interest on Capital, these amounts are per the partnership agreement.
- 3) Interest on Partner Loan: Partner B loaned FRW 20,000,000 at 10% interest per annum.
- 4) Entertainment Expenses: Only 50% is allowable for tax purposes under Rwandan tax law.
- 5) Bank Interest Income was received from GTC Bank, the amount was net of withholding tax.
- 6) Capital allowance agreed by the tax administration is FRW 8,000,000

Required:

- a) **Compute the partnership income tax payable as of 31 December 2024.** (12 Marks)
- b) **Prepare a schedule showing how the profit is distributed among the partners** (3 Marks)
- c) **Discuss the tax rule governing the carrying forward of business loss.** (3 Marks)
- d) **Explain the term “THIN CAPITALISATION” as used in the Rwandan taxation system.** (2 Marks)

(Total: 20 Marks)

QUESTION THREE

- a) **Differentiate tax avoidance and tax evasion as used in the taxation system of Rwanda.** (2 Marks)
- b) **Explain at least four principle or canon of the tax administration.** (4 Marks)

c) Mr. Mugisha, a Kigali-based entrepreneur, owns *Build Smart Ltd*, a medium-sized construction firm. In January 2024, the Rwanda Revenue Authority (RRA) conducted a routine tax audit of the company's VAT filings for the 2023 fiscal year. During the audit, RRA identified discrepancies and concluded that the company had underreported its VAT liability by FRW 18,000,000, stemming from unrecorded output tax related to several major construction projects.

As a result, RRA issued a tax assessment totalling FRW 27,000,000, which included the principal tax amount, penalty for under-declaration, and interest for late payment.

Mr. Mugisha disagreed with the assessment, arguing that the VAT in question had indeed been accounted for, but was reported in a different tax period due to delays in receiving invoices from subcontractors. He has now approached you, as a tax consultant, to assist with challenging the assessment.

Required:

- i) **As a tax advisor, explain to Mr. Mugisha the audit procedures that a taxpayer is required to undergo in accordance with Rwanda's Tax Procedures Law.** (6 Marks)
- ii) **As a tax advisor, provide Mr. Mugisha with a detailed explanation of the tax dispute resolution process in accordance with the Tax Procedures Law.** (4 Marks)
- iii) **Outline the specific situations in which the burden of proof falls on the taxpayer, and those where it is the responsibility of the tax administration.** (4 Marks)

(Total: 20 Marks)

QUESTION FOUR

In the year ended 31 December 2023, Galaxy Traders Ltd, a registered importer in Rwanda, imported the following goods for resale. The goods were shipped through the Port of Dar es Salaam. The following data was provided regarding the imports:

Type of Goods	Quantity Imported	Unit Cost (USD)	Total FOB Value (USD)
Smartphones	1,000 units	250	250,000
Laptop Computers	500 units	600	300,000
Television Sets	300 units	400	120,000
Refrigerators	100 units	700	70,000

Additional Information:

- 1) Freight Charges (USD): 25,000
- 2) Insurance Fees (USD): 5,000
- 3) Exchange rate: FRW/1USD: 1,200
- 4) Insurance and **freights** are apportioned based on the quantity of each type of goods

Required:

- a) Compute EIGHT customs taxes payable by Galaxy Traders Ltd for all goods imported during the year 2023, based on the applicable rates of Import Duty at 25% and VAT at 18%, where relevant. (14 Marks)
- b) Define the concept of trade liberalization, and outline its key characteristics or features. (2 Marks)
- c) Describe the meaning of pre-clearance, and list at least TWO types of goods that qualify for this procedure. (2 Marks)
- d) Define inward processing, and explain TWO conditions that must be met for an importer to be granted authorization to use this regime. (2 Marks)

(Total: 20 Marks)

QUESTION FIVE

a) Brewery Company Limited (BCL) is a local manufacturing company that is experienced in the production of different juices including akanozo and Akeso. In the month of October 2022, the company produced 95,000 and 68,750 bottles of Akeso and akanozo products respectively. The cost of the production for each bottle was worth Frw 750 and Frw 680 for akeso and akanozo products respectively. the company wishes to get 8% Markup on the production cost.

Required:

- i) Calculate the excise duty payable to RRA. (3 Marks)
- ii) Calculate the selling price VAT inclusive of one bottle and total revenues in the month of October assuming that all the production was sold. (3 Marks)
- iii) State the BCL declaration and payment due date of excise duty tax. (3 Marks)

iv) Explain the excise tax payable on Cigarettes.

(1 Marks)

b) RIC Ltd is a government-owned company that deals with various investments for the government of Rwanda. During the year ended 31st December 2024, the company made the following payments to different stakeholders:

- 1) Payment to Bwiza Ltd of FRW 15,000,000 (VAT exclusive) for the office equipment supplied.
- 2) Payment of FRW 3,500,000 as a board of directors' allowance.
- 3) Payment of FRW 5,000,000 to Murith, a Brazilian consultant who provided services regarding policy development.
- 4) Payment of FRW 1,200,000 to a Rwandan artist who entertained the staff during the year-end closure.
- 5) Payment to Teravive Ltd of FRW 16,000,000 (VAT Inclusive) for the software design. Teravive presented the quitus fiscal to the finance department of RIC Ltd.

Required:

Suppose you are the tax accountant for RIC Ltd. **Compute the withholding tax resulting from the above payment transactions and indicate the due date for declaration and payment.**

(10 Marks)

(Total: 20 Marks)

QUESTION SIX

Umugwaneza Immaculate is an employee of Mining and Jewelry Dealers Ltd Rwanda as a Chief Accountant. During the month of December 2020, her monthly entitlements were listed as below:

- 1) Monthly basic salary amounting to FRW 2,222,222
- 2) Allowance in cash amounting to FRW100,000
- 3) Communication allowance FRW 50,000 per month
- 4) A company car used in both company and private business
- 5) A house allowance, where the company paid FRW 6,000,000 per year for her rent.
- 6) Medical insurance contribution of FRW 100,000 per month.
- 7) Pension payments amounting to FRW 200,000 per month
- 8) Overtime allowance FRW 50,000 per month
- 9) During the month of December, she was sent on an official mission in India. The company reimbursed him FRW 5,000,000 spent on the mission.
- 10) Immaculate received a lump sum payment of FRW 250,000 upon the termination of her employment contract.

Required:

- a) A monthly Pay As You Earn for Umugwaneza Immaculate for the month of December 2020.**

(10 Marks)

- b) The company declared and paid PAYE due 30 days later. Compute the tax penalties applicable to the company. (3 Marks)
 - c) Discuss the tax treatment for a salary advance to employee, according to Rwandan law. (2 Marks)
 - d) Explain the types of taxpayers who must register for Pay As You Earn at Rwanda Revenue Authority. (2 Marks)
 - e) Outline the types of persons exempted from employment income tax. (3 Marks)
- (Total: 20 Marks)**

QUESTION SEVEN

Mugabi Rurangwa, a Rwandan resident, has owned several properties in Gasabo since 2018 but failed to declare and pay all decentralized taxes up to December 1, 2023.

The following are the market value of his buildings.

No	Description	Market value "FRW"
Property one	Residential building occupied by the owner	100,000,000
Property two	A residential building with two floors	500,000,000
Property three	A residential building with four floors	2,000,000,000
Property four	An industrial building	3,000,000,000

Required:

- a) Compute the Immovable property tax on Mugabi Rurangwa' buildings for the years 2019, 2020, 2021 and 2022. (13 Marks)
- b) Advise Mugabi Rurangwa on the penalties for late declaration and payment of local government taxes, and indicate the appropriate portal to use for the declaration of decentralized taxes. *No calculation needed* (7 Marks)

(Total: 20 Marks)

End of Question Paper