CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.3: TAXATION

MARKING GUIDE AND MODEL ANSWERS

DATE: FRIDAY 29, MAY 2026

SECTION A

Marking Guide

Question one -10	Description	Marks	Total Marks
	Award 2 Marks on each correct answer		
1	C	2	
2	C	2	
3	D	2	
4	B	2	
5	B	2	
6	B	2	
7	C	2	
8	B	2	
9	C	2	
10	C	2	
	Total Marks		**20**

Model answers

QUESTION ONE

The TWO conditions that need to be met for a taxpayer to use a tax period that is different to 31 December.

C: 1 and 4

The income tax is calculated for the calendar year, which starts on 1st January and ends on 31st December unless otherwise provided by this law.
The Minister may, upon written request, allow in writing a taxpayer to apply any other twelve (12) months period as a tax period if the taxpayer fulfils the following conditions:
1° to be an entity subject to corporate income tax;
2° to keep books of accounts according to generally accepted accounting principles;
3° to present sound reasons for changing his or her tax period.

QUESTION TWO

Residence of individuals

C: 2 and 3

- 2 Louise Merveille has a habitual abode in Rwanda and is therefore Rwandan resident.
- 3 Loxane Smith – in the 12-month period to 31 August 2020, Sophie was present in Rwanda for 1 December 2019 to 31 January 2020 and 15 April 2020 to 31 August 2020, a total of

201 days. As this exceeds 183 days, and ends in the tax period 2020, Loxane Smith, will be treated as Rwandan resident for 2020.

- 1 Adam Bens will have only been present in Rwanda for four months in 2020 (<183 days), and is therefore not Rwandan resident (as he does not have a habitual abode in Rwanda nor a permanent Rwandan residence).
- 4 Sigmund Fred does not have a habitual abode nor a permanent Rwandan residence and was only present in Rwanda for two weeks during 2019 – he is therefore not Rwandan resident for 2020.

QUESTION THREE

D.
All the following countries: Mauritius, Barbados, Singapore have a double taxation agreement (DTA) with Rwanda, except Canada

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QUESTION FOUR

The correct answer is B
Taxable income is 18,000,000 which is taxed at 3% lump sum
A is not correct because it considered sales minus expenses
C is not correct because it considered 30% corporate income tax rate
D is not correct because it considered 28% corporate income tax rate

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QUESTION FIVE

The correct answer is B

If the annual turnover exceeds FRW20m, the fixed administrative fine for late filing is FRW300,000.

QUESTION SIX

Losses incurred on long-term contracts:
B Statement 2 is true and statement 1 is false.

According to the article Article 24: Computation of profits of a business bound by long-term contract:
A loss in a tax period in which a long-term contract is completed may be carried back and offset against previously taxed business profit from that contract to the extent it cannot be absorbed by business profit in the tax period of completion.

QUESTION SEVEN

The answer is C:
The tax relief available for DP Ltd on the cost of the building
The investment allowance will be FRW 250,000,000 = (50%*500,000,000)
and the total cost FRW 500,000,000 will also qualify for straight-line depreciation at 5% per year.

QUESTION EIGHT

The loss carried forward in the computation of the business taxable profits?

The answer is B: Both statements are false
Article 32: Loss carried forward

- If the computation of business profit results in a loss in a tax period, the loss may be deducted from the business profit in the next five (5) tax periods, earlier losses being deducted before later losses.
- However, the Tax Administration may authorise the taxpayer who so applied for, the loss carried forward of more than five (5) tax periods if s/he fulfils requirements determined by an Order of the Minister.
- During a tax period, foreign sourced losses cannot be deducted from either present or future domestic sourced business profits.
- If during a tax period, the direct and indirect ownership of the share capital or the voting rights of a company, whose shares are not traded on a recognized stock exchange changes more than twenty five per cent (25%) by value or by number, the provisions of Paragraph one of this Article cease to apply to losses incurred by that company in the tax period and previous tax periods.

QUESTION EIGHT NINE

The correct answer is B

The interest rates for late payment are as follows:

- 0.5% per month if the delay does not exceed 6 months,
- 1% per month if the delay is between 6 and 12 months, and
- 1.5% per month if the delay exceeds 12 months.

QUESTION TEN

Amount of withholding tax will the Rwandan central government deduct:
The answer is**: C** FRW 1,230,000

	WHT Base	**@ 3%**	**@ 5%**	**@ 15%**
VAT inclusive	50,000,000	1,500,000	2,500,000	7,500,000

VAT exclusive	41,000,000	**1,230,000**	2,050,000	6,150,000

SECTION B

QUESTION 11

Marking guide

(a)	
	Marks
Award each point 1 mark for the person cited down Max: 6 Marks	6
Award each point 1 mark for non-deductible expenses Max 9 Marks	9
(b)	
Award each point 1 mark for each institution noted down Max 3 Marks	3
(c)	

Award 2 marks on the advice of filling CIT for NGOs 2 Marks	2
Total	**20**

Model answers

a). Maxime wanted to know the taxable person and non-taxable person in the territory of Rwanda:

The following are persons subjected to the corporate income tax:

1. Companies established in accordance with Rwandan or foreign law.
2. Cooperative societies and their branches
3. Commercial public institutions
4. Partnerships
5. Entities established by Districts and the City of Kigali, as long as these entities perform an income-generating activity.
6. De facto companies or associations and any other type of entities that are established to realize profits.

Entities exempted from corporate income tax are as follows:

1. The City of Kigali and Districts
2. The National Bank of Rwanda
3. Entities that carry out only activities of a religious, humanitarian, charitable, scientific, or educational character, unless the revenue received exceeds the corresponding expenses or if those entities conduct a business.
4. International organizations, agencies of technical cooperation, and their representatives, if such an exemption is provided for by international agreements.
5. Qualified pension fund
6. Public institution in charge of social security
7. Development Bank of Rwanda
8. Agaciro Development Fund Corporate Trust
9. Business Development Fund Limited “BDF Ltd

b)

The government institutions that will be involved in the process of opening business activities are:

Rwanda Development Board and
Rwanda Revenue Authority

While Rwanda Government Board is involved in the process of opening Non-Governmental Organizations.

(c).

Income tax law requests that entities exempted from corporate income submit to the Tax Administration their financial statements not later than 31 March following the tax period. Maxime is advised to keep in mind that NGOs are required to submit the financial statements not later than 31st March of the following year of income.

QUESTION 12

Marking Guide

Question 15	Details	Marks	Total Marks
	Award 1 mark on each well computed capital allowance on each category of asset in 2020		
	Land	0.5	
	Office building	1	
	Motor vehicle	0.5	
	Software	0.5	
	Computers	0.5	
	Furniture	0.5	
	Award 1 mark on each well computed wear and tear allowance on each category of asset of 2020		
	Land	0.5	
	Office building	1	
	Motor vehicle	1	
	Software	1	
	Computers	1	
	Furniture	1	
	Total	1	
	Total Marks		**10**

Model Answer

Computation of the capital allowance and tax depreciation for the year ended 2019

Assets	**Land**	**Office building**	**Motor vehicle**	**Software**	**Computers**	**Furniture**	**Total**
	FRW	**FRW**	**FRW**	**FRW**	**FRW**	**FRW**	**FRW**
Cost	40,000	120,000	45,000	41,000	47,000	38,000	
Acc. Dep rate		50%					
Acc. Dep		60,000	0	0	0	0	60,000
Depr basis		120,000	45,000	41,000	47,000	38,000	
Depr rate		5%	25%	10%	50%	25%	
Depr charge		6,000	11,250	4,100	23,500	9,500	54,350
Total allowance		66,000	11,250	4,100	23,500	9,500	114,350

Note:

1. The land is not depreciated.
2. The pool of asset that do not have at least 50 million, do not qualify for capital allowance.

SECTION C

QUESTION 13

Marking Guide

	Details	**Marks**	**Total Marks**
A.	Award Marks as follows:		
1	Computation of WHT on Interest income		
	Award 3 Marks Explanation that Fixed deposits of over 1 year is exempted	2	
2	Computation of WHT on loyalty income		
	Awards 3 marks on well Computed WHT on loyalty income	2	
3	Computation of WHT on interest income		
	Awards 3 marks on well Computed WHT on interest income	2	
4	Computation of WHT on capital gain		
	Awards 5 marks on well Computed of WHT on capital gain	4	
5	Computation of WHT on Interests on government bonds	3	

	Details	Marks	Total Marks
A.	Award 1 mark on each the type of taxpayers that are exempted from exempted from withholding tax (Max 2 marks)	2	
B.	Award 1 Mark per each valid the type of required records to be kept in relation of payments of the withholding tax. (Max 3 marks)	3	
C.	Award 2 Mark per correct due date for declaration and payment of withholding tax. (Max 2 marks)	2	
	Total Marks		**20**

Model Answer

A. **Compute the withholding tax applicable to Gabriel Hosea for the year 2019.** (13 marks)

	Computation	Workings		WHT
1	**Interest income on fixed deposit account**		Exempt if more than 1 year	-
2	**Royalty income**	80,000,000 *15%		12,000,000
3	**Interest income**	(100,000,000 *10%) *10/12	8,333,333	
		8,333,333*15%	Since maturity is below 3 years the withholding is 15% and it is at the source	1,250,000
4	**Capital gain**			
	Proceeds from the shares transferred	8,000 *1,000	8,000,000	
	Cost of the shares transferred	6,000 *1,000	6,000,000	
	Capital gain		2,000,000	
	WHT on Capital gain	2,500,000,000 * 5%		100,000
	Interest received from gmt bonds of 10 years	10,000,000		
	WHT on Interst from gmt bonds	(10,000,000*5%)		500,000

B. **List the types of taxpayers that are exempted from exempted from withholding taxes.**

Article 64: Persons exempted from withholding taxes.
The following taxpayers are exempted from withholding taxes:
1° those whose business profit is exempted from taxation.
2° those who have tax clearance certificate issued by the tax administration.

C. **Explain the types of required records to be kept in relation of payments of the withholding tax.**

Article 66: Records of payments and tax withheld
Any person who pays a withholding tax keeps and makes available to the Tax Administration, for inspection and whenever necessary, records in relation to each tax period showing the following:

- 1° payments made to taxpayer.
- 2° amount of tax withheld and paid.
- A person who pays withholding tax shall keep the records referred to in Paragraph One of this Article for a period of ten (10) years after the end of the tax period to which the records relate.

D. **Explain the timeline for declaration and payment of withholding tax.**
Article 63: Time for declaration of withholding taxes
The person who withholds is required to file a tax declaration and make payment in accordance with the procedures prescribed by the Tax Administration within a period of fifteen (15) days after the month in which the taxes were withheld.

QUESTION 14

Marking guide

Criteria	**Marks**
(a)	
Award 1 mark for each stated payment/ income exempted for employment income tax (Maximum 5 marks)	**5**
Award 1 mark for each stated employee/person exempted for employment income tax (Maximum 3 marks)	**3**
(b)(i)	
4 marks on computation of Muhire Johnson's total employment income - 0.5 marks for each figure	**4**
2 marks on PAYE computation- 0.5 marks for each figure	**2**

1.5 marks on medical contribution calculation- 0.5 marks for each figure	**1.5**
2.5 marks on pension contribution calculation- 0.5 marks for each figure	**2.5**
(b)(ii)	
2 marks for correct deadline for declaration and remittance of tax and contribution	**2**
Do Not Award (DNA) the marks on total	
Total marks for question 3	**20**

Model answers

(a)

Article 16: Payments/Incomes exempted from employment income tax;

1. The discharge or reimbursement of expenses incurred by the employee or his/her associate:
   - ✓ wholly for business activities of the employer
   - ✓ those that are deducted or would be deductible in calculating the employee's income from all his/her business activities
2. Contributions made by the employer for the employee to the public institution in charge of social security.
3. Pension payment from the public institution in charge of social security or from a qualified pension fund
4. employment income received by an employee who is not a Rwandan citizen from a foreign Government or a non-governmental organization under an agreement signed by the Government of Rwanda, when the income is received for the performance of aid services in Rwanda
5. Employment income received from an employer who is not a resident in Rwanda by a non-resident individual for the performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda

Article 17: Persons exempted from employment income tax;

1. A foreigner who represents his/her country in Rwanda.
2. Any other individual employed in any Embassy, Legation, Consulate or Mission of a foreign state performing State affairs, who is a national of that State and who owns a diplomatic passport.
3. A non-citizen individual employed by an international organization.

(b)(i)

Muhire's Total employment Income

Basic salary	1,200,000
Transport Allowance	171,429
Housing Allowance	171,429
Other cash Allowance	300,000

Gross salary	**1,842,857**

PAYE Calculation

Bracket	**Tax Rate**	**Tax Amount**
0-60,000	0%	-
60,001-100,000	10%	4,000
100,001-200,000	20%	20,000
200,001 and above	30%	492,857
Total		**516,857**

Medical deduction's calculation
The tax base is the Basic salary

Basic salary	**Employer contribution of 7.5%**	**Employee contribution of 7.5%**	**Toral**
1,200,000	90,000	90,000	180,000

Pension deduction's calculation
The tax base is the Gross salary minus the Transport allowance
The contribution is made of:

	Employer	**Employee**
Pension	3%	3%
Occupation hazards	2%	0%
Maternity	0.3%	0.3%
Total	**5.3%**	**3.3%**

Gross salary	**Transport allowance**	**Tax base**	**Employer contribution of 5.3%**	**Employee contributi on of 3.3%**	**Total**
A	B	C=A-B	D=C*5.3%	E=C*3.3%	F=D+C
1,842,857	171,429	1,671,429	88,586	55,157	143,743

(b)(ii)

The deadline for declaration and remittance of the calculated PAYE, Medical and Pension contribution is 15th February 2024.

QUESTION 15

Marking Guide

Question 15	Details	Marks	Total Marks
	Reported Loss	1	
	Add: Non-deductible expenses		
	Rent	2	
	Personal consumption	1	
	Bad debt	1	
	Donation	1	
	Fines and penalties	1	
	Electricity	2	
	Depreciation	1	
	Purchase of furniture	2	
	Entertainment	1	
	Business profit	1	
	Less capital allowance	1	
	Taxable income	1	
	Tax liability	2	
	Less income tax paid	1	
	Tax payable	1	
	Total Marks		**20**

Model Answer

Compute the taxable income, the tax liability and tax payable for MNL Ltd for the year ended 31/12/2021

Details	Workings	FRW	FRW
Loss			- 37,450,000
Add back non allowable			
Rent	(30% x 35,000,000)	10,500,000	
Personal consumption		8,000,000	
Bad debt		6,000,000	
Donation	Below 2% of sales	-	
Fines and penalties		10,000,000	
Electricity	(30% *4,000,000)	1,200,000	
Depreciation		18,000,000	
Purchase of furniture		10,000,000	
Entertainment		4,000,000	
		67,700,000	67,700,000
Business profit			30,250,000
Less capital allowance			4,500,000
Taxable income			25,750,000
Tax liability and tax			7,725,000
Less income tax paid			6,000,000
Tax payable			**1,725,000**

END OF MARKING GUIDE AND MODEL ANSWERS