

---

---

**CERTIFIED ACCOUNTING TECHNICIAN**

**STAGE 3 EXAMINATIONS**

**S3.3: TAXATION**

**DATE: FRIDAY 27, FEBRUARY 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**

Keza Ltd has requested the Ministry of Finance and Economic Planning to change its tax period to the year ending 31st March in order to harmonize the tax period with its subsidiary company operating overseas. **Which one of the following dates indicates the filing deadline for the declaration of the annual return for the year 2025?**

- A 31<sup>st</sup> December 2025
- B 31<sup>st</sup> March 2025
- C 31<sup>st</sup> March 2026
- D 30<sup>th</sup> June 2025

**(2 Marks)**

---

### **QUESTION TWO**

KS Agile Ltd (KAL) is a multi-company engaged in various businesses, including construction, manufacturing, and services. In 2023, KAL won a tender to construct an apartment located at KABEZA for a period of two years ending in December 2025.

For the year ended 2024, KAL declared a profit of FRW 10,000,000 from the tender. However, for the year ended 2025, KAL recorded a loss of FRW 5,000,000 from the same tender. In addition, since KAL operates other businesses, a profit of FRW 3,000,000 was recorded from these businesses in the year ended December 2025.

**Which amount of loss will be carried backward to offset the balance of the loss recorded in 2025 from the tender?**

- A FRW 5,000,000
- B FRW 3,000,000
- C FRW 2,000,000
- D FRW 0

**(2 Marks)**

---

### **QUESTION THREE**

**Which one of the following is not a condition for a taxpayer to be permitted to carry forward a loss?**

- A Present sound reasons that have caused the loss and reliable strategies to overcome it
- B Prove that the loss derived from the investments carried out.
- C Not have distributed any profit in the last five years.
- D Paid all taxes on time and has not committed tax evasion within the last two years

**(2 Marks)**

---

#### QUESTION FOUR

**Which TWO of the following individuals would be treated as resident in Rwanda in the tax period 2025?**

1. BWIZA Jane, an ambassador of Rwanda to Somalia.
2. RUKUNDO Nepo, a resident of Rwanda who has been seconded by his employer to the UK from January 2024 to June 2027.
3. Ongolo, a Kenyan citizen who has been appointed Chief Finance Officer of KVC Bank Rwanda, a branch of KVC Bank Kenya, since 1st August 2025.
4. Jennifer Lopez, an ambassador of Israel to Rwanda since January 2025.

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

**(2 Marks)**

---

#### QUESTION FIVE

**Which of the following form part of loyalty income?**

- i) All payments of any kind received as a prize for the use of, or the right to use, any copyright of literary, craftsmanship or scientific work including cinematograph films, films, or tapes used for radio or television broadcasting.
- ii) Payments from natural resource use.

- A (i) is true and (ii) is false  
B (ii) is true and (i) is false  
C Both are true  
D Both are false

**(2 Marks)**

---

#### QUESTION SIX

**Which exchange rate should be used to translate foreign currency items at the end of the tax period?**

- A The original transaction rate.  
B Any rate agreed by the taxpayer.  
C The closing exchange rate published by the National Bank of Rwanda.  
D The average market rate of the previous year.

**(2 Marks)**

---

#### QUESTION SEVEN

**Which of the following statements about provisions for doubtful debts is correct?**

- A General or specific provisions are deductible expenses for tax purposes.  
B Any increase in a provision must be added back to adjust taxable profit.

- C A reduction in a provision cannot be deducted from accounting profit.
- D Provisions automatically qualify as tax relief.

**(2 Marks)**

---

### **QUESTION EIGHT**

If a Rwandan subsidiary paid FRW 12,000,000 for a service, and the independent price is FRW 10,000,000, **how much should be added back to taxable income if the RRA reviews the transaction?**

- A FRW 2,000,000
- B FRW 10,000,000
- C FRW 12,000,000
- D FRW 22,000,000

**(2 Marks)**

---

### **QUESTION NINE**

If the proportion of private use is not known, **what is the assumed percentage of private use for tax depreciation purposes in Rwanda?**

- A 10%
- B 20%
- C 50%
- D 80%

**(2 Marks)**

---

### **QUESTION 10**

**Which of the following statements about dividends is correct as far as Corporate Income Tax (CIT) is concerned?**

- A Dividends paid between resident companies are included in taxable profits.
- B Dividends received from foreign companies are subject to CIT, with foreign tax relief allowed.
- C Dividends from resident companies are always exempt from CIT.
- D Dividends are never considered for CIT purposes.

**(2 Marks)**

---

## **SECTION B**

### **QUESTION 11**

a) Ntare Real Estate Ltd (NREL) was awarded a long-term contract to construct a bridge from Bwishyura Cell to Nyarubande Cell in Nyabihu District. Both parties agreed to execute the contract over a period of 18 months, from January 2015 to June 2026. The following details are provided:

1. Contract price: FRW 40,000,000
2. Estimated total cost: FRW 19,700,000

For the year ended 31st December 2025, the following costs were incurred:

- Direct materials: FRW 6,500,000
- Direct labour: FRW 4,000,000
- Subcontractor fees: FRW 2,000,000
- Equipment rental: FRW 1,200,000
- Entertainment with local leaders: FRW 300,000
- Fines for minor violations on approved structures: FRW 100,000

**Required:**

**Calculate the Corporate Income Tax to be paid for the year ended 31st December 2025.**

(6 Marks)

b) In 2023, Kigali Manufacturing Ltd, a company registered in Rwanda, invested FRW 120,000,000 in new production machinery and FRW 30,000,000 in office furniture. The company obtained a valid investment certificate from the Rwanda Development Board (RDB). In the same year, it also purchased 2 saloon cars (5-seater) costing both FRW 75,000,000. In 2024, the company sold the production machinery due to a change in business strategy.

**Required:**

**Discuss the tax treatment of the above assets in relation to the investment allowance.**

(4 Marks)

**(Total: 10 Marks)**

## QUESTION 12

The Rwandan tax system provides clear rules governing the payment of taxes, the handling of tax arrears, and the refund of excess taxes paid in order to promote compliance and fairness in tax administration.

### **Required:**

**a) Discuss the due dates for payment of income tax in Rwanda, including the deadlines for filing tax returns, paying annual income tax, and making instalment quarterly prepayments (IQPs).** Your answer should also explain how payment deadlines are determined for taxpayers using non-standard tax periods. (5 Marks)

**b) Explain the administration of tax arrears and tax refunds in Rwanda.** In your answer, describe the enforcement measures available to the tax administration for the recovery of unpaid taxes and the procedures and conditions that a taxpayer must satisfy in order to obtain a tax refund. (5 Marks)

**(Total: 10 Marks)**

## SECTION C

### QUESTION 13

a) Horizon Woodworks Ltd (HWL) is a company incorporated and registered for tax purposes in Rwanda. The company is engaged in the manufacture and sale of office furniture. Its audited statement of profit or loss for the tax period ended 31 December 2025 is presented below:

#### Statement of Profit or Loss

Description	Note	FRW '000
Revenue	1	1,000,000
<b>Gross profit (Sales – Cost of sales)</b>		<b>545,000</b>
Dividend income	2	12,000
		<b>557,000</b>
<b>Operating expenses:</b>		
Staff training costs	3	22,000
Repairs and maintenance	4	41,000
Provision for doubtful debts	5	7,500
Advertising and marketing	6	36,000
Directors' remuneration	7	95,000
Penalties and fines	8	3,800
Interest expense	9	4,200
Other operating expenses	10	52,000
<b>Total expenses</b>		<b>-261,500</b>
<b>Accounting profit for the period</b>		<b>295,500</b>

#### Additional Information:

1. 50% of revenue was recorded VAT inclusive.
2. Dividend income was received from a Rwandan resident company.
3. Staff training costs include FRW 5,000,000 relating to overseas training for employees' spouses.
4. Repairs and maintenance include FRW 8,000,000 spent on extending the factory building.
5. The provision for doubtful debts relates to customers who have not yet been declared insolvent.
6. Advertising and marketing include FRW 20,000,000 loaded as airtime to all staff, it is not easy to separate the private and business use of it.
7. Directors' remuneration includes FRW 15,000,000 paid as personal medical expenses of directors.
8. Penalties and fines were imposed for breaches of labour safety regulations.
9. Interest expense includes FRW 1,200,000 relating to a loan used to finance the private investment of a director.
10. Other operating expenses include the accounting depreciation of FRW 45,000,000, and the asset register of HWL showed the following Tax written down balances as at 01st January 2025 of:

- Industrial buildings: FRW 220,000,000 (original cost FRW 250,000,000)
- Plant and machinery pool: FRW 29,000,000
- 1 Motor vehicle: FRW 85,000,000 (New)
- Computers of 2 years of useful life: FRW 8,000,000 (New)

### Required

Compute the corporate income tax to be paid by Horizon Woodworks Ltd for the tax period ended 31 December 2025.

**Note:** Assume 1USD = FRW 1450

(15 Marks)

b) Under the real regime, the default corporate income tax (CIT) rate is 30%. However, this rate can be reduced or adjusted in certain situations.

### Required:

**Explain at least FIVE different situations in which a company may benefit from a reduced corporate income tax rate.** For each scenario, specify the applicable reduced tax rate or tax benefit.

(5 Marks)

**(Total: 20 Marks)**

## QUESTION 14

a) NYIRANEZA has been employed by Exil Bank Rwanda since 1st January 2023. For the month of December 2025, she received the following benefits from her employer:

- Basic salary: FRW 1,500,000
- Accommodation allowance: FRW 650,000
- Transport allowance: FRW 400,000
- Christmas gift: FRW 100,000
- Bonus: FRW 800,000
- Thirteen-month salary: FRW 1,700,000
- Mission allowance for attending an official meeting in Musanze: FRW 900,000
- Leave allowance: FRW 1,700,000

Additionally, she received interest income from her investments as follows:

- Interest from a 2-year government bond: FRW 2,500,000
- Interest from Rwanda Investment Trust (Iterambere Fund): FRW 1,900,000
- Dividend from MTN Uganda: FRW 1,400,000, on which Uganda Revenue Authority withheld 20% as withholding tax

**Note:** Where applicable the interest income received was net

### Required:

**Compute the tax payable on the income received by NYIRANEZA for the month of December 2025.**

(15 Marks)



b) In Rwanda, taxation is governed by the Constitution and implemented through specific laws and regulations. Taxes must be imposed, modified, or removed strictly in accordance with the law, and taxation may take the form of either direct or indirect taxes.

- i) **Explain the constitutional basis of taxation in Rwanda.** (2 Marks)
- ii) **Distinguish between direct taxation and indirect taxation, giving one example of each as applied in Rwanda.** (3 Marks)

**(Total: 20 Marks)**

### **QUESTION 15**

a) Mwalimu is a retired teacher who invested in different businesses related to rental services. In 2012, he constructed a residential building on 350 m<sup>2</sup> at a cost of FRW 20,000,000. In 2024, he also purchased harvester machines at a cost of FRW 6,000,000.

For the year ended 31 December 2024, the following rental income was received and expenses were incurred:

- Income from residential building: FRW 3,500,000
- Income from harvester machines: FRW 1,500,000
- Security guard cost: FRW 600,000
- Cleaning service cost: FRW 800,000
- Maintenance fees: FRW 300,000

#### **Additional information:**

1. Tax depreciation agreed with the Revenue Authority on the harvester machines was FRW 56,000.
2. The harvester machines were acquired using a loan from Umwalimu SACCO at an annual interest rate of 12%

#### **Required:**

**Compute the total taxable rental income to be declared by Mwalimu for the year ended 31st December 2024.** (8 Marks)

b) For each of the following independent scenarios, **calculate the withholding tax (WHT) payable, clearly stating the applicable rate and the amount of WHT.**

- i) ABC Ltd, a company resident in Rwanda, declared dividends of FRW 4,000,000 in 2024 to an individual shareholder who is resident in Rwanda and whose shares are listed on the Rwanda Capital Market. (2 Marks)
- ii) XYZ Bank paid interest of FRW 1,200,000 to a customer on a long-term deposit of five years during the year 2024. (2 Marks)
- iii) A Rwandan resident investor earned FRW 2,000,000 interest in 2024 from treasury bonds with a maturity period of four years. (2 Marks)
- iv) TechSoft Ltd, a Rwandan company, paid royalties of FRW 3,000,000 to UK based company with which Rwanda has no Double Taxation Agreement (DTA). (2 Marks)

- v) Kigali Traders Ltd paid FRW 2,500,000 in 2024 for management services to a foreign consultant resident in a country with which Rwanda has a DTA that provides for a reduced WHT rate of 10%. (2 Marks)
- vi) An events company in Rwanda paid FRW 1,800,000 to a non-resident musician for a live performance in Kigali. There is no DTA between Rwanda and the musician's country of residence. (2 Marks)

**(Total: 20 Marks)**

**End of Question Paper**



