

**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.3: TAXATION

DATE: FRIDAY 28, NOVEMBER 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. Show all your workings and assumption if any.
8. 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 TWO of the following conditions need to be met for a taxpayer to use a tax period that is different to 31 December?

1. To be an entity subject to corporate income tax;
2. The taxpayer must be a company with an annual turnover of FRW 600,000,000.
3. The taxpayer must have a tax clearance certificate.
4. to keep books of accounts according to generally accepted accounting principles

A 1 and 3
B 2 and 3
C 1 and 4
D 2 and 4

(2 Marks)

QUESTION TWO

Murenzi Maurice is an employee of Rwanda Mountain Due Ltd. He is paid a monthly salary of FRW 2,000,000. He is also entitled to a company car, a company house, and a communication allowance of FRW 50,000 on month. **His monthly taxable income is:**

A FRW 2,050,000
B FRW 2,650,000
C FRW 2,000,000
D FRW 2,665,000

(2 Marks)

QUESTION THREE

Which one of the following statement is true in regard to the declaration and payment of Personal Income tax in Rwanda?

A person is required to file his or her annual tax declaration if the person:

- (1) has an annual turnover of less than two million Rwandan francs (FRW 2,000,0000);
- (2) receives only income on investment that is subject to withholding tax.

A Statement 1 is true and statement 2 is false.
B Statement 2 is true and statement 1 is false.
C Both statements are true.
D Both statements are false.

(2 Marks)

QUESTION FOUR

Mwiza Jannie, a legal expert resident in Rwanda, has been awarded a contract for law writing services for the Rwandan central government with a value of FRW 50,000,000 VAT inclusive. Mwiza Jannie is registered with the tax administration and is up to date in all her tax declarations and record-keeping. **What amount of withholding tax will the Rwandan central government deduct from this fee?**

- A FRW 2,500,000
- B FRW 1,500,000
- C FRW 1,271,186
- D FRW 6,150,000

(2 Marks)

QUESTION FIVE

Which of the following conditions should be fulfilled for training and research and development expense to be allowed as deductible expense.

- i. Should Promotes business activities
- ii. Has been declared and planned in the activity plan (the business plan or management reports of the entity)
- iii. The expense should be of the tax period
- iv. It should include the purchase, repair or reconstruction of land and buildings, or of asset exploration

- A (i) only
- B (i), (ii), and (iii)
- C (i), (ii), (iii), (iv)
- D None of the above

(2 Marks)

QUESTION SIX

Which one of the following payment is considered as payment not exempted employment income tax?

- i. The discharge or reimbursement of expenses incurred by the employee for business activities of the employer;
- ii. Contributions made by the employer for the employee to the public institution in charge of social security;
- iii. Pension payment from the public institution in charge of social security or from a qualified pension fund;
- iv. Contributions made by the employee him/herself to the public institution in charge of social security

- A (i) and (ii)
- B (i), (ii), and (iii)
- C All the above
- D (iv), only

(2 Marks)

QUESTION SEVEN

Which of the following payments by government bodies under public tenders would be liable to a withholding tax at three percent (3%)

- (i) Payment to an overseas business that is not registered with Rwanda Revenue Authority
- (ii) Payment to a Rwandan registered business that doesn't hold a tax clearance certificate
- (iii) Payment to a Rwandan business that is new and not yet registered with Rwanda Revenue Authority
- (iv) Payment to a Rwandan registered business that holds a tax clearance certificate

A (i), (i) and (iii)
B (ii), (iii)
C (iii)
D All of the above

(2 Marks)

QUESTION EIGHT

Which one of the following would be considered a permanent establishment of an overseas company operating in Rwanda?

A A storage facility
B An office solely used for market research
C An independent agent
D A factory where workers assemble goods for resale

(2 Marks)

QUESTION NINE

The Rwanda Revenue Authority administers different types of taxes which includes direct and indirect taxes. Among the following types of taxes, **which one is not a direct tax?**

A Personal Income
B Value Added Tax
C Corporate Income Tax.
D Capital Gain Tax.

(2 Marks)

QUESTION 10

Madeleine Mugeni has let out his investment property for FRW 4,800,000 in the year 2019. He took out a bank loan to fund the purchase of the property and paid interest of RWF 400,000 during the year. **Madeleine's taxable rental income tax for the year will be:**

A FRW 464,000
B FRW 720,000
C FRW 600,000
D FRW 584,000

(2 Marks)

SECTION B

QUESTION 11

Fidelity Investments Rwanda Ltd is a company incorporated in Rwanda dealing in manufacturing import and export of products. It was registered under Rwanda Development Board since 1 January 2021, and obtained the investment certificate. The following is the asset report extracted from the company's asset register as of 31 December 2021.

Asset description	Acquisition cost FRW “000”
Land	100,000
Building	1,050,500
Plant & machinery	800,000
Good will	40,000
Motor vehicle	69,360
Furniture and fittings	129,600
Software	128,000
Computers	52,540

Required:

Compute the capital allowances of Fidelity Investments Rwanda Ltd Rwanda ltd for the year ended 31/12/2021. (Total:10 marks)

QUESTION 12

Umuragwa Sophie is employed by MSF International, an international Non-Governmental Organization which has a branch in Rwanda, as the Chief Internal Auditor on the following contractual terms:

1. Monthly basic salary FRW 5,600,000
2. Communication allowance FRW 300,000 per month
3. Overtime allowance FRW 500,000 per month
4. A company house where paid by the employee, and the company reimburses FRW 700,000 per month.
5. A company vehicle which she uses for both private and business.
6. The staff at MSF international, are reimbursed all medical expenses as per their employment contracts. During the month of January 2021, Sophie was reimbursed FRW 270,000 expenses relating to the kids sicknesses.
7. During the month of January 2021, Sophie obtained a salary advance of FRW 20,000,000 to be paid in one year at no interest. The interbank interest rate is 10%.
8. The employer is not required to withhold staff any tax related expenses.

Required:

Compute Umuragwa Sophie's taxable employment income and tax liability and tax payable for the month of January 2021. (Total: 10 Marks)

SECTION C

QUESTION 13

a) i) Differentiate the accounting period from period of accounts (2 Marks)

ii) Define Long-term contract and its tax treatment (2 Marks)

b) Amani and Maisha trade as Mar Ltd, Rwandan Resident Company providing accounting and taxation services. The company's income statement for the year ended 31 December 2021 was as follows:

DETAILS	FRW"000"	FRW"000"
Income:		
Accounting and advisory Services		2,400,000
Tax Consultancy Fees		1,800,000
Other Income		180,000
Total Income		4,380,000
Expenses:		
Administrative Expenses	420,000	
Depreciation	960,000	
Salary and Wages	120,000	
Bad Debts Written off	60,000	
Computer Software	59,000	
Legal and audit fees	120,000	
Rental Expenses	100,000	
VAT paid	260,000	
Office Partitions	125,000	
General Expenses	82,000	
Total expenses		2,306,000
Net Profit		2,074,000

Additional information:

1. Rent expenses relates to the rent of Amari's sister-in-law.
2. Legal audit fees include FRW 80,000,000 as fines paid to the government for the negligence of duty.
3. 60% of bad debt written off were general provision.
4. 50% of other income is from interest received(net) commercial bank. The remainder was dividend received from resident company listed on Rwanda stock exchange.
5. Mar Ltd allowable capital allowance is FRW 450,000,000
6. There was FRW 2,200,000 related training fees but was not well captured by accountant.

Required:

Compute a taxable profit or loss and Tax liability the year ended 31 December 2021

(16 Marks)

(Total: 20 Marks)

QUESTION 14

a) Manirakiza purchased 100,000 shares from Imena Limited at FRW 300 per share, a private limited company in 2018. On 2nd June 2021, Manirakiza sold 70,000 shares to Ms Elisa at FRW 500 per share.

Required:

- i) Compute and explain the tax treatment of capital gain tax and its due date of declaration and payment.** (6 Marks)
- ii) Explain the tax treatment of capital gain resulting from corporate restructuring in respect of the transferring company.** (2 Marks)

b) Indoto industries limited was incorporated in Rwanda and all its shareholders resides in Rwanda. The company is the leading producer of Kawunga. In order to expand its operations within the country, the company acquired many loans and failed to repay them together with interest with interest. The company failed to settle the obligation and thus, liquidation was only the option adopted by majority shareholders. Indoto industries limited was liquidated on 30/11/2019. The proceeds from sales of the assets were FRW 450,000,000. The liabilities were FRW 100,000,000 and the capital of the shareholders were FRW 120,000,000.

Required:

- i) Explain the taxation in case of liquidation.** (2 Marks)
- ii) Compute the tax on liquidation.** (5 Marks)
- c)** Kantengwa is operating in Bugesera district, Eastern province. She receives all revenues from rent of machinery and other equipment including agriculture and livestock farming. Below is detailed information relating to machines and equipment rental income

SN	Assets	Gross annual rent received FRW
1	Machines	100,000,000
2	Agriculture equipment	125,000,000
3	Livestock equipment	35,000,000

It is worth to note that the above machines were acquired using a bank loan of FRW 200,000,000 at 19% interest per annum.

Required:

Compute the taxable investment income resulting from above investment. (5 Marks)
(Total: 20 Marks)

QUESTION 15

Munezero Ange started investing in machines since January 2021. She rents the machines to various entrepreneurs in Rwanda. During the year ended 31/12/2022, she received a gross income of FRW 80,000,000. The machines were purchased at a cost of FRW 50,000,000 of which FRW 30,000,000 was a loan from the bank. She pays an interest rate of 16% annually. Munezero Ange paid tax prepayment amounting to FRW 3,000,000 related to the year 2022.

Required:

- a) Compute Munezero Ange taxable investment income and tax liability. (11 Marks)**
- b) List the components of investment income as provided by the law n° 027/2022 of 20/10/2022 establishing taxes on income. (5 Marks)**
- c) State FOUR circumstances that may lead to a tax refund for a taxpayer. (4 Marks)**

(Total: 20 Marks)

End of question paper

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