

CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.3: TAXATION
DATE: NOVEMBER 2025
MARKING GUIDE AND MODEL ANSWERS

SECTION A

Marking guide

Question No	Correct Answer	Marks
1	C	2
2	D	2
3	D	2
4	C	2
5	B	2
6	D	2
7	B	2
8	D	2
9	B	2
10	A	2

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.

The correct answer is 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

The correct answer is D: FRW 2,665,000

Particulars	Workings	Amount (FRW	Wrong	Wrong	Wrong
Salary	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Communication allowance	50,000	50,000	50,000	50,000	-
Employment income		2,050,000	2,050,000	2,050,000	-
Company car	10% * 2,050,000	205,000	200,000	0	-

Company house	20% *2,050,000	410,000	400,000	0	-
Total employment income		2,665,000	2,650,000	2,050,000	2,000,000

QUESTION THREE

The declaration and payment of Personal Income tax in Rwanda.

The correct answer is D

Both statements are false.

According to the income tax law:

A person is not 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 employment income;

3° receives only income on investment that is subject to withholding tax.

QUESTION FOUR

Amount of withholding tax will the Rwandan central government deduct:

The correct 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

QUESTION FIVE

The correct answer is B

A is not correct because it is not the only condition to be fulfilled

C is not correct because it includes iv which is the only condition not to be included in

D is not correct because the first three items are correct.

QUESTION SIX

The correct answer is D

A is not correct because reimbursements and employer contributions in charge of social security are exempted from employment income

B is not correct Contributions made by the employer for the employee to the public institution in charge of social security are exempted

C is not correct because it include employee contribution which is not exempted from employment income tax.

QUESTION SEVEN

The correct answer is B

Option B, Payment to a Rwandan registered business that doesn't hold a tax clearance certificate and Payment to a Rwandan business that is new and not yet registered with Rwanda Revenue Authority.

Options A and C would be charged 15% not 3% and a holder of tax clearance is exempt from withholding tax on public tender.

QUESTION EIGHT

The correct Answer is D

Option D, A factory where workers assemble goods for resale is considered a permanent establishment of an overseas company operating in Rwanda

Remaining options are not considered a permanent establishment of an overseas company operating in Rwanda

QUESTION NINE

The correct answer is B

Value Added Tax.

- Value Added Tax is a tax on the consumption of goods and services and eventually indirectly paid by the final consumer of the goods and services. Therefore, not a direct tax.
- Corporate income tax and Personal Income tax are taxes levied on a company's profits, and Individual's profits respectively and therefore direct taxes.
- Capital gains tax is a tax levied on an individual or company when their wealth increases (due to the shares increasing in value). It is therefore direct.
- Withholding tax is suffered by the recipient of certain type of income: example Dividends, and therefore a direct tax.

QUESTION 10

The correct answer is A

The taxable rental income is computed as follows:

Taxable income = Gross rental * 50% - interests (If any)

Taxable income = FRW (4,800,000*50%)-400,000 = FRW2,000,000

The rental income tax due will be

= (180,000*0%) + (1,000,000-180,000) *20% +(2,000,000-1,000,000)*30%

= 0+164,000+300,000

= FRW 464,000

SECTION B

QUESTION 11

Marking Guide:

Marking Guide	
Description	Marks
Award 0.5 mark for each well computed type of asset capital allowance. (Maximum: 4 marks)	4
Award 0.5 mark for each well computed wear and tear to every type of asset. (Maximum: 4 marks)	4
Award 0.5 mark for total capital allowance and 0.5 to the total wear and tear. (Maximum: 1 mark)	1
Award 1 mark for each well computed total allowance. (Maximum: 1 mark)	1
Total Marks	10

Model Answers

a. Computation of Capital Allowance for the Year Ended 31/12/2021

		5%	5%	10%	25%	25%	10%	50%
Descriptions	Land (000)	Building (000)	Plant & machinery(000)	Goodwill (000)	Motor vehicle (000)	Furniture and Fittings (000)	Software (000)	Computers (000)
COST	100,000	1,050,500	800,000	40,000	69,360	129,600	128,000	52,540
Accelerated Depreciation	-	525,250	400,000	-	34,680	64,800	64,000	26,270
Depreciation Base	-	1,050,500	800,000	40,000	34,680	64,800	128,000	26,270
Depreciation		52,525	40,000	4,000	8,670	16,200	12,800	13,135
Closing Balance	100,000	472,725	360,000	36,000	26,010	48,600	51,200	13,135

QUESTION 12

Marking guide

Descriptions	Marks
Basic salary	1
Communication allowance	1
Overtime Allowance	1
Company house	1
Company Vehicle	1
Medical Allowances	1
Loan Benefits Computation	2
Total taxable income	1
Tax liability	1
Total Marks	10

Model Answer

Descriptions	Amount
Basic salary	5,600,000
Communication allowance	300,000
Overtime Allowance	500,000
Other Benefits	
Company house	700,000
Company Vehicle	710,000
Medical Allowances	Exempted
Loan Benefits Computation	
Loan taken	20,000,000
Loan allowed (5600+300+500)	19,200,000
Excess	800,000
Interest	6,667
Total taxable income	7,816,667
Tax liability	2,329,000

SECTION C

QUESTION 13

Marking guide

DETAILS	MAR KS
a) i) 1 Mark is awarded for clear definition of 2 terms. Max 2 Marks	2
a) ii) 1 Mark is awarded for definition of long-term contract and 1 Mark is awarded for tax treatment. Max 2 Marks	2
Accounting Profit	0.5
Rent	1
Fines and penalty	1
Provision for Bad debt	1
Accounting Depreciation	1
Bd debt Not Qualifying	1
Computer software	1
VAT paid assumed not recoverable	1
Office partitions	1
Capital Allowance	1
Training not recognized	1
Interest form Bank Net of WHT	1
Add interest gross	1
Local dividend (Exempted)	1
Taxable income	1
Tax payable @ 30%	1
WHT on interest	0.5
Total	20

Model Answer

- a) i) Accounting period is the period for which corporation tax is charged and cannot exceed 12 months. For Rwanda tax purpose, an accounting period starts from 1st January and ends 31st December. A tax is calculated for the calendar year, which starts from 1st and ends on 31 December.

Period of accounts refers to any period for which a company prepares its accounts, this will be 12 months in length but it may be longer or shorter than this.

- ii) Long-term contract is a contract for work, manufacture, installation of construction, the performance of related services which is not completed in the tax period in which work under contract commenced.

A loss in tax period in which the long-term contract is completed may be carried back and offset against previous business profit from that contract to the extent it can not be absorbed by the business profit in the tax period of completion.

b) Mar Ltd Computation of adjusted taxable profit or loss for the year ended 31 December 2021

Descriptions	FRW''000''	FRW''000''
Accounting Profit		2,074,000
Add back non allowed expenses		
Rent	100,000	
Fines and penalty	80,000	
Provision for Bad debt	36,000	
Accounting Depreciation	960,000	
Bd debt Not Qualifying	24,000	
Computer software	59,000	
VAT paid assumed not recoverable	260,000	
Office partitions	125,000	
Total Additions		1,644,000
Capital Allowance	-450,000	
Training not recognized	- 2,200	
Interest form Bank Net of WHT	- 90,000	
Add interest gross	105,882	
Local dividend (Exempted)	- 90,000	
Total Deductions		- 526,318
Taxable income		3,191,682
Tax payable @ 30%		957,505
Less Advance tax paid		
WHT on interest		- 15,882
Net Tax payable		941,622

QUESTION 14

Marking Guide

QUESTION 15	DETAILS	MARKS	TOTAL MARKS
a(i)	Sales Proceeds	1	
	Costs of Shares	1	
	Capital gain	1	
	Capital gain tax	1	
	Award 1 Mark for explanation on tax treatment of capital gain tax	1	

	Award 1 Mark for due date for declaration and payment of capital gain tax	1	
Total			6
a(ii)	Award 2 Marks for proper explanation on capital gain from restructuring	2	
Total			2
b(i)	Award 1 Mark for explanation of taxation in case of liquidation	2	
Total			2
b(ii)	DETAILS		
	Proceeds from sales	1	
	Less liabilities	1	
	Less capital of the shareholders	1	
	Net Liquidation Proceeds	1	
	Tax	1	
Total			5
c	Machines	0.5	
	Agriculture equipment	0.5	
	Livestock equipment		
	Total Income		
	Less:		
	Deemed Expenses 260,000,000*10%	2	
	Interests-19%*200,000,000	1	
	Depreciation		
	Taxable investment income resulting from above investment	1	
Total			5
Total Marks			20

Model Answer

a)i) Computation of capital gain tax

DETAILS	FRW	FRW
Sales Proceeds	70,000*500	35,000,000
Costs of Shares	70,000*300	21,000,000
Capital gain		14,000,000
Capital gain tax	14,000,000*5%	700,000

The tax rate of capital gain tax is 5%. This is charged on the basis of the profit from sale of shares. The capital gain tax must be declared and paid by the 15th of the month after the transaction was made.

ii) In case of restructuring companies, the transferring company is exempt from capital gains tax in respect capital gains and losses realized on restructuring.

b)

i) According to article 55 of law 16/2018, the liquidation proceeds of a company after payment of liabilities and distribution of dividends, the remainder is considered as dividends on shares in the tax period of the company's existence

ii) Computation of the tax on liquidation

Descriptions	Amount
Proceeds from sale of assets	450,000,000
Liability	100,000,000
Share capital	120,000,000
Gain	230,000,000
Tax on liquidation 15%	34,500,000

The net liquidation proceeds are considered as dividend and will be taxed at 15%. So, withholding tax is $230,000,000 \times 15\% = \text{FRW } 34,500,000$

c)

Source of Income	Gross annual rent received FRW
Machines	100,000,000
Agriculture equipment	125,000,000
Livestock equipment	35,000,000
Total Income	260,000,000
Less:	
Deemed Expenses $260,000,000 \times 10\%$	26,000,000
Interests- $19\% \times 200,000,000$	38,000,000
Depreciation	-
Taxable investment income resulting from above investment	196,000,000

QUESTION 15

Marking Guide

Question 14	Details	Marks	Total Marks
a)	Award Marks as follows:		
	<u>Computation of investment income:</u>		
	Gross income	1	
	less allowable expenses	2	
	Total income		
	less depreciation	2	
	less interest expenses	2	
	Taxable rental income		
	<u>Computation of tax liability</u>		
	Tax liability	2	

Question 14	Details	Marks	Total Marks
	prepayments	1	
	Tax payable	1	
b)	Award 1 Marks per each valid type of investment income (max: 5 Marks)	5	
c)	Award 1 mark per each valid reason for refund	4	
	Total Marks		20

Model Answer

A. Computation of Munezero Ange taxable investment income and tax liability

Details	Workings	Amount in FRW
Gross income		80,000,000
less allowable expenses	10% x 80,000,000	8,000,000
		72,000,000
less depreciation	25% x 50,000,000	12,500,000
less interest expenses (16% x 30,000,000)		4,800,000
Taxable rental income		<u>54,700,000</u>
<u>Tax computation</u>		
<u>Tax band</u>	<u>Tax rate</u>	<u>Tax</u>
0 – 360, 000	0%	-
360, 001 – 1,200,000	10%	168,000
1,200,0001 - Above	20%	16,050,000
Tax liability		<u>16,218,000</u>
Less quarterly tax prepaid		3,000,000
Tax payable		13,218,000

B. The Components of investment income.

Investment income includes any payments in cash or in kind to an individual in the form of

1. Financial interest,
2. Dividends,
3. Proceeds from sale or transfer of shares,
4. Royalty, or
5. Rent which has not been taxed as business income.

C. Tax refunds

Refunds may occur due to:

- IQPs paid by the taxpayer and the withholding taxes withheld and paid on behalf of the taxpayer exceeding the income tax due
- The taxpayer over declaring and overpaying
- Waiver of tax assessments
- Any accidental overpayment

End of marking guide and model answers