

# 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
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3 DEFENSER NO PROTECTION SUPERINGENA	CPAS CRIEF LENER LEN CRES C DENER LEN COSTO COMPANY	2
4 2 0 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	BE TO BE WELL THE LINE OF DESCRIPTION OF SPECIAL PROPERTY.	2
5 11 5 1 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1	A	AF NCPAR CONFERENCE VENE VENE PARTS 2
6 Cheer Charles Cheer Ch	C	THE REPORT OF A CONTROL OF THE PROPERTY OF THE
7	C	2 Control of the cont
8 P. T. O. R. T. P. R. S. MEET WELL TO PRINCE POR	By Charles	2
9	A	VENTOVENCE PARTY OF 2
10	D	The transfer of the second sec
Total marks	OF THE HOLD HOUSE BY THE WORK HOLD HE WEEK HEEK TOO	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 B

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%
- D is not correct because capital gain is not charged on the sale of properties used in a business.

#### **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%)	
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.

Description	FRW ''000''
Cost of acquisition 31/12/2020	100,000,000
Accelerated depreciation rate 2020	50%
Accelerated depreciation 2020	50,000,000
Depreciation base	100,000,000
Depreciation rate	5%
Depreciation 2020	5,000,000
Total allowance 2020	55,000,000

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## **QUESTION EIGHT**

#### The correct answer B

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	BEAR SC 23 WEER END VENCENCES VOOS LEND VENCON	25,263,158
Investment expenses	20%*gross income	5,052,632
Net investment income	2012 ER 20 ER NOVAR NEPAR 201 ER NIFER NECAR NECAR CORE	20,210,526

## **QUESTION NINE.**

#### The correct answer is A

Computation of the tax applicable to Muhimpundu Paccy:

Color	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	IENDEAR TOPAS OF THE PERMENTEN OF THE ALSO TOPAS TO THE
Award marks to the following:	MELENER WORK CONSTRUCTION OF THE PROPERTY OF T
Salary	AND CORET WEEK NO AR SPARE SO REPENDED AND THE
Company house	1.5
A company car	1.5
Loan benefit	The state of the s
PAYE computation	A TOPAR CPARE REMISERED OF 3 COM 3 LEMBER VENTO
Pension	EER NO AS OPEN SUBSTILIBER NO AS OF AS OF EER
Maternity leave	ER NOVER TO PARTY TO SEE TO ARE TO PARTY TO
Rama	ON THE WORLD WAS TO SEE YOUNG
Total Marks	TENNOVER COME TO SERVE TO SERVE TO

# **Model Answer**

# Mumararungu Taly, Computation of monthly employment income

Particulars	Workings	FRW	FRW
Basic salary		10,502 14,500, 12 10, 18 12 14,000, 10	2,500,000
Add benefits in kind		ON CONSERVED AVERAGE OF SE	NEW OFFICE STATES OF THE STATE
Company house	20%	500,000	PAR 202 BERMBER W
A company car	10%	250,000	MNOVE NOV3 10 2023 RNOVE NOV3 10 2023
Loan benefit	When the best of the fall of the first of the first of the first of the fall o	3 CPIEER ENERGY ICPART OF	23 VENBENEW VENOVE ICE
Loan received	(3*2,500,000)	7,500,000	NORK OPALER WHELE
Interest benefit	(7,500,000*10%)*1/12	62,500	ER NOVER WORK 202
Total benefit in kind	THE WAS TO SELECT THE THE PARTY OF THE PARTY	SON	812,500
Total taxable income	ON CONTRACTOR OF THE PROPERTY	AN CAN CONTRACTOR	3,312,500
PAYE computation	THE WEST CONTROL TO STATE OF THE CONTROL OF THE CON	MOV 25 CP 2023 202 VEW NOW	A 2023 ER MER 2 NOVE
0-30,000	0%	0	10/EMONE 10,5053 50
30,000-100,000	20%	14,000	CPIER ENEVENDENCE OF OR
>100,000	30%	963,750	PAR CPAR 20 BER NB
NEER NOVER NO AR 2012 ER NOER	CAR CPACE LINE LENGTH OF ACT OF 3 LINE HEND LENGTH OF ACT OF A STATE OF THE WORLD ACT OF ACT	977750	977,750
RSSB contribution	E TOO AF OF PER THE HOER TO PAY OF AFT THE FIRST FAR	3 CPAN ICT BERLENBYENION	23 2023 VENBEVENO
Pension	3%*(2,500,000+500,000+62,500)	91,875	BEAR NOPALICPIER

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Maternity leave	0.3%*(2,500,000+500,000+62,50 0)	9,188	NEFR 2023 2024 NEFR 2023 PAC
RAMA	7.5%*2,500,000	187,500	ER ZENBELENBURA

# **QUESTION 12.**

EMI	Marking Guide	D23 1CP 2023 VENBY
BER	Description	Marks
JVEN OPAP	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	31 R NOV 310 20
1023 1023	Annual sales	NOVE TOVE
3 ICP	corporate tax	SIENBE JENB
SEI	Award 1.5 mark on the explanation	1.5
3	Award 1 mark on the following: Maximum 2.5 marks	EX MOVER TOPP
PAR	Annual sales	BER 2 OVE
IR N	corporate tax	3 CY 202 2 202
101°	Award 1.5 mark on the explanation	1.5
4	Award 1 mark on the following: Maximum 2.5 marks	CHELLING AL
EMB	Annual sales	PAR NPATROOM
23 L	corporate tax	WOYEN TOWN
140	Award 1.5 mark on the explanation	1.5
10AE	Total Marks	10

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# **Model Answers**

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

SEH MBE LA	EURO Supply Ltd	3 EP 200 ER 200 VER WOAR 10 AF 10 202
SOSSEE THE	Annual sales	27,000,000
NR NO 23 P	Expenses	10,000,000
S MONE MO	Profit before tax	17,000,000
3 ICHBENOV	corporate tax@ 30%	5,100,000
AR NOPAR	Should be taxed in real regime, because turnover > 20,000,000	EL 510 / VE 10
2	Boningo Ltd	ENICARIACIÓNE NO AR MARIACOLOR DO
WO'S ICPA	Annual sales	5,000,000
S SOUBER	corporate tax	120,000
CPAR 2012 CNBERVENT ENROVENT EAR CPAR N	Should be taxed in flat regime, because turnover is between 2,000,000 and 12,000,000	
3	Bon Appetit Ltd	223 SOS SENBELLENE MONSON CON
CPAR ICP	Annual sales	11,000,000
JENBER R	corporate tax	ER 201ER NOVER NO AR 12 PER ENT
DE PROPERTOR	Should be taxed in flat regime, because the turnover is between 2,000,000 and 12,000,000. However, the income of 12,000,000 and below from farming activities is exempted from income tax	
4	Mwungeri Vivix	A CPAR REVENEET NEVAR TO CPAR 3 CHARLES AND LENGTH TO CPAR CPAR TO PAR TO LENGTH TO THE
RHOPART	Annual sales	19,000,000
BER 2010	corporate tax @3%	570,000
CP2023 P	Should be taxed in lump sum regime, because the turnover is between 12,000,000 and 20,000,000	ANCOPAL COLOR MENTER POR PROPERTIES POR POR POR PROPERTIES POR PORTIES POR PORTIES POR PORTIES POR PORTIES POR POR PORTIES POR PORTIES POR PO

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# **SECTION C**

# **QUESTION 13**

# **Marking Guide**

	Mark
Description	S
i. Computation adjusted profit and income	8 AR HUPAT (C)
Loss before tax	EP MEER NO PA
Prepaid salaries	20 BER MBER 1
Bank interests	R 1023 ER 1
Depreciation	BUNEWING TO
Office furniture	NEELVENTY
Communication	CFATACPATE TEL
Mineral tax	A WOYAR CI
Quarterly prepayment	20 ER ZOOVE AR
Dividend received from a local company	2
Allowed Depreciation expense	10 VEN CP 1023 1 2
Adjusted taxable profit	NEWENCH OF
Tax liability @ 30%	PAR SOUBER
Less quarterly prepayments	AR OPAR 120 G
Tax credit	M SEW MON IN
	3 1 2023 EMPON
The deadline for the filing and payment.	Ph 1023 1/1
The requirement for certification of the 2020 annual corporate income tax to the Tax	E CPAR TO
Authority	NEER WERER NO
	A P 2023 EP 202
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	200 ENTROVER NO 2023 TO 202 ET ROVE NO PAR COP	(8,220,000)
Add backs disallowable expenses	75.31 05.3 FMP ONE MON. 3 CC 505.5 50. NEW	NOW ROOM BER WEER WORK
Prepaid salaries	3,500,000	VENE OVER NOV 3 10 2022 R 20
Bank interests	1,600,000	2023 LEWIS VEW OVE 1CH 2023
Depreciation	780,000	AR I CPAS COREEN ENDOYENCE
Office furniture	37,000,000	MEER NO PAR ICPARE VENER
Communication	1,600,000	3ER 20EER NO PAR 10PAR 20
Mineral tax	Allowed	2023 ER 2012 ER 200 VER NO PAR
Quarterly prepayment	8,400,000	WEINOUE CENTRAL POR VENTA
Total additions	PART CPARTICPHER ZOBER MINERARY CP 3 C	52,880,000
Adjusted profit	2 20 E R NOVAR TOPART 2 OF ELMER AND PAR TO	44,660,000
Less non-taxable income	Pack Office Sprong Month Month Mark The Mark	CPAR CPAR 200BER MERCAP
Dividend received from a local company	ANOS ESTRES HOUSE PAR 2013 1 201	(12,000,000)
Less allowable expenses	ETIEN OVER CPARTS CO23 TEMPENTER NO 13 C	2023 SOLVENIOVE NO SOL
Capital allowance	CPARE VENIENCENE CPARE CPARE CONTROL	(7,200,000)
Adjusted taxable profit	PAR CATE SOMETIME AR MORA OF THE WE	25,460,000
Tax liability @ 30%	2000 R OPAR WOODER WEEK NOVAR OPAR	7,638,000
Less quarterly prepayments	25 P. 20 P. P. P. P. P. S.	(8,400,000)
Tax credit	055 8 50 0 F WO WE WORK 50 5 8 5 8 12 WO	(762,000)

# 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**

Description	Marks
Computation adjusted income chargeable to CIT	ME AR NOVER NOAR
Award marks to the following:	23 1C 2023 R 20 VEN NO
Trading profit / Loss	1.5
Add back non allowable expenses	ONE WOASICE OF ST. 104
Provision for doubtful debts	2
Finance fees / loan	1.5
Accounting Depreciation	NO AR NOVE NO 202 1
Legal fee	13 COSS EMBOVE TO
Less non trading income	CPASS 2023 VENBERGE
Rental income (Allowed)	2
Investment income (Local dividends)	2
Tax depreciation	2
Corporate tax payable	NO 18 NO 12 10 20 3
Working 4: Depreciation allowance: Award 1 mark on well computed depreciation, 0.5 on each correct depreciation basis 0.5 on each correct tax rate (Maximum: 6 marks)	6
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

Computation of adjusted trading profit / Lo	OSS	RENBERR NO PAR ICPAER ENERGYE
Adjusted trade profits	FRW(000)	FRW(000)
Profit for the period	31054 10, 12 AFMONE 16, 105 3 505 1 FINE 10, 10	264,500
Add back disallowable expenses	EL NOVELLO	SER EMBLEMORY CONSTRUCTOR
Provision for doubtful debts	30,000	CAR 20 MER MBER AR NOPARIO
Finance fees / loan	40,000	VENNOVE NO 23 TO 20 ER 20 OVE
Depreciation	54,000	2023 VEMBE VEMOVE 107023 2023 R 20
Legal fee	900	RINGPAN CRIEF VENERIENDO PAR
THE THE CONTROL OF THE PROPERTY OF THE PROPERT	HOVE HOUSE SOLS SOLVEN HOVE WOUSE BY	124,900
Les non-trading income	CHEER FINE STOPPES COSSIENE NO ENDONE	Chara San San Man War Was San
Rental income	Allowed	OVENICPART CO23 VENET VENTO
Investment income (Local dividend)	82,000	ONE TENBER NO PAR CPARE
Tax depreciation	44,600	AR 2023 ER MEER WORK CPAR
No 100 to 100 to 100 lb	PAR COM STREET WENT VENICOPAL SONS IN	-126,600
Adjusted trading profit / Loss	EF WELL WORK CRASH SUBERINBER WORK	262,800
Corporate tax @30%	002 F 2023 102 NEW MORE WOOD SEE NEED WATER	78,840

**N.B.** Article 51 of the law no 016/2018 states that income from the rent of movable and immovable assets incorporated as assets of entities which are subject to corporate income tax is consolidated in the total taxable income.

Working 1: Investment income					
Investment income	FRW	AR ICPAICH	CALING A COST OF STATE OF THE PORT OF THE STATE OF THE ST		
Dividends received	PAR NO AR 202 ER	82,000	WHT paid at source is the final tax		

Working 2: Depreciation allowance					
Assets	Building	Machinery	Computers	Motor vehicle	Total
	FRW FRW FRW FRW FRW "000"		FRW "000"	FRW "000"	
Cost of acquisition 31/01/2021	62,000	60,000	32,400	41,200	01° a W .03
Depreciation base	62,000	60,000	32,400	41,200	
Depreciation rate	5%	25%	50%	25%	CPAR 2018E
Depreciation 2021	3,100	15,000	16,200	10,300	44,600

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# **QUESTION 15.**

# Marking guide

i. Computation of of Mugemanshuro Maxime taxable income and tax	3 CPIER ENER
liability for the year ended 31 December 2020	Marks
Award 1 marks on a correct addback computation of the following:	A NOTE OF
Home repair	SELS MADE
Entertainment expenses	13 CP 2023 12023
Depreciation	NOVENNE TEST
Income tax prepayments	PENBER 1 PE
School fees	PER 201 LER
Communication	AN HOAR I 2022
Award 1 mark on non-trading income as follows:	NOVEMBONE N
Dividend received	3 2023 VENE
Interests' income	5 123 12 13 1C
Income from farming activities	PART CPA
Award 1 mark on other income as follows:	OF BER 20BER A
Income from farming activities	R 2023 10 202
Dividends received from a local company	HOVE NOT 3 10
Interests' income	Wheel A Hou
Allowable depreciation	28 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Bad debts	RICPAR BRAN
Award 1 mark Computation of tax for the year	REAL TOLK
Quarterly prepayments	2025 Thou
Less Withholding tax on interest	0 23 67 13 67
Tax to be paid	IF NOVE LEAD
ii. Award 2 marks on explanation of the thin capitalization rules as it is applied in	ISER 20 BER
Rwandan taxation act.	2
Total Marks	20

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# **Model answers**

# $i) \quad \mbox{Computation of Mugemanshuro Maxime taxable income and tax liability for the year ended 31 December 2020.}$

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% *14,000	2,800,000	
			38,100,000
			187,600,000
Less non trading income:			
Dividend received		Taxable	
Interests' income		6,400,000	
Income from farming activities		23,000,000	
			(29,400,000)
			158,200,000
Add other income:			
Income from farming activities	(23,000,000-	11,000,000	
	12,000,000)		
Interests' income	6,400,000* 100/95	6,736,842	
			17,736,842
Total income			175,936,842
Less			
Allowable depreciation		5,000,000	
Bad debts(Allowed)		800,000	
			(5,800,000)
Adjusted taxable income			170,136,842
Computation of tax to be paid			
0 - 360,000	360,000*0%	0	
360,001 - 1,200,000	(1,200-360) *20%	168,000	
	(170,136,842-1,200,000) * 30%	50,681,053	
Tax for the year 2020			50,849,053

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Less		
Quarterly prepayments		(7,500,000)
Less Withholding tax on interest	6,736,842* 5/100	(336,842)
Less Withholding tax on dividend	16,000,000*15/100	(2,400,000)
Tax to be paid		40,612,211

N.B. Dividend received from local is taxable because it was not between 2 companies, the amount was recorded gross under profit or loss account.

- 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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