CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.3: TAXATION

DATE: FRIDAY 29, MAY 2026

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. Question paper should not be taken out of the examination room.

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

Which TWO of the following individuals would be treated as resident in Rwanda in the tax period 2020?

1. Adam Bens, a UK citizen who has been seconded to Rwanda by his employer for the period 1 September 2020 to 30 April 2021 - he is staying in hotels while in Rwanda, and he has never visited Rwanda prior to his secondment.
2. Louise Merveille, an individual whose habitual abode is in Rwanda but who is currently travelling around the world and will be away for the whole of 2020.
3. Loxane Smith, who was seconded to Rwanda for the periods 1 December 2019 to 31 January 2020 and 15 April 2020 to 31 August 2020, but has now returned to the UK (his usual home)
4. Sigmund Fred, an Israel citizen who owns a hotel as a business in Rwanda but has only visited Rwanda for two weeks in 2020; he does not have a Rwandan home.

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

(2 Marks)

QUESTION THREE

Which One of the following countries does not have a double taxation agreement (DTA) with Rwanda?

A Mauritius
B Barbados
C Singapore
D Canada

(2 Marks)

QUESTION FOUR

Ganza is a business man in Kigali. His annual turnover for the year ended 31/12/2022 was FRW 18,000,000. He also incurred the total costs and operational expenses worth FRW 23,000,000 which gives a loss of FRW 5, 000,000. All expenses are allowable expenses for tax purpose. **Which of the following will be considered as his tax liability?**

A No Tax payable.
B 540,000
C 5,400,000
D 5,040,000

(2 Marks)

QUESTION FIVE

What is the fixed administrative fine for late filing if a company annual turnover exceeds FRW20,000,000?

A FRW50,000 per month the return is outstanding
B FRW300,000 per month the return is outstanding
C FRW500,000 per month the return is outstanding
D 20% of due tax

(2 Marks)

QUESTION SIX

Determine whether the following statements are true or false in relation to losses incurred on long-term contracts:

(1) Loss on a long-term contract may be carried back in priority to using it against current period total business profit.
(2) A loss arising in the tax period when a long-term contract is completed can be carried back to offset business profits that were previously taxed under that contract, but only to the extent that the loss exceeds the business profit of the completion period.

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 SEVEN

A building is constructed in Kigali for use in the trade of DP Ltd, a Rwandan resident trading company. The building cost RWF 500,000,000 and was paid for on 31 March 2022. DP Ltd has a tax period to 31 December each year. DP Ltd holds a valid investment certificate for this expenditure. **Which of the following statements is correct concerning the tax relief available for DP Ltd on the cost of the building?**

A The investment allowance will be FRW 250,000,000 and the balance of FRW 250,000,000 will qualify for straight-line depreciation at 5% per year.

B The investment allowance will be FRW 250,000,000 and the remaining FRW 250,000,000 will qualify for straight-line depreciation at 10% per year.

C The investment allowance will be FRW 250,000,000 and the total cost FRW 500,000,000 will also qualify for straight-line depreciation at 5% per year.

D The building will only be eligible for standard tax depreciation at 5% per year.

(2 Marks)

QUESTION EIGHT

Which statement is true to explain the loss carried forward in the computation of the business taxable profits?

(1) During a tax period, foreign sourced losses can be deducted from either present or future domestic sourced business profits.

(2) 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, later losses being deducted before earlier losses.

A Both statements are true.

B Both statements are false.

C Statement 1 is true and statement 2 is false.

D Statement 2 is true and statement 1 is false.

(2 Marks)

QUESTION NINE

Late payment interest is levied on any tax liabilities not settled within the statutory timeframe in Rwanda. **What is the interest for late payment if the delay is for eight months?**

A 0.5% per month

B 1% per month

C 1.5% per month

D 2% per month

(2 Marks)

QUESTION TEN

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 1,230,000

D FRW 6,150,000

(2 Marks)

SECTION B

QUESTION 11

Maxime Excel is a citizen of France and wants to open a business company in Rwanda to run the business of supplying office furniture and equipment and a non-government Organization to support low-income earners and other vulnerable persons. Maxime approached a local consultancy firm to seek advice on local taxes and requirements to be compliant with taxes. Maxime had the concern of the taxable persons and non-taxable persons on corporate income tax in the territory of Rwanda.

Required:

a) Based on Maxime's situation, list THREE examples of taxable persons and THREE examples of non-taxable persons that would apply under our firm's guidance. (6 Marks)

b) Which government institutions will be involved in the process of opening the above activities? (3 Marks)

c) What would be advised to Maxime in the period of filing Corporate Income Tax for non-government Organizations? (1 Marks)

(Total: 10 Marks)

QUESTION 12

Medieval Ltd, a Rwandan resident company registered since the year 2020. The following information was extracted in its assets register and qualifies for depreciation for the tax purpose.

Nº	Description	Acquisition cost in "FRW"
1	Land	40,000,000
2	Business building	120,000,000
3	Computer equipment pool	47,000,000
4	Motor vehicle	45,000,000
5	Furniture and fittings	38,000,000
6	Accounting Software	41,000,000
	Total	331,000,000

Additional information:

1. All asset was purchase during year 2020.
2. Medieval Ltd is registered for investment in Rwanda Development Board (RDB) and qualifies for investment and capital allowance for the year 2020.

Required:

Compute capital allowance that the company should claim for the year ended 31st December 2020. (10 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

Gabriel Hosea is a wealthy Rwandan taxpayer, who invested in different taxable business. During the year ended 31/12/2019, Gabriel received income from the following Investments:

1. John also owns a fixed deposit account in ABC bank with a maturity of three years, at the end of the year 2020, he received an interest income of FRW 10,000,000
2. During the year he sold a copy right of his new book at FRW 80,000,000.
3. Invested FRW 100,000,000 in a fixed deposit account in the bank for a period of ten months at an annual interest rate of 10%.
4. He purchased 2,000,000 shares at Golilla Limited, a Rwandan private company, operating in tourism industry. The shares were purchased in 2015 at a price of FRW 6,000 per share. In 2020, he sold 1,000,000 shares to a foreign investor. The market price of the shares at the date of the sale was FWR 8,000 per share.
5. Gabriel also has investment in government securities. The investment is for a maturity period of 10 years. During the year ended 31/12/2020, Gabriel received an interest income equivalent to FRW 10,000,000.

Required:

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

b) **List the types of taxpayers that are exempted from withholding taxes.** (2 Marks)

c) **Explain the types of required records to be kept in relation of payments of the withholding tax.** (3 Marks)

d) **Explain the timeline for declaration and payment of withholding tax.** (2 Marks)

(Total: 20 Marks)

QUESTION 14

a) Employment income is income earned, received or derived from remunerative work as an employee in an employer, those income can be cash benefit or benefit in kind. In normal circumstances, those incomes are subject to employment income tax but from other side there are the incomes and employees/ persons exempted from employment income tax.

Required:

In accordance to income tax law Nº 027/2022 of 20/10/2022 on its article 16&17, **state the payments/ incomes and employees/ persons exempted from employment income tax.** (8 Marks)

b) Muhire Jonhson was employed by Rwanda Business Forum Board (RBFR), a public institution established by the government of Rwanda since 2021 as a Financial Controller (FC).

From his employment contract under the section of renumeration, stated that RBFR shall pay a monthly basic salary of FRW 1,200,000 plus a transport and housing allowance of 1/7 per each of the basic salary and other cash allowance of FRW 300,000 per month.
The contract also stipulates that all statutory deductions (Medical and pension) should be calculated and paid by RBFR as per Rwandan law.

Required:

i) Assume you the one in charge of preparing the payroll of RBFR's employees, **compute the monthly related PAYE and statutory deduction of medical and pension on Muhire Jonhson's employment income.** (10 Marks)

ii) Suppose you are computing the taxes of the month of January 2024, **state the deadline for declaration and remittance of the calculated PAYE and contribution to the mandatory pension scheme in (i) above.** (2 Marks)

(Total: 20 Marks)

QUESTION 15

MNL Ltd is a medium business having its offices in Nyarugenge District. It is registered in Rwanda Revenue authority since 2020. During the year ended 31/12/2022, the company reported a loss of FRW 37,450,000. The company contacted you to provide a tax advice with the following financial information in support of the reported loss.

Details	**FRW**	**FRW**
Sales		400,000,000
Opening stock	57,450,000	
Purchase	250,000,000	
Closing stock	60,000,000	(247,450,000)
		152,550,000
Salaries	65,000,000	
Rent	35,000,000	
Marketing	8,500,000	
Electricity	4,000,000	
Depreciation	18,000,000	
Bad debt	6,000,000	
Purchase of furniture	10,000,000	
Repair and maintenance	22,000,000	
Donations	3,000,000	
Accounting fees	4,500,000	
Fines and penalties	10,000,000	
Entertainment	4,000,000	
		(190,000,000)
Loss for the year		(37,450,000)

Additional Information:

1. The rent and electricity included 30% prepayment for the year 2023.
2. The value of cost of goods sold included an amount equivalent to FRW 8,000,000 relating to the goods provided to the Director General for personal use.
3. The bad debt expenses relate to a provision that was made at the end of the period.
4. The donation was made to a charitable organization.
5. The fines and penalties relate to failure to provide EBM invoices to customers.
6. Allowable capital allowance for tax purpose was agreed to be FRW 4,500,000.
7. The company made quarterly prepayments equivalent to FRW 6,000,000 relating to the fiscal year 2022.

Required:

Compute the taxable income, the tax liability and tax payable for MNL Ltd for the year ended 31/12/2022. (20 Marks)

(Total: 20 Marks)

End of Question Paper