CERTIFIED PUBLIC ACCOUNTANT

OPERATIONAL LEVEL EXAMINATION

AT2.5 ADVANCED TAXATION

DATE: MONDAY 23, FEBRUARY 2026

INSTRUCTIONS:

1. Time allowed: **3 hours and 15 minutes**
2. The examination has three sections: A, B and C
3. Section A has 15 compulsory multiple-choice questions equal to 2 marks each.
4. Section B has 3 compulsory questions equal to 10 marks each.
5. Section C has 2 compulsory questions equal to 20 marks each.
6. Questions marked **"select all that apply**" have multiple correct answers. Candidates must choose all correct options in order to be awarded 2 marks.
7. 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 Nº 027/2022 of 20/10/2022 and its amendment Law Nº 048/2023 of 05/09/2023 Establishing Taxes on Income where applicable.
- Law Nº 049/2023 of 05/09/2023 establishing value added tax.
- Law n° 020/2023 of 31/03/2023 on tax procedures.

SECTION A

QUESTION ONE

John is a software developer. In 2023, he worked for multiple technology companies, maintaining full control over where, when, and how he worked. He used his own equipment, set his own schedule, and invoiced clients monthly.

In 2024, John retained only two clients: TechBuild Ltd and Amahoro Digital Ltd. He worked for TechBuild every Monday to Wednesday and for Amahoro every Thursday to Friday. For both companies, he reported to their IT Managers, worked fixed hours at their offices, used their equipment and received no employment benefits. The companies paid him FRW 3,000,000 and FRW 2,000,000 monthly, respectively. Neither company deducted PAYE or made RSSB contributions.

Which of the following statements is most accurate in line with tax compliance in Rwanda?

A In both years, John was correctly classified as self-employed and subject to 15% withholding tax on the payments he received.

B In 2024, John meets key indicators of employment and should have been taxed under the PAYE bands by each employer, along with RSSB contributions made by the companies.

C In 2024, John meets key indicators of employment and should have been taxed under PAYE, with RSSB contributions made by the companies. However, TechBuild would tax the income under the statutory PAYE bands, whereas Amahoro Digital Limited would withhold at a fixed rate of 30% on the entire income for John.

D In 2024, John meets key indicators of employment and should have been taxed under PAYE, with RSSB contributions made by TechBuild Ltd. The payment from Amahoro Digital Limited would only qualify for withholding tax at 15% as he was not meeting the full-time work threshold.

(2 Marks)

QUESTION TWO

Kalisa works for SKAL, a company that pays him a monthly basic salary of FRW 2,000,000 and cash allowances of FRW 120,000. SKAL also provides Kalisa with a car and a driver who earns FRW 200,000 per month. Kalisa contributes FRW 80,000 to the driver's salary and the rest is paid by SKAL. In addition, SKAL rents a house for Kalisa for FRW 300,000 and he hires a night guard for FRW 90,000 per month.

What is the amount of benefit in kind that Kalisa should include in his taxable employment income?

A FRW 722,000

B FRW 712,000

C FRW 632,000

D FRW 710,000

(2 Marks)

QUESTION THREE

A company that is resident in Rwanda has a 30% stake in a UK subsidiary. The company receives the following income:

- Net dividends from the UK subsidiary: FRW 56,000,000 (after UK withholding tax of 20%).
- Business income from operations in Rwanda: FRW 400,000,000.
- Allowable deductions for expenses in Rwanda: FRW 80,000,000.

How much income tax does the company have to pay on dividend income in Rwanda?

A FRW 4,480,000
B FRW 15,680,000
C Nil
D FRW 5,600,000

(2 Marks)

QUESTION FOUR

Mr. George noticed a gap in the public transport market in Kigali, where there was a shortage of vehicles for passenger transport. He obtained a transport license from Rwanda Utilities Regulatory Authority (RURA) and imported 30 fully electric buses, each valued at FRW 200,000,000 CIF Kigali and with a passenger capacity of 40. His annual turnover from the bus service was FRW 960,000,000 and his operating costs were FRW 700,000,000.

What import taxes would Mr. George have to pay on the imported buses?

A Import duty of 25%, excise duty of 15% and VAT of 18%
B Import duty of 10%, excise duty of 10% and VAT of 18%
C Import duty of 0%, excise duty of 0% and VAT of 18%
D Import duty of 0%, excise duty of 0% and VAT of 0%

(2 Marks)

QUESTION FIVE

From question 4, assuming 28 buses were deployed by Mr. George in the first year of operation

What is the income tax payable on the revenue earned from these 28 buses?

A FRW 72,800,000
B Exempt
C FRW 13,440,000
D Nil

(2 Marks)

QUESTION SIX

DMC Ltd is a Rwandan company that mines and exports various minerals. It also buys minerals from local cooperatives and individuals. In 2023, DMC Ltd made the following payments:

i) FRW 10,000,000 to an individual farmer who found cassiterite on his land and sold it to DMC Ltd. The farmer is not registered for tax purposes.
ii) 200 kg of wolfram from TUZAMURANE Cooperative, which is yet to file its income tax declaration for the past five years.
iii) USD 30,000 to a Turkish expert who repaired a broken bulldozer for DMC. The Turkish expert is new to Rwanda, and he is yet to register his company with both the Office of the Registrar General and the Rwanda Revenue Authority.
iv) FRW 15,000,000 to the Rwanda Environment Management Authority, for mining and rehabilitation fees.

Which of these payments are subject to a 15% withholding tax?

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

(2 Marks)

QUESTION SEVEN

XYZ Ltd is a resident company in Rwanda that has imported goods from Dubai. XYZ hired a customs agent to handle the clearance process and received a document from the agent showing the value of the imported goods as FRW150,000,000. This value includes VAT at 18% and excise duty at 20%. XYZ did not have a tax clearance certificate (Quitus fiscal).

How much withholding tax on import should XYZ pay to customs authority?

A FRW 7,352,941
B FRW 7,500,000
C FRW 5,296,610
D Nil

(2 Marks)

QUESTION EIGHT

ABC Ltd, a Rwandan company, receives the following services from foreign suppliers: IT support: FRW 3,200,000 (used 50% for taxable activities) and Marketing consultancy: FRW 2,800,000 (used 30% for taxable activities)

What is the VAT that must be declared and recovered by ABC Ltd?

A Declared VAT: FRW 1,080,000; Recoverable: FRW 474,000
B Declared VAT: FRW 1,080,000; Recoverable: FRW 486,000

C Declared VAT: FRW 1,050,000; Recoverable: FRW 474,000
D Declared VAT: FRW 1,050,000; Recoverable: FRW 486,000

(2 Marks)

QUESTION NINE

OBO is a cigarette manufacturer based in MASORO industrial zone. It produced 32,500 packets of cigarettes, each containing 20 rods, for the Rwandan market. It sold the packets to wholesalers from different provinces at FRW500 per packet. The wholesalers then sold the packets to retailers at FRW1,000 per packet. The retailers sold the packets to consumers at the same price. However, the wholesalers pay retailers commissions (in form of discounts) depending on the volume of products sold.

How much excise duty did OBO pay to the government?

A FRW 19,175,000
B FRW 4,236,700
C FRW 975,000,000
D FRW 793,000,000

(2 Marks)

QUESTION 10

Employees of Rhah Ltd and OBO Ltd participate in a collective investment scheme that pools funds from both companies to invest in a variety of assets. The scheme is run by a professional fund manager who makes investment decisions for the investors. An employee of Rhah Ltd sells 100 shares of the scheme to an employee of OBO Ltd. The shares have a nominal value of FRW5,000 each and are sold for FRW65,000 each.

How much capital gain tax does the seller have to pay?

A FRW 300,000
B Exempt
C FRW 1,680,000
D FRW 1,800,000

(2 Marks)

QUESTION 11

Kigali Bank Plc operates in Rwanda with its head office in Kigali Nyarugenge downtown and three branches in Nyabugogo/Nyarugenge, Huye-Ngoma and Huye-Rango. The bank also has a subsidiary in Rubavu that is registered as a separate entity. The bank's annual turnover for the year 2023 was as follows:

- Head office: FRW 30,000,000
- Nyabugogo branch: FRW 20,000,000
- Huye-Ngoma branch: FRW 12,000,000
- Huye-Rango branch: FRW 11,000,000
- Rubavu subsidiary: FRW 15,000,000

What is the total amount of trading license that Kigali Bank has to pay for the year 2024?

A FRW 560,000
B FRW 536,000
C FRW 780,000
D FRW 600,000

(2 Marks)

QUESTION 12

You are a tax consultant in Rwanda and a Burundian investor has hired you to advise him on the tax incentives available for setting up a manufacturing plant in a free economic zone (FEZ) in Rwanda. He plans to export most of his finished products to other countries, including Burundi. He has complied with all the requirements of the Rwanda Development Board (RDB) and the Ministry of Finance and Economic Planning (MINECOFIN) to qualify as an exporter.

Which of the following are the main tax-related incentives and benefits that he can enjoy as an exporter from a FEZ in Rwanda?

i) He can receive preferential treatment if he exports 50% or more of his production.
ii) He is exempt from import duties on raw materials, capital goods, and inputs used in the production of export goods.
iii) He can benefit from a double taxation agreement (DTA) between Rwanda and Burundi to avoid paying tax twice on the same income earned abroad.
iv) He is exempt from customs duties and import taxes on goods imported for use within the FEZ.

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

(2 Marks)

QUESTION 13

T. Solutions Ltd is a Rwandan company that offers Consulting services in Rwanda and abroad. In February 2024, it had the following transactions:

- It purchased equipment from a local supplier for FRW 10,000,000, which included 18% VAT.
- It obtained cloud storage services from a foreign supplier for USD 5,000 excluding VAT. The service was used in Kigali. The exchange rate was FRW 1,200 per USD. The foreign supplier was not registered for VAT in Rwanda, However T. Solutions Ltd obtained authorization from Ministry of Finance to import the services.
- It provided Consulting services to a foreign client for USD 12,000 at the same exchange rate.

- It supplied consulting support services to a local client and billed FRW 20,000,000, excluding VAT.

How much VAT did T. Solutions Ltd have to pay for February 2024?

A FRW 2,074,576
B FRW 2,880,000
C FRW 5,746,576
D FRW 3,154,576

(2 Marks)

QUESTION 14

Rwanda offers preferential corporate income tax rates to certain categories of investors to attract new investments and promote exports. These rates are lower than the standard rate of 28%.

Which of the following statements correctly describe some of the preferential tax rates on corporate income tax?

i) A company that sells at least 40% of its shares to the public within four years of listing on the capital market is taxed at 20% for five years from the date of listing.
ii) An international company that establishes its headquarters or regional office in Rwanda and invests at least USD 10 million in tangible or intangible assets and provides employment and training to Rwandans is taxed at 0%.
iii) A registered investor that engages in energy generation, transmission, and distribution from peat, solar, geothermal, hydro, biomass, methane and wind, or manufacturing, or exporting at least 60% of its total turnover of goods and services is taxed at 15%.
iv) A registered investor that operates as a Collective Investment Scheme, a special purpose vehicle for investment, a global trading or paper trading company, or an intellectual property company, and meets certain requirements such as minimum fund size, expenditure, staff, and directors is taxed at 3%.

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

(2 Marks)

QUESTION 15

Under Rwanda's Law No. 010/2025 on the environmental levy, **which of the following imported items packaged in plastic materials is exempt from the levy?**

A Bottled water in polyethylene terephthalate (PET) containers
B Medical diagnostic kits sealed in sterile plastic packaging
C Imported stationery items for visually impaired students wrapped in plastic film
D Household cleaning products for elderly homes in plastic bottles

(2 Marks)

SECTION B

QUESTION 16

MEGA Global Ltd is exploring various tax planning strategies to minimize its tax liabilities for the fiscal year 2024. The company is considering the following options:

- Investing in Government Securities: These securities are tax-exempt.
- Acquiring New Machinery: This would allow the company to take advantage of enhanced capital allowances.
- Transferring Intellectual Property (IP) Rights: The company is considering transferring its IP rights to a subsidiary in a low-tax jurisdiction and then licensing them back for use.
- Debt Financing: The company is contemplating financing its operations using debt rather than equity to benefit from interest deductibility.

MEGA Global Ltd.'s management has approached you, a professional accountant, to perform the following consultancy work:

Required:

a) Critically evaluate the tax implications of each strategy. (8 Marks)

b) Recommend the most suitable approach for MEGA Global Ltd, considering Rwanda's tax law. 2 Marks)

(Total: 10 Marks)

QUESTION 17

MBABAZI, a Rwandan diaspora living in the UK, owns several properties in Gasabo valued as of 1st January 2023. The details of the properties are as follows:

- Residential building occupied by MBABAZI and her family: Market value FRW 200,000,000
- Apartment with two floors: Market value FRW 450,000,000
- Apartment with five floors: Market value FRW 800,000,000
- Commercial buildings and plot value: Market value FRW 500,000,000

MBABAZI is unfamiliar with the decentralized tax law in Rwanda and seeks to comply with it to avoid any fines and penalties by the Tax Administration. She has approached your Audit & Tax Consultancy Firm with the following requests:

Required:

a) Calculate her immovable property tax liability. (4 Marks)

b) Explain who is liable for paying the trading license and what are the tax periods for the trading license under Rwandan tax law. (2 Marks)

c) During the year, MBABAZI sold one of her commercial buildings for FRW 60,000,000 to KAGABO. **Explain how the tax on the sale of immovable property is calculated under decentralized tax law and calculate the tax on the sale of the immovable property she is liable for.** (2 Marks)

d) Mbabazi is from Kamonyi District and is concerned about the taxes collected by her district. **Explain at least four other sources of district revenues apart from immovable property tax.** (2 Marks)

(Total: 10 Marks)

QUESTION 18

Umwami Group, a UK-based telecom and fintech conglomerate, has expanded into Rwanda through its newly incorporated subsidiary, Umwami Rwanda Ltd. The group secured a unified telecom and mobile money license for USD30 million, valid for 15 years, to offer Mobile Money Services. To support operations, Umwami Rwanda Ltd was capitalized with USD100 million and plans to raise an additional USD150 million over five years through intercompany debt financing from the parent company.

For infrastructure rollout, Umwami Rwanda Ltd contracted Amavubi France, a telecom infrastructure provider, to supply equipment and oversee installation over a 2-year project period. Amavubi France has no legal presence in Rwanda and will have its expert staff in Rwanda for the whole duration of the contract.

Umwami UAE Ltd, a Subsidiary of Umwami Group based in United Arab Emerates (UAE), will provide shared services to Umwami entities across Africa and the Middle East. Umwami Rwanda Ltd will pay a 1% royalty on net sales to Umwami UK Ltd for brand usage and a management fee to Umwami UAE Ltd.

All contracts are USD-denominated, and offshore USD loans will be used for payments. The group is uncertain about the tax treatment of foreign exchange gains and losses arising from these transactions.

As part of its long-term strategy, Umwami Group is considering a re-organisation of its African operations by transferring 70% ownership of Umwami Rwanda Ltd to a newly established regional holding company, which would be wholly owned by Umwami UK Ltd. This restructuring is intended to streamline governance and improve operational efficiency across the region.

Required:

a) **Explain the transfer pricing compliance obligations of Umwami Rwanda Ltd under Rwandan law.** (2 Marks)

b) **Explain income tax expense deduction considerations that Umwami Rwanda Ltd should be aware of.** (4 Marks)

c) **Explain the tax considerations for Amavubi France under the arrangement with Umwami.** (4 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 19

ABC Electronics Ltd., a VAT-registered company in Rwanda, specializes in selling consumer electronics. In January 2024, the company sold 1,000 electronic gadgets to various customers at a VAT-inclusive price of FRW 300,000 per electronic gadget.

In February 2024, the following events occurred:

- A customer returned 50 gadgets due to defects. ABC Electronics issued a credit note for the returns.
- The company discovered that it had erroneously charged VAT on 100 gadgets which were smart hearing aids, yet these are exempt from VAT under Rwandan law.

In March 2024:

- ABC Electronics received an advance payment of FRW50 million for a bulk order of XB gargets. XB gargets are priced at FRW 100,000 per unit (VAT-exclusive), with delivery scheduled for May 2024.
- The company claimed input VAT of FRW 12,000,000 on imported electronic components. However, FRW 2,000,000 of these components were used to repair smart hearing aids which are exempt from VAT.
- The company incurred shared administrative expenses including rent, utilities totaling FRW 15,000,000 (VAT-inclusive), attributable to both taxable and exempt sales activities.

Sales breakdown for the quarter:

- Taxable sales (Electronic gadgets): FRW 300,000,000 (inclusive of VAT).
- Exempt sales (Smart Hearing Aids): FRW 60,000,000

Required:

a) **Calculate the net VAT payable by ABC Electronics Ltd. for the quarter ending March 2024, showing all relevant workings and adjustments.** (8 Marks)

b) **Explain the main administration obligations of a VAT taxpayer in Rwanda and give an example of each obligation.** (8 Marks)

c) **Explain the main features and rationale of the VAT provision that exempts the transfer of assets between related parties who are residents of Rwanda from VAT during the restructuring of their businesses. Provide an example to illustrate your answer.** (4 Marks)

(Total: 20 Marks)

QUESTION 20

Gali Holdings Ltd is a non-listed Rwandan-based multinational company engaged in agricultural exports, consultancy services, and software development. The company operates in multiple jurisdictions, including Rwanda, Kenya, and Belgium. To expand its operations, Gali Holdings recently signed several cross-border agreements with foreign entities and has encountered complex taxation issues regarding double tax treaties, withholding tax (WHT) rates, and treaty benefits. Below are the details:

1. Cross-border royalty payment: Gali Holdings Ltd licensed software from Techware BV, a non-related, Belgian software company, for an annual royalty fee of FRW 100,000,000. Rwanda and Belgium have a Double Taxation Agreement (DTA).
2. Dividend distribution to a Kenyan parent company: The Kenyan parent company, Uhuru Investments Ltd, owns 80% of Gali Holdings. Gali Holdings declared dividends of FRW 500,000,000 to Uhuru Investments. Although Rwanda and Uganda have ratified the multilateral East African treaty on double taxation, one of the EAC partner states is yet to ratify the treaty.
3. Consultancy services: Gali Holdings hired a consultancy firm, Global Insights Ltd, based in the Cayman Islands (a non-treaty jurisdiction), to provide strategic advisory services. The consultancy fees amounted to FRW 120,000,000.
4. Permanent Establishment: Gali Holdings opened a representative office in Belgium, primarily for marketing and client acquisition. Belgian tax authorities argue that the representative office constitutes a permanent establishment (PE) under their interpretation of the DTA, making its income taxable in Belgium. The representative office earns FRW 50,000,000 annually through commissions on client contracts.
5. Administrative challenges: Gali Holdings has faced difficulties in claiming treaty benefits due to lack of proper documentation. The company failed to submit a Certificate of Residency (COR) for one of its transactions, leading to the application of higher domestic WHT rates.

Required:

a) **Calculate the amount of WHT that Gali Holdings Ltd should deduct and remit to the Rwanda Revenue Authority (RRA) for each of the cross-border payments in 1, 2, and 3, assuming that the applicable WHT rates are as follows and explain the basis of your calculations:**

i) **Royalties: 15% (domestic rate), 10% (treaty rate)** (2 Marks)
ii) **Dividends: 15% (domestic rate), 5% (treaty rate)** (2 Marks)
iii) **Consultancy fees: 15% (domestic rate), no treaty rate** (2 Marks)

b) **Discuss whether the representative office of Gali Holdings Ltd in Belgium constitutes a Permanent Establishment under the Double Taxation Agreement (DTA) and the implications for its tax liability in Rwanda.** (6 Marks)
c) **Identify and explain the administrative challenges that Gali Holdings Ltd faces in claiming treaty benefits and suggest possible solutions to overcome them.** (4 Marks)
d) **Advise Gali Holdings Ltd on the VAT implications of importing technology license fees from Belgium and consultancy services from the Cayman Islands and the conditions for recovering the VAT paid on imported services.** (4 Marks)

(Total: 20 Marks)

End of question paper