



**CERTIFIED PUBLIC ACCOUNTANT
TECHNICAL LEVEL EXAMINATIONS**

TA1.3: TAXATION

DATE: MONDAY 23, FEBRUARY 2026

INSTRUCTIONS:

1. Time Allowed: **3 hours**
2. This examination has **50 compulsory multiple-choice questions equal to 2 marks each.**
3. Candidates must indicate the letter corresponding to the correct option clearly and legibly in the answer booklet. Answers that are unclear, illegible, altered, or written in a manner that is difficult to interpret will not be awarded any marks.
4. Where a question involves computation, candidates may find it helpful to do the relevant calculations before choosing the correct answer letter. However, no marks will be awarded for any written workings.
5. 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	60,000	0	0	720,000	0
60,001	100,000	10	720,001	1,200,000	10
100,001	200,000	20	1,200,001	2,400,000	20
200,001	And above	30	2,400,001	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	6%
Employee's contribution	6%

RSSB contribution – Maternity leave

Employer's contribution	0.3%
Employee's contribution	0.3%

Corporate Income Tax Rate: 28%

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 (VAT) Rate: 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° 027/2022 of 20/10/2022 and its amendment Law N° 048/2023 of 05/09/2023 Establishing Taxes on Income where applicable.
- Law N° 049/2023 of 05/09/2023 establishing value added tax
- Law n° 020/2023 of 31/03/2023 on tax procedures

QUESTION ONE

A permanent establishment is a fixed place of business through which the business of an enterprise is wholly or partly carried on.

Which of the following would be recognized as a permanent establishment for a foreign company in Rwanda?

- A A warehouse used for storing goods.
- B A liaison office used for gathering market intelligence.
- C A local agent acting independently.
- D A production site where goods are manufactured for sale

(2 Marks)

QUESTION TWO

Kayitare owns a farm in Nyagatare where he has invested in agriculture and livestock farming. He has no accountant to maintain detailed records of his small business. During the year ended 31/12/2020, he received the following incomes:

- Sale of milk: FRW 5,120,000
- Sale of cassava: FRW 4,000,000
- Sale of beans: FRW 6,500,000
- Sale of tomatoes: FRW 4,200,000

What will be the income tax liability of Kayitare?

- A FRW5,549,600
- B FRW2,189,600
- C FRW234,600
- D FRW594,000

(2 Marks)

QUESTION THREE

Which of these types of income from employment is not subject to tax?

- A Patrick gets paid for the days he missed work because he was off sick
- B Esther gets her money back for buying data bundles that she used for work purposes
- C Kevin gets a cash reward for being the best performer of the year
- D Ruth gets a bag of maize as an extra salary for losing her job due to downsizing

(2 Marks)

QUESTION FOUR

Which of the following are the sources of taxable income in Rwanda?

- (i) Gaming activities
- (ii) Digital services
- (iii) Conversion of profits into share capital that increases the capital of shareholders,
- (iv) All payments made by a resident of Rwanda on services performed and consumed abroad.

- A (i) and (ii)
- B (i), (ii), and (iii)
- C (ii), (iii), and (iv)
- D (i), (iii), and (iv)

(2 Marks)

QUESTION FIVE

Mukamana is employed by The Future Innovative Ltd. Mukamana's contract includes the following terms:

- Monthly basic salary of FRW500,000
- Transport allowance of FRW50,000
- Leave pay of FRW100,000
- Company pays school fees for Mukamana's daughter amounting to FRW150,000

Mukamana lives far from the company offices, so the company provides a house valued at FRW20,000,000

What is the total benefits in kind for Mukamana to be added to other taxable employment income?

- A FRW 20,300,000
- B FRW 20,150,000
- C FRW 280,000
- D FRW 4,150,000

(2 Marks)

QUESTION SIX

Juliana earns a monthly income of FRW 4,000,000. She is provided with a travel allowance of FRW 300,000. She also receives an education allowance for her kids amounting to FRW 500,000. Recently, she borrowed FRW 8,000,000 from her employer. The terms of the agreement on the borrowing with the employer was 3% interest rate per annum. The rate of interest offered to commercial banks by the National Bank of Rwanda was 8% per annum.

What's Juliana's monthly taxable income?

- A FRW 4,300,000
- B FRW 4,800,000
- C FRW 5,200,000
- D FRW 4,500,000

(2 Marks)

QUESTION SEVEN

The arm's length principle in transfer pricing refers to the standard used to determine the appropriate price for transactions between related parties.

Based on above definition **what are correct features for Arm's Length principle among of these features?**

- i) Fair market value
- ii) Comparable transaction
- iii) Thin capitalization
- iv) Prevention of tax evasion

- A (i)and(iv)
- B (i)and(ii)
- C (ii)and (iii)
- D (iii)and(iv)

(2 Marks)

QUESTION EIGHT

Which of the following is a common mechanism for providing relief from double taxation under a Double Taxation Agreement?

- A A tax credit, which allows the taxpayer to deduct the amount of tax paid in one country from the tax liability in another country.
- B A tax exemption, which allows the taxpayer to exclude the income earned in one country from the tax base in another country.
- C Tax deduction, which allows the taxpayer to reduce the taxable income in one country by the amount of income earned in another country
- D A tax refund, which allows the taxpayer to claim back the excess tax paid in one country from the tax authority in another country

(2 Marks)

QUESTION NINE

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:

- i) Has an annual turnover of less than two million Rwandan francs (FRW 2,000,0000);
- ii) 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 10

John Claude owns a building that he rents out for FRW10,500,000 per year. He built the building with a bank loan that charges him FRW1,200,000 in interest annually.

How much of his rental income is subject to tax for the year ended 31st December 2023?

- A FRW10,500,000
- B FRW4,050,000
- C FRW5,250,000
- D FRW9,300,000

(2 Marks)

QUESTION 11

A registered investor in Rwanda has incurred a tax loss in the current year and wants to use it for tax planning purposes.

Which of the following strategies is the most effective way to utilize the tax loss?

- A Postpone the recognition of taxable income until future years when the investor expects to be profitable and can benefit from the tax loss.
- B Share the tax loss with another company in the same corporate group to lower their tax liability.
- C Carry the tax loss forward to the next five years and deduct it from the taxable income in those years.
- D Apply to the Commissioner General to apply the tax loss retroactively to the previous three years and claim a tax refund.

(2 Marks)

QUESTION 12

Which of the following is an advantage of the flat regime of tax declaration in Rwanda?

- A It has a lower tax rate than the other regimes.
- B It has a simpler tax calculation method than the other regimes
- C It has a higher turnover threshold than the other regimes.
- D It has a more flexible tax payment schedule than the other regimes

(2 Marks)

QUESTION 13

In the below list, which taxpayers are exempted from withholding tax of five percent (5%) of the value of goods imported for commercial use?

- i. Taxpayers who are newly registered during the concerned annual tax period
- ii. Taxpayers with a tax clearance certificate issued by the tax administration i.e. the Commissioner of Rwanda Revenue Authority
- iii. Taxpayers issued with a valid Investment certificate by Rwanda Development Board
- iv. Businesses involved in the importation of essential commodities

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

(2 Marks)

QUESTION 14

A non-resident of Rwanda operates an online platform that provides digital services to customers in Rwanda. The platform does not have a physical presence or a permanent establishment in Rwanda.

How is the income from the platform taxed in Rwanda?

- A It is not taxable in Rwanda, as the platform does not have a source in Rwanda
- B It is taxable in Rwanda, as the platform provides services to customers in Rwanda
- C It is taxable in Rwanda, as the platform is considered a permanent establishment in Rwanda
- D It is not taxable in Rwanda, as the platform is consumed abroad

(2 Marks)

QUESTION 15

Which of the following factors is NOT considered when determining tax residency in Rwanda?

- A Physical presence in Rwanda
- B Habitual abode in Rwanda
- C Economic interests in Rwanda
- D Nationality

(2 Marks)

QUESTION 16

Which of the following statements is true about investment income according to Rwanda Tax law?

- A Investment income is always taxed at a flat rate regardless of the source or amount.
- B Investment income is only taxed if it exceeds a certain threshold or exemption limit.
- C Investment income is taxed as business income if it is derived from the regular and continuous activity of the taxpayer.
- D Investment income is taxed separately from business income and includes any payments in cash or in kind from various sources.

(2 Marks)

QUESTION 17

Mrs Rukundo Catherine runs a manufacturing company in Rwamagana Sector that produces and sells furniture. She has recently purchased some new machinery and equipment for her factory and wants to maximize her tax deductions. Her accountant has suggested that she should use an accelerated depreciation method to write off the cost of the assets faster. **Which**

of the following statements is false regarding the benefits of accelerated depreciation for Mrs Rukundo Catherine's business?

- A It can result in significant tax savings in the early years of the asset's life, which can be reinvested in other projects or expansion plans.
- B It can improve the cash flow of the business in the short term, as less tax is paid, and more cash is available for operating expenses or debt repayment.
- C It can improve the cash flow of the business in the long term, as the asset's value is maintained or increased over time.
- D It can reduce the taxable income of the business in the short term, as the depreciation expense is higher and lowers the profit margin.

(2 Marks)

The following information related to Question 18 to Question 20

Jeanne is a Rwandan resident lawyer who runs her own law firm providing legal services to Rwandan individuals. Her income for the tax period is as follows:

1. Taxable business profit of FRW130,000,000, derived from a turnover of FRW160,000,000.
2. Income accruing in collective investment schemes of FRW12,000,000.
3. Jeanne received interest of FRW90,000 on the firm's bank account.
4. Jeanne has paid quarterly taxes totalling FRW35,000,000.

QUESTION 18

Which of the following statements is correct regarding Jeanne's taxation regime for her business profits?

- A She must use the real regime because her turnover exceeds FRW20,000,000.
- B She must use the real regime because she is engaged in a liberal profession
- C She can choose between the real regime and the lump sum regime.
- D She can choose between the real regime and the presumptive

(2 Marks)

QUESTION 19

How much is Jeanne's total taxable income for the tax period?

- A FRW130,000,000
- B FRW130,105,882
- C FRW142,000,000
- D FRW142,090,000

(2 Marks)

QUESTION 20

How much is Jeanne's tax payable for the tax period

- A FRW36,429,630
- B FRW36,425,200
- C FRW1,413,748
- D FRW1,429,630

(2 Marks)

QUESTION 21

Which of the following is NOT a condition for deducting bad debts from business profit for an individual whose debt is less than FRW 3,000,000?

- A The debt is written off in the books of accounts of the taxpayer.
- B The taxpayer has shown a court decision declaring the insolvency of his/her debtor.
- C The debt corresponds to an amount previously included in the income of the taxpayer
- D The taxpayer has taken all reasonable steps over a period of three years to recover the debt.

(2 Marks)

QUESTION 22

AgriTech Manufacturing Ltd, a Rwandan firm specialising in agricultural equipment, is acquiring a 60% stake in GreenFields Distribution Ltd, a related company focused on the distribution of agricultural products, for FRW3,000,000,000. Both companies are part of AgriGroup Ltd, a larger conglomerate in the agricultural sector. The immediate parent entity disposing of the 60% stake in GreenFields Distribution Ltd is Valleys Company Limited. The acquisition aims to expand AgriTech Manufacturing Ltd's market reach and improve its distribution network by leveraging GreenFields Distribution Ltd.'s established channels and customer base. The process involves valuation, due diligence, negotiation, regulatory approvals, financing, and post-acquisition integration. This strategic move is expected to enhance operational efficiencies, increase market share, and drive growth and profitability for both companies within AgriGroup Ltd.

Which of the following statements are True and False?

- (i) Valleys Company Limited is required to account for and pay capital gain tax on the gain it will realise from the sale of its stake in GreenFields Distribution Ltd.
- (ii) After the acquisition, GreenFields Distribution Limited continues to claim capital allowance on its depreciable asset on a similar basis as prior to the acquisition.
- (iii) GreenFields Distribution Limited continues to file its annual tax declaration three months after the end of each year of income.
- (iv) On payment of dividends to AgriTech Manufacturing Ltd, GreenFields Distribution Limited will not be required to withhold any tax.

- A (i) True (ii) False (iii) False (iv) True
- B (i) False (ii) True (iii) True (iv) True
- C (i) True (ii) True (iii) False (iv) False
- D (i) False (ii) True (iii) True (iv) False

(2 Marks)

QUESTION 23

Under what condition does the right to loss carried forward continue to apply despite a change in ownership of more than 25%?

- A If the change is more than 50% in form of shares of assets.
- B If the change is due to an internal business reorganization maintaining all shareholders who have been in the shareholding structure for at least three years.
- C If the change is due to an external acquisition, where the new shareholders continue in business for at least three years.
- D If the company has foreign sourced losses from a branch and profits of the same branch are taxable in Rwanda.

(2 Marks)

QUESTION 24

Which of the following items is not considered as work in progress for tax purposes?

- A Raw materials that have been partially processed but not yet completed.
- B Finished goods that have been produced but not yet certified.
- C Services that have been partially performed but not yet invoiced or paid.
- D Goods that have been purchased for resale but not yet sold or delivered.

(2 Marks)

QUESTION 25

Which of the following entities is allowed to deduct from taxable income any increase of the mandatory reserve for non-performing loans as required by the National Bank of Rwanda?

- i) A bank
- ii) A leasing entity
- iii) A microfinance institution
- iv) A cooperative society

- A (i),(ii)and(iv)
- B (ii),(iii) and (iv)
- C (i),(ii) and(iii)
- D (i)and(iii)

(2 Marks)

QUESTION 26

Which of the following statements is true regarding the recovery of bad debts that were previously deducted from business profit?

- A The recovery of bad debts does not affect the business profit of the taxpayer.
- B The recovery of bad debts reduces the business profit of the taxpayer by the amount recovered.
- C The recovery of bad debts increases the business profit of the taxpayer by the amount recovered.
- D The recovery of bad debts increases the business profit of the taxpayer by the amount recovered minus the mandatory reserve.

(2 Marks)

QUESTION 27

According to the income tax law, the tax is calculated for each calendar year, which starts on January 1 and ends on December 31. However, upon written request, the Minister may grant permission in writing for a taxpayer to use a special tax calendar that differs from the standard one.

Which of the following is not a condition that must be fulfilled by the taxpayer to be eligible for a special tax calendar?

- A He/she is an entity subject to Value Added Tax
- B He/she is required to keep books of accounts according to generally accepted accounting
- C He/she presents sound reasons to change his/her tax period
- D He/she is an entity subject to corporate income tax

(2 Marks)

The following information related to Question 28 to Question 32

Kigali Ltd, a Rwandan resident company, has the following brought forward balances on its assets that qualify for tax depreciation:

Business premises:

- Cost FRW100,000,000,
- Investment allowance at 50% claimed on acquisition,
- Tax written down value b/f FRW40,000,000

Computer server equipment:

- Useful life 12 years,
- Original cost FRW6,000,000,
- Tax written down value b/f FRW4,200,000

Computer equipment pool:

- All assets life under 10 years,
- Tax written down value b/f FRW3,500,000

Other assets pool:

- Tax written down value b/f FRW8,600,000

During the year, the following transactions took place:

- Purchases: Office furniture costing FRW600,000
- Disposals: Computer equipment - proceeds FRW3,100,000

In addition to the above information, Kigali Ltd has presented the following information in respect of its trading for the year ended 30 June 2024:

1. Sales: FRW66,800,000
2. Sales returns: (FRW1,800,000)
3. Purchases: FRW38,780,000
4. Purchases returned to suppliers: (FRW780,000)
5. Wages: FRW4,800,000
6. Rent of shop: FRW1,200,000
7. Personal drawings: FRW2,400,000
8. Other allowable business expenses: FRW820,000
9. Contribution to personal pension scheme: FRW240,000
10. Children's school fees: FRW1,800,000
11. Interest on business bank loan: FRW5,800,000
12. Interest on late payment of VAT: FRW170,000
13. Closing stock has been valued at FRW7,400,000. An amount of FRW1,100,000 in respect of obsolescence is considered reasonable.

QUESTION 28

How should the obsolescence of closing stock be treated in the tax computation for Kigali Ltd?

- A It should be added to the closing stock value.
- B It should be deducted from the closing stock value.
- C It should be ignored in the tax computation.
- D It should be treated as a separate expense.

(2Marks)

QUESTION 29

What is the tax depreciation rate applicable to the computer server equipment of Kigali Ltd?

- A 50%
- B 100%
- C 25%
- D 10%

(2Marks)

QUESTION 30

Which of the following expenses is NOT deductible for tax purposes according to Rwandan tax law?

- A Wages for casual labourers
- B Rent of shop
- C Fines and Penalties for a law suite
- D Interest on business bank loan

(2 Marks)

QUESTION 31

What is the total tax depreciation available to Kigali Ltd for the tax period ended 30 June 2024?

- A FRW9,200,000
- B FRW7,900,000
- C FRW8,300,000
- D FRW6,800,000

(2 Marks)

QUESTION 32

What is the chargeable income for Kigali Ltd for the tax year ended 30 June 2024?

- A FRW19,580,000
- B FRW22,480,000
- C FRW18,880,000
- D FRW12,380,000

(2 Marks)

The following information related to Question 33 to Question 37

KITRAD Ltd prepares its accounts to the year ended 31 December. In the year, its financial statements show the following revenues for other investments:

- Interest income of FRW720,000, which is received net of 15% withholding tax.
- Royalty income of FRW625,000, also received net of 15% withholding tax.
- Income received from investment in farming activities of FRW15,000,000.
- Income received from renting machinery equipment with tax written down value of FRW5,000,000, where monthly rent income is FRW350,000.
- Dividend income of FRW700,000 received from a KIT Ltd a locally registered entity.

QUESTION 33

What is the interest income that KITRAD Ltd should include in its taxable income?

- A Interest FRW720,000
- B Interest FRW847,059
- C Interest FRW828,000
- D Interest FRW765,000

(2 Marks)

QUESTION 34

What is the taxable rental income that KITRAD Ltd should include in its taxable income?

- A FRW2,100,000
- B FRW2,310,000
- C FRW2,530,000
- D FRW175,000

(2 Marks)

QUESTION 35

What is the agriculture income that KITRAD Ltd should include in its taxable income?

- A FRW3,000,000
- B FRW2,000,000
- C FRW15,000,000
- D Exempted

(2 Marks)

QUESTION 36

What is the total investment income that KITRAD Ltd should include in its taxable income?

- A FRW6,360,000
- B FRW7,060,000
- C FRW7,112,353
- D FRW7,812,353

(2 Marks)

QUESTION 37

What is the treatment of the dividend income that KITRAD Ltd received from KIT Ltd?

- A It is included in the taxable income and subject to 15% withholding tax
- B It is included in the taxable income and subject to 5% withholding tax
- C It is excluded from the taxable income and subject to 15% withholding tax
- D It is excluded from the taxable income and not subject to any withholding tax

(2 Marks)

QUESTION 38

Kagabo John, a Rwandan resident an importer of goods, on 04th January 2020 purchased goods from china on credit worth \$1,500 Payable terms within 60 days, the invoice was settled on 31 March 2020. Relevant exchange rates are as follows (RWF per \$): 4 January 2020 902 and 31 March 2020 910.

Choose the exchange difference that would be taxable or deductible for Kagabo.

- A. 1,353,000
- B. 1,365,000

- C. 12,000
- D. None of the above

(2 Marks)

QUESTION 39

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 All the above
- D None of the above

(2 Marks)

QUESTION 40

Which of the following statements is true about the loss carry forward rule?

- A A taxpayer can carry forward a loss for up to five tax periods, unless he or she applies to the tax administration and meets the requirements for a longer period.
- B A taxpayer can carry forward a loss for any number of tax periods, if he or she applies to the tax administration and meets the requirements.
- C A taxpayer can carry forward a loss for up to five tax periods, unless the loss is foreign sourced or the ownership of the company changes by more than 50%.
- D A taxpayer can carry forward a loss for up to five tax periods, unless the loss is domestic sourced or the ownership of the company changes by more than 50%.

(2 Marks)

QUESTION 41

Which of the following scenarios results in the revocation of a company's right to carry forward its tax losses in accordance with the Income Tax Law?

- A A company that incurred a loss in 2018 sells 30% of its shares to a new investor in 2020.
- B A company that incurred a loss in 2018, one shareholder sells 51% of the shares to another existing shareholder who previously held a minority interest in 2020.
- C A company that incurred a loss in 2018 transfers its assets and liabilities to a subsidiary in 2020, and the shareholders of both companies remain the same.
- D A company that incurred a loss in 2018 acquires another company in 2020, and the shareholders of the acquiring company remain the same.

(2 Marks)

QUESTION 42

Which of the following statements is correct regarding the valuation of trading stock for tax purposes?

- A Trading stock is always valued at the market price on the last day of the tax period.
- B Trading stock is valued at the lower of cost or market price on the last day of the tax period, unless it is obsolete or unsaleable.
- C Trading stock is valued at the lower of cost or market price on the last day of the tax period, regardless of its condition or marketability.
- D Trading stock is valued at the cost of its acquisition, unless it is degraded or damaged in which case is valued at the lower price between the cost price and the market price on the last day of the tax period.

(2 Marks)

The following information related to Question 43 to Question 45

John Doe is a sole trader operating a printing shop in the Northern Province. For the year ending 31 December 2023, he reported sales worth FRW50,000,000 and incurred the following operating expenses:

- Wages and salaries: FRW6,000,000
- Telephone Bills: FRW500,000
- Fuel expenses: FRW1,800,000
- Print materials: FRW12,000,000
- Rent for the business premise: FRW3,000,000
- His personal house rent: FRW3,500,000
- Capital allowance for the assets: FRW5,000,000
- Donations to an NGO: FRW600,000
- School fees (for his child): FRW1,200,000

Other information:

1. The assets were depreciated based on the rate as per the provision of the income tax law.
2. It is not possible to separate telephone and fuel bills related to business and private use.

QUESTION 43

Which of the following statements correctly differentiates between a sole trader and a partnership?

- (i) A sole trader is not personally liable for the business's debts, while partners in a partnership are jointly and severally liable.

- (ii) A sole trader is an individual who owns and operates a business alone, while a partnership involves two or more individuals who agree to run a business together.
- (iii) A partnership does not require a formal agreement, while a sole trader must have a formal business plan.
- (iv) A sole trader's income is taxed at the corporate tax rate, while a partnership's income is taxed at the individual partners' tax rates.

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

(2 Marks)

QUESTION 44

What is the total amount of deductible expenses for John Doe's printing business for the year ending 31 December 2023?

- A FRW28,600,000
- B FRW25,600,000
- C FRW28,340,000
- D FRW23,600,000

(2 Marks)

QUESTION 45

What is the taxable income for John Doe for the year ending 31 December 2023?

- A FRW21,660,000
- B FRW21,400,000
- C FRW21,000,000
- D FRW20,000,000

(2 Marks)

The following information related to Question 46 to Question 48

Umutoni is a sole trader who did not pay personal income tax totalling FRW1,200,000 out of FRW10,000,000 that would have been paid on 31 March 2024, relating to the previous tax period. Her annual turnover for 2023 was FRW120,000,000. She was audited by the tax administration in 2024, and on 31 August 2024, the tax, interest of late payment and penalties were paid in full.

QUESTION 46

What is the fixed administrative fine for Umutoni for failing to submit a tax declaration on time?

- A FRW100,000
- B FRW200,000
- C FRW300,000
- D FRW400,000

(2 Marks)

QUESTION 47

What is the administrative fine for understatement of tax for Umutoni if the audit revealed that she understated her tax liability by FRW800,000?

- A FRW80,000
- B FRW160,000
- C FRW240,000
- D FRW320,000

(2 Marks)

QUESTION 48

What is the interest for late payment for Umutoni if the interest rate is 0.5% per month and she paid the tax on 31 August 2024?

- A FRW24,000
- B FRW30,000
- C FRW36,000
- D FRW42,000

(2 Marks)

QUESTION 49

Matiku and Hakizimana own all the shares in Ignite Limited, a tech company in Gasabo. On 24 November 2021, Matiku sold his shares at a higher price to Hekizimana Limited, another Rwandan company.

What is true about the tax implications of this sale?

- i) Matiku does not have to pay capital gain tax (CGT) because he is a resident individual.
- ii) Matiku must report and pay CGT on the gain he made from the sale before 15th of the following month.
- iii) Ignite Limited must correct, report, withhold and pay CGT on behalf of Matiku.
- iv) The CGT rate is 5% of the gain and should be declared with 15 days following the month in which the sale happened.

- A (ii)and(iv)
- B (iii)and(iv)
- C (i)and(ii)
- D (i)and(iii)

(2 Marks)

QUESTION 50

Three friends, Nkurunziza, Olivier and Jean Marie, grew up together in Bugesera, Rwanda.

- In 2015, Olivier renounced her Rwandan citizenship and became a Kenyan citizen. Olivier worked as an accountant in Nairobi, Kenya, but spent 7 months of 2023 on a work assignment in Musanze, Rwanda.
- In 2023, Nkurunziza ran a furniture business in Kampala, Uganda, where he normally spends the weekdays. However, for each weekend, he normally returns to his family home in Bugesera where he lives with his wife and two children. He has been doing this since 2018.
- Jean Marie was employed by the Rwandan permanent mission to the United Nations in Geneva, Switzerland.

According to the Rwandan tax laws, who among the three friends would not have to pay tax in Rwanda on their income from the activities mentioned?

- A Nkurunziza
- B Olivier
- C Jean Marie
- D None

(2 Marks)

End of Question Paper