

CERTIFIED PUBLIC ACCOUNTANT ADVANCED LEVEL 2 EXAMINATIONS A2.3 ADVANCED TAXATION

DATE: MONDAY 26, AUGUST 2024
MARKING GUIDES AND MODEL ANSWERS

A2.3 Page 1 of 13

023 IcparApril2023 Ic

QUESTION ONE IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

023 IcparApril **Marking Guide**)23 IcparApril2023 Ic

Particulars 1999 1999 1999 1999 1999 1999 1999 19	Marks
a) Lange Anvil 2023 Longe Anvil 2023 Lon	an Anvil 2023 Topar Anvil 20
Accounting loss	101 April 2023 Topar April 20
Provision for bad and doubtful debts	nav Anvil 2022 Longe Anvil 20
Tax paid	2012 Inna Anvil 2023 Ionas Anvil 20
Gain on disposal of the asset	100 Anni 2023 Ionar Anni 202
Withholding tax (WHT)	nar Anri 2023 Icnar Anril 201
Depreciation	2023 Tepar 1 12023
Donation Donation	2024 nri 2023 Ienar (mril) (1
Communication	2012 Anri 2023 Ionar Anri 20
Drawings Lange April 2022 Lange April 20	rar Anri 2023 Tenar Anril 20
VAT paid	10 1 10 10 10 10 10 10 10 10 10 10 10 10
Dividends received	nar Anni 12023 Ionar Anri 120
Interest income	nar Anri 2023 Ionar Anri 120
Agriculture income	nav Anvi 2023 Ionav Anvi 120
Consultancy income	ran Anni 2023 Ionan Anni 120
Dividends received from Kenya	nav Anvil 2022 Ionav Anvil 20
Dividends received from ABC Ltd	nav Anvil 2023 Innav Anvil 20
Interest income	nav Anvil 2023 Ionav Anvil 20
Consultancy income	nar Anril 2023 Ionar Anril 20
Less tax depreciation	nar Anri 2023 Ionar Anri 1213
Adjusted business profit	nar Anril 2023 Innar Anril 20
Corresponding tax	nav Anvil 2022 Ionav Anvil 20
Foreign tax credit	nav Anvi 2023 Ionav Anvi 10.5
WHT on local dividend	nav Anvi 2022 Ionav Anvi 10.5
WHT 3% WHI 2002 Long April 2002 Long April 2003 Long April 200	nav Anvi 2023 Icnav Anvil 0.5
WHT on Local interest	nar Anri 2023 Ionar Anri 10.5
Quarterly prepayment	ar Annil 2023 Ionar Annil 20
WHT 5%	nar Anril 2023 Innar Anril 20
b) 2 Ionar Anvil 2023 I	nav Anvil 2023 Ionav Anvil 20
The meaning of Customs valuation	nar Anri 2023 Ionar Anri 121
The meaning of identical goods	nav Anvil 2023 Innav Anvil 20
Characteristics of related persons 0.5 marks maximum 2	nar Anril 2023 Icnar Anril 2
components of the basic value (1 mark maximum 4)	par April 2023 Icnar April 214
c) 2 Janay Amil 2022 Janay Ami	nan Anni 12022 Ionan Anni 120
Tax Evasion	2023 Icpar April 2023 Icpar April 2
Tax avoidance	ourAprii2023
Total Total	oarAprii2023 IcparAprii240

023 IcparApril/A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 Page 2 of 13023 IcparApril2

023 IcparApril <mark>Model Answer</mark> 023 IcparApril2023 Ic

a) Computation of the taxable income, tax liability, and tax payable for the year ended 31/12/2022.

Descriptions	Amount FRW 000	Amount FRW 000
Accounting Loss	Ienar April 2023 Ienar April 2023	January 4-12023 J. 700,711
Add non allowable expenses	Ionar Anvil 2023 Ionar Anvil 2023	Jenay Anyi 12023 Jenay Anyi 1
Bad debts 12023 Janar April 2023	Allowed	Icnar April 2023 Icnar April
WHT and Anvil 2023 I anan Anvil 2023	55,000	Jenay Anvil 2023 Jenay Anvil
VAT	Allowed	Icnar Anni 17023 Icnar Anni 1
Donation Donation April 2023	3,000	Icnay Anvil 2023 Icnay Anvil
Communication to sister	1,000	Ionar Anril 2023 Ionar Anril
Staff airtime	1,200	Icnar Anvil 2023 Icnar Anvil
Tax paid	Allowed	Icnar Anril 2023 Icnar Anril
Depreciation 2002 Januar April 2002	97,500	Ionar Anril 2023 Ionar Anril
Drawings Tanay Anyi 12022	800,000	Icnar Anril 2023 Icnar Anril
Gain on disposal of asset	3,000	Ionar Anril 2023 Ionar Anril
Total deduction	Ion ar April 2023 Ionar April 2023	960,700
Deductions	Ionar April 2023 Ionar April 2023	IcparApril2023 IcparApril
Non taxable income	Ion and America 12022 Ion and America 12022	Langu Anni 12022 Langu Anni 1
Agriculture income	- 12,000	I on an April 2023 I on an April
Government treasury Interest	2,000	Toparapruzuzo teparapru.
Add gross Interest	January 12023 January 2,105	Longs April 2023 1cparApril
Less: 10% Foreign dividend	2,000	Langua Anvil 2022 Langua Anvil
Add: Foreign div Grossed	Jones April 2023 Jones A 2,500	Topar April 2023 Topar April
Less: 90% Local dividend	18,000	Tongu Anuil 2023 Tongu Anuil
Add: Local div Grossed	21,176	Ionay April 2023 Ionay April
Less: Consultancy fees	4,000	Icparaprii2023 Icparaprii
Add: Consultancy fees grossed	January April 2023 January 4,124	Toparapruzuzo teparapru.
Tax depreciation	72,500	Ionay April 2023 Ionay April
Total deductions	Innas Anvil 2023 Innas Anvil 2023	- 80,595
Taxable income	Ionar Anril 2023 Ionar Anril 2023	179,394
Tax payable	IcparApril2023 IcparApril2023	53,626
Less: Advance tax paid	IcparApril2023 IcparApril2023	IcparApril2023 IcparApril
WHT on interest	top in reprint a superior and a superior	Inna Amil 2022 Inna Amil
WHT on foreign Dividend	Ion as Anni 12022 Ionar Anni 500	Langua Anni 12022 Tomas Anni 120
WHT on Local Dividend	100 m Anni 12022 1000 4 3,176	Innay (mil)000 Innay (mil)
3% WHT on consultancy	124 Jan ay Anyi 12023 Janay Anyi 124	Ionay Amil 2022 Image Amil
WHT on importations	55,000	Inna Anail 2022 Inna Anail
IQP _{longr} Anvil 2023 Ionar Anvil 2023	12,000	Longy April 2022 Towns 4 22
Total credit	Longe Ameril 2023 Longe Ameril 2023	70,905
Net credits	icpiraprii/U/3 icparaprii/U/3	17,279

023 IcparApril2A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 Page 3 of 13023 IcparApril2

Workings:

W1: Capital allowance

Descriptions 3 To 123 TeparApril2023 To 123 TeparApril2023 To	Land (FRW "000")	Building 3 IcparApril 3 IcparApril	Computers and Accessories (FRW "000")	Motor vehicle(FRW "000")	Furniture (FRW "000")	Capital allowance "000"
Cost / TWDV	85,000	600,000	2023 2015,000	125,000	2023 12,000	pril2023 Icp
Additions	parApril202	3 IcparApri	12023 IcparApril	2023 Icp 15000	2023 Icpar01	oril2023 Icp
Disposals 77/2023 Ic	parApril202	3 IcparApri	12023 IcparApril	2023 IcparApril	2023 15000	oril2023 Icp
	parApril202	3 IcparApri	12023 IcparApril	2023 IcparApril	2023 IcparA	pril2023 Icp
Depreciable Value	parApril202	600,000	12023 7-15,000	140,000	2023 IcnarA	pril2023 Icp
W&T rate	parApril202	2 100 5%	50%	25%	2022 7 25%	pril2023 Icp
W&T	parApril202	3 7 30,000	12023 Icpa 7,500 1	2023 1 35,000	2023 IcparA	72,500

023 IcparApril XV2; PIT computation rApril 2023 IcparApril 202

From arApril2023 Iepo	rToril2023 IcparApril2023 IcparApr	Tax rate ar April 20	23 Tax <i>ırApril</i> 2023 Icj
2023 IcparApril2023 Icpo	April2023 IcparApril2023 360 000	12023 IcparApr _{0%} 0	23 IcparApril2023 Icp
360001	1 200 000	20%	168 000
1200001	179,394,000	30%	53,458,200
Total PIT PML2023 ICPO	rApril2023 IcparApril2023 IcparApr	il2023 IcparApril20	53,626,200

b) Customs valuation of imported goods" means determining the value of goods for the purposes of levying ad valorem duties of customs on imported goods.

2023 IcparApril2023 I

Goods are considered as "**identical goods**" or "similar goods" only if they are produced in the same country as the goods being valued. Goods produced by different persons are considered only when identical or similar goods from the same producer are unavailable.

Persons are deemed related for customs purposes if: parApril2023 IcparApril2023 I

- a) They are officers or directors of each other's businesses; 1/2023 IcparApril2023 IcparApril2023
- 023 IcparApril b) They are legally recognized partners in business; cparApril2023 IcparApril2023 IcparApril2023
- 23 Apparapril c) They have an employer-employee relationship; apparapril 23 Apparapril 23 Apparapril 24 Apparapril
 - d) Any person owns, controls, or holds 5% or more of the voting shares of both entities;
 - e) One person directly or indirectly controls the other; arApril2023 IcparApril2023 IcparApril20
 - f) Both are controlled by a third party, or together they control a third person; 023 IcparApril2023 IcparApril2
 - g) They are members of the same family.

Additionally, a business association where one is the sole agent, distributor, or concessionaire of the other also qualifies them as related.

023 IcparApril A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 Page 4 of 13023

Basic Value for Taxation of Imported Goods:

The basic value includes:

- The value of the goods for customs duty purposes, whether duty is payable or not.
- Additional costs such as insurance and freight incurred in bringing the goods to Rwanda
- 2 Charges for services facilitating importation. 3 Japan April 2023 Japan April 2
- Any applicable customs duty, excise, port charges, or other fiscal charges, excluding value-added tax.

If goods are re-imported after export for repair, renovation, or improvement without changing their nature, the import value is adjusted by the increase in the goods' value due to these processes."

b) Tax avoidance and tax evasion

Tax avoidance is the legal practice of exploiting the tax system to reduce tax liability. This can be done by taking advantage of deductions, exemptions and loopholes in the law. It's important to note that while tax avoidance is legal, it must be done within the bounds of the law and ethical standards.

Tax evasion is the illegal act of deliberately misrepresenting or concealing information in order to reduce tax liability. This may involve under-reporting income, inflating deductions or hiding money in undeclared accounts. Tax evasion is a criminal offence which can result in significant penalties, including fines and imprisonment. Article 87 of the N° 026/2019 of 18/09/2019 on tax procedures stipulates that upon conviction, he or she is liable to imprisonment for a term of not less than two (2) years and not more than five (5) years.

A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 Page 5 of 13

023 IcparApril2023 Ic

023 IcparApril **QUESTION TWO** IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

Marking Guide

Particulars 12023 Janas Anvil 2023 Janas Anvil 2023 Janas Anvil 2023 Janas Anvil 2023	Marks
a) Richar April 2023 Ichar April 2023 Ic	IcnarApril202
Basic salary 19092 Innay Appl 19092 Innay Appl 19093 Innay Appl 19093 Innay Appl 1909	Icnar April 24
House benefit 2023 Ionar Anvil 2023 Ionar Anvil 2023 Ionar Anvil 2023 Ionar Anvil 2023	Icnar April 20
Taxable employment income	Icnar April 20
Consultancy fee a Lange Amel 2012 Lange Amel 2013 Lange Amel 2013 Lange Amel 2013	Icnar April 24
Rwandan income 2 Tomar April 2022 Tomar April 2023 Tomar April 2023 Tomar April 2022	Tenar April 21
Foreign income (income from the UK)	Icnar April 21
Total taxable income and military tongs Applicance tongs Applicance tongs Applicance to the control of the cont	IcparApril2
Gross Tax: Vil 2023 Januar April 2023 Januar April 2023 Januar April 2023 Januar April 2023	Jonar DNA
First par April 2023 I char April 2023	IcnarAnri 0.5
Excess and April 2023 Innar April 2023 Innar April 2023 Innar April 2023 Innar April 2023	Icnar Apri 0.5
Total Gross Tax 28 Innay April 2023 Innay April 2023 Innay April 2023 Innay April 2023	Icnar Apri 0.5
Tax Liability on Rwandan Income:	Jonard DNA
First par April 2023 Ichar April 2023 Ichar April 2023 Ichar April 2023 Ichar April 2023	IcparAnri0.5
Excess of April 2023 Innar April 2023 Innar April 2023 Innar April 2023 Innar April 2023	IcparApri0.5
Total Tax Liability on Rwandan Income	IcnarApri 0.5
Tax Liability on Foreign Income: Tax Liability on Foreign Income:	Ichar A DNA
Gross Tax 3ri12023 Ionar April2023 Ionar April2023 Ionar April2023 Ionar April2023	Icnar April 20
Less: Tax Liability on Rwandan Income	IcparApril202
DTR _{par} April2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023	IcparApril22
b) IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023	IcparApril202
For a clear explanation on how WHT is being applied	IcparApril22
For a clear reference to the law on PE	IcparApril22
For recommendation and prilated topar Aprilated topar Aprilated topar Aprilated	IcparApril22
Total nar April 2023 Icnar April 2023	IcparApril20

023 IcparApril2<mark>Model answer</mark>2023 IcparApril2023 Ic

April 2 Description 12023 Icnar April 2023 Icnar April 20	Amount (FRW)	
Gross salary 12023 Ignar April 2023 Ignar April 2023 Ignar April 2023 Ignar April	1,500,000	
Add housing benefit: Add housing benefit:		
$80,000 \times 12$	960,000	
Taxable employment income	2,460,000	
Consultancy fee	2,500,000	
Rwandan income	4,960,000	
Foreign income (income from the UK)	5,000,000	
Total taxable income	9,960,000	

Gross Tax:

Calculation 12023 IcparApril2023 I	Amount (FRW)
² First parApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparAp	07112023 101168,000
Excess [9,960,000 - 1,200,000] × 30% April 2023 Icpar Apr	2,628,000

023 IcparApril A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 Page 6 of 13 23 IcparApril2

Total Gross Tax 2,796,000

Tax Liability on Rwandan Income:

² Calculationil ² 023 IcparApril ² 023 IcparApril ² 023 IcparApril ² 023 Ic	parApr Amount (FRW)
2 First:parApril2023 IcparApril2023 IcparApril2023 IcparApril2023 Ic	parApril2023 Ic 168,000
Excess [4,960,000 - 1,200,000] × 30% April2023 IcparApril2023 Id	parApril2023 11,128,200
Total Tax Liability on Rwandan Income 12023 Icpar April 2023 Id	parApril2023 1,296,200

Tax Liability on Foreign Income

Calculation	Amount (FRW)
Gross Tax	2,796,000
Less: Tax Liability on Rwandan Income	1,296,200
Tax Liability on Foreign Income	1,499,800

Double Taxation Relief (DTR):

² Calculation il 2023 IcparApril 2023 IcparApril 202.	3 IcparApril2023 IcparApriAmount (FRW)
Lower of: pril2023 IcparApril2023 IcparApril202.	
Tax for Foreign Income April 2023 Icpar April 202	3 IcparApril2023 IcparApril2023 11,499,800
Actual Tax Paid 3 IcparApril2023 IcparApril202.	3 IcparApril2023 IcparApril2023 Ic ₁ 650,000
Thus, DTR il2023 IcparApril2023 IcparApril202.	3 IcparApril2023 IcparApril2023 Ici650,000

b) As Mr. Owen has not registered a business in Rwanda, the local bank applies withholding tax (WHT) and reverse charge VAT before paying him. However, according to Article 6 (Permanent Establishment) of the Rwandan Tax Law, if services, including consulting services, are provided by a person with the support of employees or other personnel for more than ninety (90) days in any twelve (12) month period, whether continuously or intermittently, the person is considered to have a permanent establishment (PE) in Rwanda.

Even if VAT and income tax (in the form of WHT) are paid, Mr. Owen must register his business in Rwanda and comply with all relevant tax requirements. These include:

Income tax: Ensure the correct declaration and payment of corporate income tax.

VAT: Comply with VAT regulations if all conditions are met.

PAYE: If Mr. Muhire Christian is engaged on the basis of an employment contract, Mr. Owen must comply with PAYE regulations.

WHT: If Mr. Muhire is considered a consultant, WHT must be applied appropriately.

In addition, Mr. Owen should be aware of decentralized taxes, such as Trading licenses and other fees, which will be applicable once he registers his business.

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m April2023}$ Iepar ${
m April2023}$ Iepar ${
m April2023}$ Iepar ${
m April2023}$ Iepar ${
m April2023}$

QUESTION THREE

023 IcparApril **Marking Guide**)23 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2

Particulars Particulars	Marks
a)	
Standard rated sales	12022 10022 1
Credit note	TAPTILLOZO ICPATAPTILLOZO ICPATAPTILLOZO
Standard credit sales	r_{Ap} ruzozo 1 c par $_{Ap}$ ruzozo 1 c par $_{Ap}$ ruzozo $_{1}$
VAT reverse charge	$_{0.5}^{-112023}$ 1cparApril2023 1cparApril20 $_{0.5}^{-1202}$
Bad debt April2023 IcparApril2023 IcparApril2023 Icpa	rApril2023 IcparApril2023 IcparApril2023 ₁ 1
Export ar April 2023 Icpar April 2023 Icpar April 2023 Icpa	rApril2023 IcparApril2023 IcparApril2023 ₁ 1
Standard rated purchase # April 2023 Icpar April 2023 Icpar	rApril2023 IcparApril2023 IcparApril2023 ₁ 1
Credit note pril 2023 Icpar April 2023 Icpar April 2023 Icpar	rApril2023 IcparApril2023 IcparApril202311
Consulting fee for July 2023 //2023 //2023 //2023 //2023 //2023	rApril2023 IcparApril2023 IcparApril20231
Purchase of office supplies per 12023 Ignar April 2023 Ignar	rApril2023 IcparApril2023 IcparApril20234
Electricity bill	rAnril2023 IcnarAnril2023 IcnarAnril2023
Communication expense	r/Anril2023 Icnar/Anril2023 Icnar/Anril2023
Standard credit purchases	w Anni 12022 I an an Anni 12022 I an an Anni 12022
Debit note	(April 12025 Tepur April 12025
Purchased office furniture	1. 12.02.2 1. 1. 12.02.2 1. 1. 12.02.2 1.
Rent for July 2023	rapruzuzo 1cparapruzuzo 1cparapruzuzo 1
b) 1ne mark for clearly stating the following:	rApril2023 1cparApril2023 1cparApril2023 1
Registration 12023 Icpar April 2023 Icpar April 2023 Icpar	rApril2023 IcparApril2023 IcparApril2023 ₁ 1
Rates var April 2023 Icpar April 2023 Icpar April 2023 Icpar	rApril2023 IcparApril2023 IcparApril20231
exemptions v12023 IcparApril2023 IcparApril2023 Icpa	rApril2023 IcparApril2023 IcparApril20231
Input tax credits 123 IcparApril2023 IcparApril2023 Icpar	rApril2023 IcparApril2023 IcparApril20231
Filing and payment IcparApril2023 IcparApril2023 Icpar	rApril2023 IcparApril2023 IcparApril2023 1
Total nar April 2023 Icpar April 2023 Icpar April 2023 Icpar	rAnril2023 IcparAnril2023 Icpar 20 Marks

Model answer 2023 IcparApril2023 Icp

a) VAT computation

023 IcparApril **Output VAT:**12023 IcparApril2023 Ic

023 IcparApril20. Date 1023 IcparApril20.	3 IcparApril 2023 CparApril 20 3 IcparApril 2023 CparApril 20	23 IcparApril20 Working 23 IcparApril20 Working pril20	Amount FRW 23 2907 2000"
06 July 2023	Standard rated sales par April 20	23 10 500,000 * 18/118 / 20/20	23 IcparApril276,271
07 July 2023	Credit note 12023 IcparApril20	23 120,000 * 18/118	23 I mar April (18,305)
09 July 2023	Standard credit sales	150,000 * 18/118	23 Imar April 22,881
02 July 2023	VAT reverse charge	10,000 * 18/100	1,800
27 July 2023	Bad debt	22 January Ameri 12022 January Ameri 120	23 Innau (mui 12023 Io
31 July 2023	Export	Zero rated	23 TeputAprit2023 Te
zvzə icparapruzv.	Total Output VAT	zə icparapruzuzə icparapruzu	23 10purapruz 92 647

82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647 82,647

023 IcparApril/A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202 Page 8 of 13/23 IcparApril2

Input VAT

3 I Date vil 20	3 IcparApr Description pril2023	IcoarApril20Working vil2023	Amount FRW ''000''
02 July 2023	Standard rated purchase	300,000 * 18/118	45,763
07 July 2023	Credit note	110,000 * 18/118	(16,780)
24 July 2023	Consulting fee for July 2023	30,000 * 18/118	4,576
15 July 2023	Purchase of office supplies	8,000 * 18/118	1,220
18 July 2023	Electricity bill 3 Icpar April 2023	4,500 * 18/118	parApril2023686
21 July 2023	Communication expense	(2,500 * 18/118) * 60/100	229
12 July 2023	Standard credit purchases	250,000 * 18/118	38,136
25 July 2023	Debit note 2023 IcparApril2023	Given	aparApril2023700
29 July 2023	Purchased office furniture	45,000 *18/118	6,864
04 July 2023	Rent for July 2023	6,000 * 18/118 ar April 2023	leparApril2023 lep leparApril20239 <mark>15</mark>

2023 IcparApril20 Total Input VAT IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2082,31

 $023\ lcparApril\ VAT\ payable = 82,647,000 - 82,310,000 = 337,000\ parApril\ 2023\ lcparApril\ 2023\$

- 023 Japan April b. The main aspects of the Rwandan VAT system are as follows: Japan April 2023 Japan April 20
 - **Registration obligation**: Taxpayers must register for if their annual sales exceed FRW 20,000,000 per year or FRW 5,000,000 per quarter.
 - Input tax credits: Registered taxpayers can claim input tax credits on VAT paid on locally purchased and imported products, thus reducing the amount of VAT payable to the RRA.
 - **Standard rate:** The standard VAT rate in Rwanda is 18%, applicable to most goods and services, unless exempted or zero-rated.
 - Exemptions and zero-rating: Certain goods and services, such as basic foodstuffs and healthcare, are exempt from VAT. Exports and certain international services are zerorated.
 - Filing and payment: VAT returns must be filed periodically monthly or quarterly depending on the company's turnover. Payments must be made shortly after the end of each reporting period.

023 IcparApril A2.3 IcparApril 2023 IcparApril 2023 IcparApril 2023 IcparApril 2023 IcparApril 2023 Page 9 of 13

QUESTION FOUR

023 IcparApril **Marking Guide**)23 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2

Descriptions	Marks
a) 1 cparApru2023 1cparApru2023 1cparApru2023 1cparApr	u2023 1cparAprii2023 1cparAprii2
salary salary	uzuzs icparApruzuzs icparApruz
communication allowance	112023 1cparAprii2023 1cparAprii2
Overtime allowance	112023 1cparApril2023 1cparApril2
Rent ParApril2023 TeparApril2023 TeparApril2023 TeparApril	112023 1cparAprii2023 1cparAprii2
Benefit in Kind (car)	112023 1cparAprit2023 1cparAprit2
Domestic staff	112023 1cparApril2023 1cparApril2
Medical insurance	112023 1cparApril2023 1cparApril2
Medical expenses for spouse	112023 1cparApril2023 1cparApril2
Reimbursement	112023 1cparApril2023 1cparApril2
Total employment income	:12023 1cparApril2023 1cparApril2
Consultancy income	12023 1cparAprii2023 1cparAprii2
Total Income	112023 1cparApril2023 1cparApril2
Total PIT	112023 1cparApril2023 1cparApril2
Less tax paid at Source (PAYE)	112023 1cparAprii2023 1cparAprii2
TAX PAYABLE	12023 1cparApril2023 1cparApril2
b) 1 cparAprii2023 1cparAprii2023 1cparAprii2023 1cparAprii	112023 1cparaprii2023 1cparaprii2
1 mark for a well stated method (maximum 5)	12023 Teparaprii 1023 Teparapri 5
Total 12000 A 12000 A 12000 A 12000 A	20 Marks

023 IcparApril **Model Answer** 023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

a) Computation of Nkundimana Emanuel's taxable employment income for the year, and tax payable:

Description 112023 1cparApril2023	Working CparApru2023 Ich	Amount (FRW)
salary ar April 2023 1cpar April 2023	900,000 x 12	10,800,000
communication allowance	120,000 x 12	1,440,000
Overtime allowance	60,000 x 12	720 000 720 720 720 720 720 720 720 720
Domestic staff	70,000 x 2 x 12	1,680,000
Medical insurance	(100,000 - 60,000) x 12	480,000
Medical expenses for spouse	1cparApril2023 1cparApril2023 1cp	3,000,000
Reimbursement 3 1 cpar April 2023	1cp trApril2023 1cparApril2023 1cp	Exempted Exempted
Rent Par April 2023 Icpar April 2023	150,000 x 12	1,800,000
Total Cash Emolument	1cp trApril2023 1cparApril2023 1cp	19,200,000
Benefit in Kind (car)	10% of 12,960,000	1,920,000
Total taxable income	1cpurApril2023 1cparApril2023 1cp	21,120,000
Other income: 23 1cparApril2023	1cparApril2023 1cparApril2023 1cp	parApril2023 1cparApril2
Consultancy income	1cp trApril2023 1cparApril2023 1cp	15,000,000
Total Income Total Income	1cp trApril2023 1cparApril2023 1cp	36,120,000

023 IcparApril A2.3 cparApril 2023 IcparApril 2023 IcparApril 2023 IcparApril 2023 IcparApril 2020 IcparApril

Tax payable

From	To	Tax rate	Tax payable
0.5 IcparAprii20	360,000	0%	trApril2023 IcparApri
360,000	1,200,000	20%	168,000
1,200,001	Above	723 1cparApril20230%	10,476,000

023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20

- b) The Rwanda Revenue Authority (RRA) has several methods and procedures for verifying income that has been omitted or understated. These methods are designed to ensure that taxpayers comply with tax legislation, and to uncover any discrepancies or omissions in declared income. Here are some of the common methods used by the RRA to identify such problems:
- 023 IcparApril202 Audits: Random and targeted audits to verify the accuracy of tax returns and financial 23 IcparApril2023 I
- 023 IcparApril202 Data matching: Comparing taxpayer information with third-party data from banks, 23 IcparApril2023 IcparApr
- O23 IcparApril2023 & Automated systems and analysis: Use of Electronic billing machines reports, 23 IcparApril2023 & electronic filing, and data mining systems to detect inconsistencies and anomalies in 23 IcparApril2023 IcparApril
- O23 IcparApril202. Inter-agency cooperation: Collaboration with other government agencies and 23 IcparApril2023 IcparApril2023
- 023 IcparApril2023 or Field investigations: Field visits and lifestyle verification to ensure that declared 23 IcparApril2023 IcparApril2023

QUESTION FIVE IcparApril2023 IcparAp

Marking Guide

Description 12023 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	Icpar Marks
(a)3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril	12023 IcparApril2023	IcparApril2023
Capital Gain 12023 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril202
Interest Income 23 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2023
Interest Income 23 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2023
Dividend Income 3 Icnar April 2023 Icnar	l2023 IcparApril2023	IcparApril2023
Interest Income 23 Icnar April 2023 Icnar April 2023 Icnar April	l2023 IcparApril2023	IcparApril2023
Royalty Income 3 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2023
Interest Income 23 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2023
Capital Gain 12023 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2023
Dividend Income 3 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2023
(b) 3 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2023
Clear explanation (most-favored-nation)	l2023 IcparApril2023	IcparApril2033
(c) Ricpar April 2023 Icpar April 2023 Icpar April 2023 Icpar April	l2023 IcparApril2023	IcparApril2023
Clear Discuss the income reconstruction pril2023 TeparApril	l2023 IcparApril2023	IcparApril2023
(Total marks/2023 IcparApril2023 IcparApril2023 IcparApril	l2023 IcparApril2023	IcparApril2 203

023 IcparApril A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20.Page 11 of 13 23 IcparApril2

Model Answer

123 IcparApril a) computation of the WHT

Income Type	parApril2023 IcparApril2023 IcparApril2023 IcparApril2 parApril2023 IcparApril2023 IcparApril202	Withholding Taxes	
1. Capital Gain	Proceeds from the sale of shares (8,000 x 400)	023 IcparApril202.	
023 IcparApril2023 I	Cost of the shares (300 x 8,000) April 2023 Icpar April 2	(23 IcparApril202.	
023 IcparApril2023 I	Capital Gain: 800,000 Z023 IcparApril2023 IcparApril2	(23 IcparApril202.	
023 IcparApril2023 1	Capital Gain Tax (800,000 x 5%)	40,000 April202	
2. Interest Income	(25,000,000 x 8% x 10/12)	(23 IcparApril202.	
023 IcparApril2023 1	Interest Income: 1,666,667 FRW	(23 IcparApril202.	
023 IcparApril2023 1	Withholding Tax (1,666,667 x 15%)	250,000 pm/202	
3. Interest Income	(10,000,000 / 85) x 100	(23 IcparApril202.	
023 IcparApril2023 I	Interest Income: 11,764,706 CparApril2023 IcparApril2	(23 IcparApril202.	
023 IcparApril2023 I	Withholding Tax (11,764,706 x 15%)	1,764,706	
4. Dividend Income	$(250 \times 100,000)$ $(250 \times 100$	023 IcparApril202. 023 IcparApril202.	
023 IcparApril2023 I	Dividend Income: 25,000,000 par April 2023 Icpar April 2023	023 IcparApril202.	
023 IcparApril2023 1	Withholding Tax (25,000,000 x 5%)	1,250,000	
5. Interest Income	Exempted since maturity of deposit > 1 year	Exempted	
6. Royalty Income	15% of 20,000,000 FRW	3,000,000 1202	
7. Interest Income	(7,000,000 / 95) x 100 Z023 leparApril2023 leparApril2	(23 IcparApril202.	
023 IcparApril2023 I	Interest Income: 7,368,421	023 IcparApril202.	
023 IcparApril2023 I	Withholding Tax (7,368,421 x 5%)	368,421	
8. Capital Gain	Exempted since capital gain on listed shares is exempt	Exempted 1202	
9. Dividend Income	(3,000,000 / 95) x 100	023 IcparApril202. 023 IcparApril202.	
023 IcparApril2023 I	Dividend Income: 3,157,895 cparApril2023 IcparApril2	(23 IcparApril202.	
023 IcparApril2023 1	Withholding Tax (3,157,895 x 5%)	157,895	

- b) The "most-favored-nation principle in international trade guarantees that any favorable trade treatment granted to one nation must be extended to all other nations under similar conditions. This principle promotes fairness by preventing discriminatory practices between trading partners. For example, if country A grants lower tariffs to country B on a certain product, it must offer the same lower tariffs to all other WTO member countries on that product. This rule helps to maintain equitable trade relations worldwide, and encourages countries to negotiate fair trade agreements that benefit all parties concerned.
- c) Income reconstruction plays a pivotal role in tax enforcement by enabling revenue authorities to ascertain and verify taxable income when there are suspicions of underreporting or fraud. This process is crucial when taxpayers lack adequate records or when existing records do not accurately reflect income. According to tax regulations, taxpayers are obligated to maintain accounting records that account for inventory, classify expenses correctly, and record improvements to depreciable assets. Failure to maintain these records can lead to the use of income reconstruction by tax authorities to determine taxable income.

023 IcparApril A2.3 cparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril20 Page 12 of 13

The authority to reconstruct income allows revenue authorities to use direct and indirect methods. Direct methods focus on specific transactions, such as analyzing bank deposits without reported sources or scrutinizing invoices for unreported sales. These methods aim to pinpoint specific omissions or errors in reported income. In contrast, indirect methods provide circumstantial evidence of income, such as the net worth method, which compares assets and liabilities over time to detect unreported income.

Taxpayers have the right to challenge reconstructed income assessments. They can rebut the authority's position by demonstrating that the method used was arbitrary, capricious, or erroneous. This can be achieved by providing evidence of non-taxable sources for the reconstructed income, such as gifts, inheritances, or loans. Moreover, taxpayers must show that their records, if maintained properly, accurately reflect income, thus contesting the need for income reconstruction.

Overall, income reconstruction serves as both a verification tool for unconventional accounting methods and a means to calculate income quickly when records are lost or inadequate. It underscores the importance of maintaining accurate financial records and highlights the regulatory framework that governs tax compliance and enforcement.

End Of Marking Guides and Model Answers

A2.3 opar April 2023 Topar April 2023 Topar April 2023 Topar April 2023 Topar April 20 Page 13 of 13