

CERTIFIED ACCOUNTING TECHNICIAN STAGE 3 EXAMINATIONS S3.3: TAXATION

DATE: FRIDAY 01, DECEMBER 2023
MARKING GUIDE AND MODEL ANSWERS

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SECTION A

Marking Guide

QUESTIONS	ANSWER	MARKS
11 (EMEARS CO. 3) (FINE OF WORL) (CS V. 30.3 F 50.5)	A	PAR 200 EFFERENCE ARE COME 2
2 NECENIER COM CONTROL OF THE PROPERTY OF		
3 ROBER NEED TO PARTY OF AREA TO BEEN MEET TO BE	D Chief Orly Company	23 EMPONE NOVE 10 2023 200 2 1
4.012.1022 12.25 200 12.102 12.102		3 10023 EMBER OVERNOVER 1023 1023 102 10
5 1211 10 12 10 10 20 27 20 28 12 11 12 14 10 23	A	2
6 PAS CHEEF END VENCE AS TO 3 ENTER VEN	NECONO PROPERTY OF COMPANY TO THE	2
7	C	SE LE PORTE L'AND ME LORIE DE 2
8		2
9	A	The second of th
10	D	2
Total marks	0 22 1 EM HO R NO 12 F 20 ER 200 EM HO VE 10 22 E 200 EM HO VE 10 20 EM HO VE 10 EM HO VE	20

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Models Answers

QUESTION ONE

The correct answer is A

The condition that the taxpayer should be registered on VAT, is not a requirement. According to Article 8: Tax period,

The tax is calculated for the calendar year, which starts on 1 January and ends on 31 December. Upon written request, the Minister may allow in writing a taxpayer to apply any other twelve (12) months period as a tax period, if the taxpayer fulfils the following conditions:

- 1° he/she is an entity subject to corporate income tax.
- 2° he/she is required to keep books of accounts according to generally accepted accounting principles.
- 3° he/she presents sound reasons to change his/her tax period.

QUESTION TWO

The correct answer is D

According to article 36 relating to capital gain tax,

- Capital gain tax is charged on the sale or transfer of shares.
- The capital gain on sale or transfer of shares is the difference between the acquisition value of shares and their selling or transfer price.
- The rate of capital gain on shares is 5%
- The sale of properties used in a business also should pay capital gain tax, if any

QUESTION THREE

The Correct Answer is D

Double taxation agreement is defined as treaty between two or more countries to avoid taxation of income and property in two different jurisdictions.

QUESTION FOUR

The correct answer is D

Other payments made in respect of previous, current, or future employment, are not exempted from employment income.

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QUESTION FIVE

The correct answer is A.

Muligo Vincent who is employed in an unskilled role on a temporary basis, is a casual employee Is taxed at 15%.

His tax computation is as follows:

Description	Rate	FRW
30,000 and below	(30,000*0%)	O SERVICE PROPERTY OF THE PROP
Above 30,000	(170,000-30,000) *15%	21,000

QUESTION SIX

The correct answer is C

- All stated income are exempted from income tax except the excess revenue/income for an entity that carry out only activities of a religious, humanitarian, charitable, scientific, or educational character.
- This is according to article 46, law no 16/2018.
- It states that entities that carry out only activities of a religious, humanitarian, charitable, scientific or educational character, are exempt from income tax unless the revenue received exceeds the corresponding expenses or if those entities conduct a business.

QUESTION SEVEN

The correct answer is C.

FRW "000"
100,000,000
50%
50,000,000
100,000,000
5%
5,000,000
55,000,000

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QUESTION EIGHT

The correct answer D

Computation of investment income is as follows:

Description	Net income in FRW	Gross income in FRW
Royalty income	2,000,000	2,352,941
Dividend received	15,000,000	17,647,059
Interest income	5,000,000	5,263,158
Gross investment income	MECARY FAR CHEER WHITE WORK CONSTRUCTION	25,263,158
Investment expenses	20%*gross income	5,052,632
Net investment income	NOOF TO DEED TO PAR OF A FED WHETH THE FREE TO A FE OF A	20,210,526

QUESTION NINE.

The correct answer is A

Computation of the tax applicable to Muhimpundu Paccy:

THE THE PART OF ALL SUPERIOR STATES AS TO PART OF THE	FRW
Dividend received	150,000,000
Rate	5%
Withholding tax applicable	(150,000,000*5%)
Withholding tax	7,500,000

QUESTION 10.

The correct answer is D

The answer is none of all. WHT on payments to non residents is subjected to the total payment. Non only to the excess.

- According to Article 60 law no 16/201, A withholding tax of fifteen percent (15%) of the total amount excluding Value Added Tax (VAT) where applicable is levied on payments or other methods of extinguishing an obligation made by resident individuals including tax exempt entities, when such payments or other methods of extinguishing an obligation are made to a person not registered in the Rwandan tax administration or to a registered person who does not have recent income tax declaration.
- Payments or other methods of extinguishing an obligation subject to the withholding tax of fifteen percent (15%) are related to the following:
- 1. dividends, except income distributed to the holders of shares or units in collective investment schemes;
- 2. financial interests except:

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- interests on deposits in financial institutions for at least a period of one year;
- interests on loans granted by a foreign development financial institution exempted from income tax under applicable law in the country of origin
- interests paid by banks operating in Rwanda to banks or other foreign financial institutions;
- 3. royalties;
- 4. service fees including management and technical service fees except transport services;
- Article 26: Non-deductible expenses from taxable income

The following expenses are not deductible from taxable income:

9° management, technical services and royalty fees paid to a non-resident person exceeding two percent (2%) of the turnover of the taxpayer;

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SECTION B

QUESTION 11

Marking Guide

Description	Marks
Computation of employment income	STENDED TO STENDED THE WEST OF STENDED TO STENDE TO STENDED TO STE
Award 1 or 2 marks to the following:	2012 ER MEER WORK CPARE VEHICLE EMPERARY TOPAS
Salary	APT 2022 FREE WEET NO AR TRAFF WEET WEET WEAR 1
Company house	180 NE 100 20 SES 250 VER 100 1 12 22 18 ET 18 1
A company car	3 KH 20 KH 2015 (PS 23 1 0) 3 KH 2015 10 20 1 10
Loan benefit	
PAYE computation	AR TO PAS CENER LENGTH PERSON OF STREET OF STR
Pension	THE REPORT OF THE PROPERTY OF
Maternity leave	SIGNORER ROMER WORK TO SEER REFER TO PAR IT
Rama	2
Total Marks	THE TEN OF THE TEN OF THE TEN

Model Answer

Mumararungu Taly, Computation of monthly employment income

Particulars	Workings	FRW	FRW
Basic salary		THE WALL OF STEWNER OF THE WORLD	2,500,000
Add benefits in kind		MELENICATION OF STREET	ANOVE CHOOS TO SEE
Company house	20%	500,000	10 No. 10. 303 EB 505 EB 50
A company car	10%	250,000	ENBELVENIONES COST
Loan benefit	13 July 10 14 10 13 C 505 8 501 AER 10 14 14 505 3 EL 50 EL 10 1	PAR OPAR 202BER MEEN NO	PAR CPARE ENBERME
Loan received	(3*2,500,000)	7,500,000	NORR NORR R 2023
Interest benefit	(7,500,000*10%)*1/12	62,500	23 2023 EMBOVE NO
Total benefit in kind		SER HOPAR ICPAER EMBE EN	812,500
Total taxable income	NEER NEED ON ONE TO WEEK NOON ON THE WORK OF THE WAR STORE OF THE WAR STORE OF THE WORK OF THE WORK OF THE WAR STORE OF THE WORK OF THE WO	P. (1867) 14 COPT COPT R 1 118	3,312,500
PAYE computation	PARTY OF ENDER ROCKER OF REAL MEETING FRENCH OF REAL PROPERTY OF SERVICE SERVICES.	CMBER MEDAR 1 CPM 101 CMB CM	EMPONEMICPAT 1023
0-30,000	0%	CALLER NO LANGE OF CO.	BER EMBERENBEAR S
30,000-100,000	20%	14,000	THO AR A 2023 ER NO ER
>100,000	30%	963,750	WENNOVE NOVE 1023 1020
CENTS 10,033 FINED NEW ONS 10,5053	OVERNOVE NOVE NOVER 20 EER NOVER NOVER TO ARE 20 TEER NEED AND	977750	977,750
RSSB contribution	53 352 161 20 4 10 13 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10 15 10	20 OVER NO AR R 2023 ER 203E	AR WORAR CPAH 20 BER CINB
Pension	3%*(2,500,000+500,000+62,500)	91,875	SOS S SOLVER HOVE W

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Maternity leave	0.3%*(2,500,000+500,000+62,50 0)	9,188	
Rama	7.5%*2,500,000	187,500	MEER VENIENCE INC.

QUESTION 12.

OVE	Marking Guide	253 1CP 3 1CM
ENBE	Description	Marks
100 V	1Award 0.5 mark for each well transaction and the explanation. (Maximum: 2.5 marks)	2.5
2	Award 1 mark on the following: Maximum 2.5 marks	DVE NOV 31CT
0.50	Annual sales	WEEL TONE
VENN	corporate tax	23 ENEL VEN
ME	Award 1.5 mark on the explanation	1.5
3	Award 1 mark on the following: Maximum 2.5 marks	ER 20 OVER NO
NOV	Annual sales	2022 TOVE
VENT	corporate tax	18 CP 13 10 20
2023 2023	Award 1.5 mark on the explanation	1.5
4	Award 1 mark on the following: Maximum 2.5 marks	CENEND VENIO
ER?	Annual sales	JENNO PHO
0/2	corporate tax	SOS DENTIONE
VEN	Award 1.5 mark on the explanation	1.5
MBER	Total Marks	10

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Model Answers

Computation of income tax payable for year ended $31^{\rm st}$ December 2021 basing on the sales turnovers

NEP	EURO Supply Ltd	NEEL VEEK WORK OF WEEK ST
BER	Annual sales	27,000,000
505	Expenses	10,000,000
OAR	Profit before tax	17,000,000
MER	corporate tax@ 30%	5,100,000
323 VE	Should be taxed in real regime, because turnover > 20,000,000	ANOPAN ICHER ENBERENCHEN 23 P203 ENBERTEN VOER CONTRA
2	Boningo Ltd	TENERAL CENTROLE IN POST
JENNE JENNE	Annual sales	5,000,000
MBER	corporate tax	120,000
R P 20 PE	Should be taxed in flat regime, because turnover is between 2,000,000 and 12,000,000	THE POPE STREET STREET AND THE POPE STREET S
3	Bon Appetit Ltd	CPP-3 CHEET CHOVENOPADS
8 NO	Annual sales	11,000,000
BER	corporate tax	3 CT 2023 200 VENT NOVE NO
436	Should be taxed in flat regime, because the turnover is between	
0023	2,000,000 and 12,000,000. However, the income of 12,000,000	
JEME N	and below from farming activities is exempted from income tax	PART 20 LENBER LINEER AND PART OF ART
4	Mwungeri Vivix	AN CONTRACTOR NO SOLD FOR FOR SOLD FOR
OVEN	Annual sales	19,000,000
K 505	corporate tax @3%	570,000
AR 2023	Should be taxed in lump sum regime, because the turnover is between 12,000,000 and 20,000,000	ENERAR NO PAR OPAR LENEN

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SECTION C

QUESTION 13

Marking Guide

	Mark
Description	S
i. Computation adjusted profit and income	MERAP CPA
Prepaid salaries	BERENBER TE
Bank interests	2 223 ER 20 1
Depreciation	N NOV 10 10 10 10 10 10 10 10 10 10 10 10 10
Office furniture	NE OVERNOVI
Communication	CPIER VEIL
Mineral tax	WPAR CPATA
Quarterly prepayment	EP ZNOVER IP
Dividend received from a local company	2
Allowed Depreciation expense	1E CPA 10 12 12 12 12 12 12 12 12 12 12 12 12 12
Adjusted taxable profit	MENENDEND ART
Tax liability @ 30%	EP ENBERTHINGS
Less quarterly prepayments	CAR POR
Tax credit	IE WOAR HOLD
	SO SEWELONEW
The deadline for the filing and payment.	23 CP 10 1 ENT
The requirement for certification of the 2020 annual corporate income tax to the Tax	BEAR NOPAL
Authority	ER MEER MONE
	20 3ER 2022 10
Award 1 mark on each quarterly prepayment due date. Maximum 3 marks	3
Total Marks	20

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Model Answers

SPLX Ltd

i) Computation of the taxable income, the tax liability, and the tax payable for the year ended 31st December 2020

Items	FRW ''000''	FRW "000"
Profit before tax	ER TO VEHINOVE TO STEEL WEEK SHOW & THE	(8,220,000)
Add backs disallowable expenses	PANS COSTEMBONE MONTH OF STATE STATE STATE OF	M NOVE AND 2023 E PROBER AND
Prepaid salaries	3,500,000	53 EMPONE MON3 (C 2023 E 2023)
Bank interests	3,200,000	3 1Ch 3 1Ch BENEVIEW OF 1Ch
Depreciation	780,000	PAR NORAL STREET ENEVENIE
Office furniture	16,000,000	ENBER NO AR CPATE 2018
Communication	1,600,000	23 ER MEER NOVER NOAF RE
Mineral tax	14,000,000	HOVE CO 2023 202 VEW NOV
Quarterly prepayment	8,400,000	E NOVENOVENOPA2310 2023 EM
	BER OPAR CPANT 200 BEH MBER AR TO ANY	47,480,000
Style Chief halo chief of the following the	ER 201 P 2010 PAT OPAR NO 2022 ER 2018 ER NO	39,260,000
Less non-taxable income	ONE VERY SOLD VERN NOW AND SOLD SERVER	20 OVER NO AR 12022 ER 20 BER
Dividend received from a local company	TENDO 13 CPAIS 2003 TENBROVE HOVE & 20	(12,000,000)
Less allowable expenses	EER MEELIND AR CP 3 LINEET EM VEN	CPR 2023 ENEMBROVE NOV
Capital allowance	CPA'S CONFERMENT NO PAY CPAY CPAYER THE	(7,200,000)
Adjusted taxable profit	ONE CONTROL SOUSE SOUSE SOUSE NO ONE WE SEE	20,060,000
Tax liability @ 30%	3 505 EMPONENO 30 505 500 ME MO	6,018,000
Less quarterly prepayments	AR 3 10 23 16 18 ET 15 110 VENCENDO 3 120 3 120 3 VEN	(8,400,000)
Tax credit	MECS 3 COS CHIEF VENDER COS SO	(2,382,000)

ii) The deadline for the filing and payment and requirement for certification of the 2020 annual corporate income tax to the Tax Authority.

- The deadline for the filing and payment of the annual corporate income tax to the Tax Authority is 31/03/2021.
- The requirement for certification of the annual corporate income tax, is that all taxpayers with annual turnover of FRW 600,000,000 and above should submit to the tax authority certified financial statements.

iii) Advise on the due dates for the filing and payment for the corporate income tax quarterly prepayment for the year 2021.

- The deadline for the filing and payment of income tax quarterly prepayment is as follows:
- Quarter one of 2021, is filed and paid not later than 30/06/2021.
- Quarter two of 2021, is filed and paid not later than 30/09/2021

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• Quarter three of 2021, is filed and paid not later than 31/12/2021

QUESTION 14

Marking Guide

	Ma
Description	rks
Computation adjusted income chargeable to CIT	MBEH NO
Award 1 mark to the following:	3 1202 A 21
Adjusted trading profit / Loss	40053 C 105
Taxable rental income	OVENNE VIEW
Dividend income	P SEP SUPE
Less tax depreciation	AR CPAPE
Total taxable profits	NOVEM PA
Corporate tax payable	13 2023 1M
Working 1: Computation of adjusted trading profit: Award 1 mark on the following:	7 023 Q 2023
Provision for doubtful debts	NE WELL TO
Finance fees / loan	WHEN THE
Depreciation	R 2023 1 2
Rental income	HOAR HOLD
Investment income	NEWBEN THE
Leagal fee	SEMEN S
Adjusted trade profits	R CPAP 1CP
Working 2: Computation of rental income: Award 1 mark on the following:	NE AR NOVE
Less allowable 10% deemed expenses	1C 2023 10
Interest expenses	0236712
Working 3: Investment income: Award 1 mark on computation of dividend income	NE MOVE TO
(Maximum: 1 mark)	NEER ZOLLER
Working 4: Depreciation allowance: Award 1 mark on well computed depreciation on	R APP 40
building, machinery, computers and Motor vehicle (Maximum: 4 marks)	O AR NOVE
Total Marks	20

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Model Answers

A. Computation of taxable income and tax liability of M & B Ltd for the year ended 31/12/2021

Particulars	Workings	FRW
Adjusted trading profit / Loss	W1	201,600
Other income:	31/CPP133 1/2023 1EME OVE WOODS CO. 2023 500 NE	MINO R NO 23 BER MISER ROVER NO AR NO AR
Taxable rental income	W2	86,800
Dividend income	W3	COS ENERGYENOUS COST 20
Less tax depreciation	W4	44,600
Total taxable profits	WHO WE HOUSE TO SEEK SHOWER HOUSE HE SOSSE	333,000
Corporate tax payable @30%	53 F. NEW OLD OF STORY FOR WAY A PAR 15	99,900

Working 1: Computation of adjusted trading profit / Loss				
Adjusted trade profits	FRW	FRW		
Profit for the period	ET MET RENCEPT OF BEFFER HE VENNE PER CORS	264,500		
Add back disallowable expenses	2012 F. L. WELL WOOD & COME P. SUNBER WELL OF DR. T. C.	23 ENBERENE VENE VENC PAR 3 CO		
Provision for doubtful debts	30,000	COSS CARENTENDE MENTORARY		
Finance fees / loan	40,000	ER NOVAR NO AF 202 ER NEER		
Depreciation	54,000	22023 NOVEW NOW PAR NOVEMBER		
TO THE PROPERTY OF THE PARTY OF	CPA CPREFICIAL CONTROL OF THE VENT	124,000		
Les non-trading income	ARTIC PRICERED TO BETTENDER TO THE EN	MBC FINE BAY COS VENBERVE		
Rental income	104,000	SER ZUNBER INBERAR INCPARACIONES		
Investment income	82,000	CPAR 202 ER LIBER NO PAR 10 PA		
<u>Legal fee</u>	900	JEN NOVE NO 23 TO 2018 FRANCY		
ONE TO BE TO THE WAS TO AS OF AS TO	A CHECK TO ARE CONTROL TO THE WORLD OF THE STATE OF THE S	(186,900)		
Adjusted trading profit / Loss	PART 202 EFF INDER A CORRECT TO THE FORM OF THE COR	201,600		

Working 2: Computation of rental income	FRW
Rental Income	P. CHELLER BEET SO PAR CORRESPONDE TO THE CORRESPONDE OF THE CORRESPONDED TO THE CORRE
Gross revenue	104,000
Less allowable 10% deemed expenses	(10,400)
Less interest expenses	(6,800)
Taxable rental income	86,800

Working 3: Investment income	EMBERNBERRE CPATOR	BERVENIEU EN	55 AP 3 12 12 3 VEN PO 15 PO 12 PO 2023 PO 20 VEN PO 15 PO 203
Investment income	FRW	3 CPARE SUBE	ENGLAS 1055 PHE OF FOR SELECTION OF SELECTIO
Dividends received	M NOVE NO 3 EP NOER 20	82,000	WHT paid at source is the final tax

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Working 4: Depreciation	n allowance				
Assets	Building	Machinery	Computers	Motor vehicle	Total
AND THE HOUSE OF THE WORK WE NOW WE WAS TO SHE WAS TO S	FRW "000"	FRW "000"	FRW "000"	FRW "000"	FRW "000"
Cost of acquisition 31/01/2021	62,000	60,000	32,400	41,200	
Depreciation base	62,000	60,000	32,400	41,200	
Depreciation rate	5%	25%	50%	25%	MONE MOSS
Depreciation 2021	3,100	15,000	16,200	10,300	44,600

QUESTION 15.

Marking guide

i. Computation of of Mugemanshuro Maxime taxable income and tax liability for the year ended 31 December 2020		
Award 1 marks on a correct addback computation of the following:	ICPAR CPREATENED	
Home repair	PRINCE ARICE LERS	
Entertainment expenses	PART NO AT CAS	
Depreciation	23 C 2023 C 202 NEWS	
Income tax prepayments	WOAL COURT TOOS	
School fees	ER ENPOYENCE 1	
Communication	CPAR 20 BER 1 BE	
Award 1 mark on non trading income as follows:	EN NO AF NO 223 ER 28	
Dividend received	NOW THE WORK TOWN	
Interests' income	23 CO BYENER VENING	
Income from farming activities	CPAR CPAR 19 BEH	
Award 1 mark on other income as follows:	JENEE AR NOPARICE	
Income from farming activities	2023 ER 20 ER 1 OPAL	
Dividends received from a local company	18 NOV 3 10 202 18 201	
Interests' income	BUNENOUS POSS	
Allowable depreciation	SIENBERVENDENDENCE	
Bad debts	CPAR CPARER TABLET	
Award 1 mark Computation of tax for the year	A POWER PROPERTY SOL	
Quarterly prepayments	DER ZUVER 10AR	
Less Withholding tax on interest	3 CP 2073 R 2023 EMP	

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Tax to be paid	R 2023 ER TREAK
ii. Award 2 marks on explanation of the thin capitalization rules as it is applied in	3 R NO 2023 10 202
Rwandan taxation act.	2
Total Marks	20

Model answers

i) Computation of Mugemanshuro Maxime taxable income and tax liability for the year ended 31 December 2020.

Items	Workings		FRW	FRW
Profit reported				149,500,000
Add non-allowable deductions				
Home repair		0	17,000,000	
Entertainment expenses			1,800,000	
Depreciation			4,200,000	
Income tax prepayments			7,500,000	
School fees			4,800,000	
Communication	20% *12,000		2,800,000	
				38,100,000
				187,600,000
Less non trading income:				
Dividend received			16,000,000	
Interests' income			6,400,000	
Income from farming activities			23,000,000	
				(45,400,000)
				142,200,000
Add other income:				
Income from farming activities	(23,000,000-		11,000,000	
	12,000,000)			
Dividends received from a local company	Not taxable		0	
Interests' income	6,400,000* 100/95		6,736,842	
				17,736,842
Total income				159,936,842
Less				
Allowable depreciation			5,000,000	
Bad debts			800,000	
				(5,800,000)

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Adjusted taxable income			154,136,842
Computation of tax to be paid			
0 - 360,000	360,000*0%	0	
360,001 - 1,200,000	(1,200-360) *20%	168000	
	(154,136,842-1,200,000) * 30%	45,881,053	
Tax for the year 2020			46,049,053
Less			
Quarterly prepayments			(7,500,000)
Tax liability			38,549,053
Less Withholding tax on interest	6.736.842* 5/100		(336,842)
Tax to be paid			38,212,211

ii) Explanation of the thin capitalization rules as it is applied in Rwandan taxation act.

- The rules disallow a deduction for a portion of finance expenses an entity incurs in relation to its debt finance interest arising from loans between related persons. Article 26, law no 16/2018 explains that:
- Interest arising from loans between related persons either paid or due on a total loan which is greater than four (4) times the amount of equity, is not allowed. This equity should not include provisions or reserves according to the balance sheet, which is drawn up in accordance with the Generally Accepted Accounting Principles.
- The provisions of this Article do not apply to commercial banks, financial institutions and insurance companies.

END OF MARKING GUIDE AND MODEL ANSWERS

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