

CERTIFIED PUBLIC ACCOUNTANT ADVANCED LEVEL 2 EXAMINATIONS <u>A2.3 ADVANCED TAXATION</u> DATE: MONDAY 27, NOVEMBER 2023 MARKING GUIDE AND MODEL ANSWERS

SECTION A

QUESTION ONE Marking Guide

a		Marks
	Profit before tax	0.5
	Exchange loss	0.5
	Dividends	0.5
	Fines and penalties	0.5
	Donation (W2)	0.5
	Tax expense	0.5
	Travel expenses	0.5
	Salaries and wages	0.5
	Management fees	0.5
	Communication expense	0.5
	Right of Use Asset	1.5
	Depreciation and Amortization	0.5
	Provision for non-performing loans	
	Less non-taxable income	
	Less: Allowable expenses (Rent)	2223 ENEROVE "0013 CO 222 220 EN 1001 201 201 201 201 201 201 201 201 20
	Less non-trading income	
	Dividend from Zambia	0.5
	Interest from Government security	0.5
	Add back Allowable incomes	
	Dividend from Zambia	0.5
	Interest from Government security	0.5
	Capital Allowance	6
	Taxable profit	
	Tax Liability (@ 20%)	
	WHT paid in customs	222 E 2023 EMPONE 2023 E 202 E 200 E 10 P
	Quarterly prepayments	NEW CPACE CO 23 LEVER OVER OVER CO 23 202 1
	Foreign tax credit (on foreign dividends)	2018 1 EN 86 A 20 023 EN OVENEVENEVEN CPA 2023
	W1 Total Turnover calculation	A CHEER WERE COPAR COPAR COMBER CONSECUTION 1
	W2 Donation	NOVE NO BE WEEK OVER OVER OVER WEEK WEEK
	W3 Management fees	NEWE CHEW ONE CO 2023 2020 EW NOVE NOVE 2022
	TOTAL	25

b. Advise on the CIT declaration deadline (1 Mark), computation of the IQP (1mark), advise on when to declare the IQPs (3Marks) Max 5 Marks 5

4

c. 1 Mark for each valid point (max 4 Marks)

d. 2 Marks for discussion of the certification process and 2 marks for computation of fines to pay (max 4 Marks) 4

e. 1 Mark for each valid point (Max 2 Marks) Total

N

Model Answers		
a. Tax computation	EDW 40009	EDW/ (4000)
Profit before tax	FRW "000"	FRW "000" 4,049,650
Add back non-allowable expenses		
Exchange loss (allowed)	BERNBERR WORK NORE 2022 ER	
Dividends	980,000	
Fines and penalties	2,500	
Donation (W2)	138,344	
Tax expense	50	
Travel expenses	2,000	
Salaries and wages	25,000	
Management fees (W3)	147,589	
Communication expense	300	
Right of Use Asset	30,000	
Depreciation and Amortization	3,985,560	
Provision for non-performing loans	2016 100 - 102 023 206 16 1 100 16	
		5,311,34
Less non-taxable income		NBE VENU VEN 0213 2023
Dividend from local company (20%*160,000)	(32,000)	
MB & M (1) (1) (1) (1) (1) (1) (1) (1) (1) (1)	12 R 20 VET NO R TO 202 R 20 ER R	(32,000)
Less Allowable expenses		R 2 NOVER NORR 2012 FR
Rent expense per contract	(24,000)	
NE OF OF 0 25 20 FOR OF 20 22 20 70 00 10 10 10 10 10 10 10 10 10 10 10 10	1ENBOYENBORAR CPAN COMENTENDO	(24,000)
Less non-trading income		NBE'ENBEAR' OPE 10 BET
Dividend from Zambia (80% *160,000)	(128,000)	
Interest from Government security	(50,000)	
- 22 10 FC 10 10 12 10 20 FC 10 10 FC 1	107,3 UNE NEWEWOVE 0923 2023	(178,000)
Add back Allowable incomes		
Dividend from Zambia (128,000 +50)	128,050	
Interest from Government security (50,000 x100/85)	58,824	
		186,874
Less Capital Allowances:		
Tax depreciation (W5)		(294,250)
Starting and a start way a		BER CMBLIEMBOAR CO23

Taxable profit 9,019,617 **Taxable profit rounded** 9,020,000 Tax Liability (@ 20% 1,804,000 Less WHT paid in customs 12,245 Quarterly prepayments 28,800 Foreign tax credit (on foreign dividends) 50

5,311,343

Tax payable

Workings

W1 Total Turnover calculation	FRW "000"	
Interest income	40,215,560	
Other banking activities (Note 3)	950,000	
Total Turnover	41,165,560	
W2 Donation	FRW "000"	
Amount donated	550,000	
Donation allowed (1% of the turnover)	411,656	
Not allowed	138,344	
W3 management fees	FRW "000"	
Amount paid	970,900	
Amount Allowed (2% of the turnover)	823,311	
Not allowed	147,589	
W4 communication	FRW "000"	
Total communication	15,000	
10%	1,500	
Not allowed (20%)	300	

W5. Capital allowance

in FRW

Details	Building	Motor vehicle	Computer	Total
Opening Balance	320,000,000	85,000,000	210,000,000	OPAR JOPAS LONBE VEN
Additions	140,000,000	120,000,000	EL 20 ER NO PAR INPAR 20	SETTINGPAR NOPATIOPHEE
Accelerated depreciation	70,000,000	60,000,000	2 Part Repair a North North	130,000,000
Depreciation basis	460,000,000	145,000,000	210,000,000	NR NO 2023 FER 2015 R 20 OVE
Tax Depreciation Rate	5%	25%	50%	MP 101 HOV23 10 2023 20
Wear and Tear	23,000,000	36,250,000	105,000,000	164,250,000
Capital allowance	2023 VENNOVEN 4013 10 2020	20 NEW NORR 2023 ENBERGY	CPAR CPAR 20 BEF ENBER	294,250,000

Comment on the Thin Capitalization: Provision and thin capitalization do not apply to commercial banks, financial institutions, and insurance companies. Hence, nothing to be added back.

b. The bank should declare the CIT for the year ended October 31 2022 not later than 31^{st} January 2023. Quarterly prepayments to be paid in the following year must be paid on 30^{th} April 2023 (first quarter), 31^{st} July 2023 (second quarter) and 31^{st} October 2023 (3^{rd} quarter). Amount to pay is 25% of the tax for the year ended October 31 2022 (1,804,000,000: 4 = 451,000,000).

c. Article 8 of the Law N° 016/2018 of 13/04/2018 establishing taxes on income provides that 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. Where a taxpayer's tax period changes, the period from the start of the usual tax period to the date of such a change is considered as a usual tax period and is separately subject to taxation.

d. The Ministerial Order N°004/19/10/TC OF 29/04/2019 determining the annual turnover required for certification of financial statements says that Any taxpayer with an annual turnover of or above six hundred million (600,000,000) Rwandan Francs is obliged to have his or her financial statements certified by a qualified professional approved by the tax administration. However, a taxpayer operating as a distributor of beer, lemonades, soda, juice, cement, petrol and petroleum products dealer and owner of a forex bureau and an audit firm are not bound by this obligation except in case they cumulate activities.

Article 77 of the tax procedures law says that the fine amounting five hundred thousand Rwandan francs (FRW 500,000) is applicable if the taxpayer fails to submit his or her certified annual tax declarations and financial statements as required by law; the fine is paid every month until he or she submits them. In our case, the fine will be FRW 500,000 times 13 months (500,000 x 13 = FRW 6,500,000).

e. Article 53 of the Law N° 016/2018 of 13/04/2018 establishing taxes on income provides that companies are subject to restructuring as follows: 1° a merger of two or more resident companies into a separate company; 2° the acquisition or a takeover of fifty percent (50%) or more of shares or voting rights, by number or value in a resident company in exchange for shares of the purchasing company; 3° the acquisition of fifty percent (50%) or more of the assets and liabilities of a resident company by another resident company solely in exchange of shares in the purchasing company; 4° the acquisition of the entire company's assets so that its existence is replaced by the purchasing company; 5° splitting of a resident company into two or more resident companies.

QUESTION TWO

Marking Guide

a. Rwanda's treaty network	Marks	Total Marks
Award 1 Mark on each taxable income. Max 4 Marks	4	
	Sub-total	10°2023 2023 EMPLOYE 4,23
b. Double taxation relief computation		
Taxable employment income (6,500,000+2,500,000)	SER WEEKS WORK OF 1	
Consultancy fee (12,750,000*100/85)	2023 6 2023 202 (EM, O	
Rwandan income		
Foreign income (income from CAR) (24,500,000+4,500,000)	NBER 2 MBELEMBER OPAR	
Total taxable income		
Gross tax liability		
0-360,000@0%	0.5	
360,001-1,200,000@20%	0.5	
Above 1,200,000@30%	0.5	
Tax liability on Rwandan income (23,000,000)		
0-360,000@0%	0.5	
360,001-1,200,000@20%	0.5	
Above 1,200,000@30%	0.5	
Tax liability on foreign income		
Gross tax Liability	0.5	
Tax liability on Rwandan income	0.5	
DTR (Double Taxation Relief):		
Lower of:		
Tax on foreign income		
Actual tax paid		
Thus, Double Taxation Relief	NONE NO 2023 EP 202EP 20	
Tax Liability		
Gross Tax liability	0.5	
Less:		
Double Taxation Relief	0.5	
Withholding tax on consultant services (15% of 15,000,000)	0.5	
PAYE	0.5	
	Sub-total	10
c. The band of Common External Tariff rate and type of		
goods applicable for each rate		
1 mark for stating CET rate and 0.5 marks for each type of	6	
goods	212223 EMBEVIEW OVE O	
	Sub-total	6
Total Marks		20

Model Answers

Country	Dividends	Interests	Royalties	Technical, Management and professional fees
Morocco	8%	10%	10%	10%
Turkey	10%	10%	10%	10%
UAE	7.50%	10%	10%	10%

a) Rwanda's treaty network has expanded as follows:

b) The double taxation relief is computed as follows:

Taxable employment income (6,500,000+2,500,000)	9 000 000
Consultancy fee (12,750,000*100/85)	15 000 000
Rwandan income	24 000 000
Foreign income (income from CAR)	
(24,500,000+4,500,000)	29 000 000
Total taxable income	53 000 000
Gross tax liability	
0-360,000@0%	R OPAR OPAR 202 ER INBER NO PAR OPAR
360,001-1,200,000@20%	168 000
Above 1,200,000@30%	<u> </u>
	15 876 000
Tax liability on Rwandan income (24,000,000)	
0-360,000@0%	AR NO 2023 F 200 FR 200 V R NO AR 200 FR 200
360,001-1,200,000@20%	168,000
Above 1,200,000@30%	6 840 000
	7,008,000
Tax liability on foreign income (29,000,000)	
0-360,000@0%	2 ^{MD} 2 ^{MD} 2 ^D 2 ^D 2 ^D 2 ^{MD} 1 ^M
360,001-1,200,000@20%	168,000
Above 1,200,000@30%	8,340,000
	8,508,000
Lower of:	NAPOVENIOVE (CP 23 2020) EN NOVE NOV2 NOVE NOV2 2023 2020 EN NOVE NOV2
Tax on foreign income	8,508,000
Actual tax paid	4 500 000
Thus, Double Taxation Relief	4 500 000
Tax Liability	
Gross Tax liability	15 876 000
Less:	
Double Taxation Relief	(4,500,000)
Withholding tax on consultant services (15% of 15,000,000)	(2,250,000)
PAYE	(2,500,000)
Net Tax Liability	6 626 000

CET Rate	Type of goods applicable
0%	Capital goods and raw materials
10%	Intermediate goods
25%	Finished goods
Varying Rate	Sensitive Goods

c) The band of Common External Tariff rate and type of goods applicable for each rate are:

QUESTION THREE

Marking	Guide

		Marks
a.	02 Marks for valid definition of Quitus Fiscal	2.0
	02 Marks for valid definition of Quitus Tax Clearance Certificate	2.0
	01 Mark for proper distinction in cost for each	1.0
	Sub-total for this section	5.0
b.	01 Mark for each well explained point, maximum 05 marks	5.0
C		
Stock of	of construction material	0.5
Office	Partition with Gypsum wall	0.5
Vans f	or delivering products, purchased with personal cash	0.5
Money	owing from two corporate clients	0.5
Family	residence at Kinyinya	0.5
Cash a	t Bank	0.5
Cash a	toffice	0.5
A. Tot	al Assets	
Liabili	ties	
Total n	noney owing to paint suppliers	0.5
Total n	noney owing to Tiles suppliers	0.5
Busine	ss Working capital Loan with Bank of Kigali	0.5
Person	al Loan from a friend	0.5
Mortga	ge taken for Home construction	0.5
B. Tot	al Liabilities	
Net As	sets (A-B)	
Net Inc	crease / (Decrease) in Net Assets	0.5
Add:		
Cash p	rize from Lottery	0.5
Less:		
Inherit	ance	1.0
Maxim	um Interest on Loan	1.0
Taxabl	e Income	1.0
	Sub-total for this section	10.0
202 VEMBER	Total Marks for Question Three	20.0

Model Answers

a.

Quitus Fiscal: Is a privileged status, available upon request to taxpayers who have a good compliance record with RRA, Quitus Fiscal certificate is proof of this status. Taxpayers with Quitus Fiscal certificates are not required to pay WHT 5%, or have WHT 3% withheld and paid on their behalf, depending upon the type of Quitus Fiscal certificate. The cost for application of Quitus Fiscal is FRW 10,000

Tax Clearance Certificates are available, upon the request, to prove that taxpayers have no unpaid arrears with RRA. This may be needed in order to bid for public tenders, apply for bank loans or a range of other reasons. The cost of applying for TCCs is FRW 5,000.

b. MEMO TO ENGAGEMENT MANAGER

Topic: Determination of taxable income through back-duty cases.

Background: When taxpayers have basic Accounting and financial data, backed by supporting documentation and explanations, we can reasonably determine taxable income by using the approach in the following paragraphs.

Steps to Determination of Taxable Income:

- Add all assets of taxpayer both tangible and intangible for a given period.
- Deduct all liabilities both personal and business used to finance the assets. Net result will be Net Assets for the period.
- Calculate the growth or loss in Net assets for each period by taking the Net Assets of the period and comparing it with the Net Assets of the previous period. This represents additional assets that the taxpayer acquired or disposed in the time.
- Deduct any non-taxable income that was used to finance the above growth in Net assets e.g. income or assets from a legacy or inheritances, capital gains, gifts, money from friends and relatives. If looking for only the undeclared business profits taxable, then deduct any non-trading business income from growth in Net Assets. The net figure would represent Net Business savings.
- Add to the balance for living expenses such as water & electricity, income tax paid, interest on loans, premium on various types of insurance, rents and rates as supported by bills or invoices. Add also personal expenses such as food, services, clothing, toiletries, medical expenses, house servant, holidays, amusements, private motor vehicle running and maintenance costs, donations and any cash stolen from house or shop etc.
- If capital assets are sold at a loss, add the loss. If sold at a profit, deduct the profit. Deduct any income declared during the year balance is undeclared income.

The increase in capital is adjusted for the following items

- **Deduct** Legacies, gifts not taxable, income already taxed at source and not subject to further taxation, relief and allowances, windfall gains, inherited wealth/property, life policies matured/surrendered.

- Add Taxes paid, gifts or donations made, non-allowable losses e.g. loss on sale of investments/assets, personal expenditures, unexplained payments.
- c.

Assets	01.Jan.21 FRW '000	31.Dec.22 FRW '000	31.Dec.23 FRW '000
Stock of construction material	80,000	88,000	92,400
Office Partition with Gyspsum wall	35,000	36,750	36,750
Vans for delivering products, purchased with personal cash	20,000	25,000	25,000
Money owing from two corporate clients	16,500	18,150	19,058
Family residence at Kinyinya	35,000	50,000	50,000
Cash at Bank	8,000	9,500	13,800
Cash at office	500	200	150
A. Total Assets	195,000	227,600	237,158
Liabilities			
Total money owing to paint suppliers	8,500	9,350	9,818
Total money owing to tiles suppliers	7,500	8,250	8,663
Business Working capital Loan with Bank of Kigali	28,000	30,800	AF N2023ER 20BER NOP
Personal Loan from a friend	3102023 2023 10 MBE	8,000	8,000
Mortgage taken for home construction	BET NBEAR TOPAL OF	40,000	40,000
B. Total Liabilities	44,000	96,400	66,480
Net Assets (A-B)	151,000	131,200	170,678
Net Increase / (Decrease) in Net Assets	23 VENBER ENEMBVEND	(19,800)	39,478
Add:			
Cash prize from Lottery		40,000	P 2018ELEMENDER OPAR OPAR
Less:			
Inheritance			(6,000)
Maximum Interest on Loan	MBLIENBOAR 00231 NOVENER2023 0231 2023 8 2023 8 200	(4,800)	(4,800)
Taxable Income	ENEMPORTOPATION 1000000000000000000000000000000000000	15,400	28,678

Oscar Ndahiro Computation of Taxable income

QUESTION FOUR Marking Guide

Details	Marks
Basic salary	0.5
Leave pay	0.5
Bonus	0.5
Overtime	0.5
Other allowances	0.5
House boy	0.5
School fees	0.5
Car benefit	32 10 20 10 10 10 10 10 10 10 20 20 20 20 20 20 20 20 20 20 20 20 20
House benefit	$\sum_{i=1}^{n} \sum_{j=1}^{n} \sum_{i=1}^{n} \sum_{i=1}^{n} \sum_{i=1}^{n} \sum_{i=1}^{n} \sum_{i$
Income from tuitions	Net Marks Crass Crass Public Model
Consultancy income	STORES TO AND
Rental Income	3
Agriculture income	CONFECTENDOUS CONTRACTOR
Reimbursement	0.5
PIT computation	1.5
Quarterly prepayments	0.5
WHT on public tenders	1022013 2020 KEM NOVE NOV
PAYE on tuition income	21 EN 07 A 22 2023 UEN BEN EN 012 02 202
PIT due	NEW OVEN OPACE COPE CHECKEN OVEN
1 Mark for a Correct definition max 3 Marks	3
Total	20

QUESTION FOUR

Model Answer

a) PIT Computation

Details	Monthly	Workings	Amount
Basic salary	850,000	850,000 * 12	10,200,000
Leave pay	1,200,000	1,200,000 * 12	14,400,000
Bonus	223 WHEEP EMPONENCEP 023 1002	15418601614016 1022 12 12 12 12 12 10 10 10 10 10 10 10 10 10 10 10 10 10	4,000,000
Overtime	370,000	370,000 * 12	4,440,000
Other allowances	400,000	400,000 * 12	4,800,000
Total allowance	EP 20 EP 2 NOVER NO AF 1202 BER	IBER ROCAR CRAT 2018EF MBE AND RAT	37,840,000
House boy	40,000	40,000 * 12	480,000
School fees	700,000	700,000 * 12	8,400,000
Car benefit	BER IN REVENOPARS CO23 ENBE	10% of 37,840,000	3,784,000
House benefit	300,000	300,000 * 12	3,600,000
Reimbursement	OVER OPAR 2022 ER WEER NO	2 OF ALE 2018EF WEEK OF AR 10 OF AL OV BER EMBE	EMORAN 2023 LONG VENNOVEN
Total employment Income	2202 1EM 100 R NO 23 6 202 8 1 20	OPAR OPAR 2016 ENDER COPAR OPAR	54,104,000
Income from tuitions	2013 12 2013 VENDOVE NOV 2013 10 202	3,000,000*100/70	4,285,714
Consultancy income	MCPP 23 2023 VEMBER VEMOVE C	15,000,000 * 100/97	15,463,918
Rental Income	BET BEAR OPA OTALIONAL NON	W1	14,000,000
Agriculture income	P 2012 ER ENBERG VORT OPAR 22	IBER INDER STOPPED CONSERVENDOUS CONSERVED	2023 VEW POVEW POVEM 023 CP 2023
Total income	PAR 2013 ER 2015 R. NOPAR CPAR	P 2012 P 2012 PAR NO PAR CPARE PENDER OVENDER	87,853,632
Taxable income	1 NO 12 NOV2 10 2023 202 100 MEN	ONE ADDREES WEEK ANOUNE WEAK 200 EF	87,854,000

Tax Bands	Tax Rate	Amount	3 12 202 ER 20 OVER NO AR
0 - 360,000		2023 R 2023 EMBOVEN	0
360,001 - 1,200,000	20%	CMP PAR CPP3 OF BURNE	168,000
1,200,001 - 87,854,000	30%	MBER MBERR MCPARIC	25,996,200
Total	1 10 1 10 12 2 2 20 1 1 1 1 10 1 1 10 1 2 2 2 2	R 2020 ER WEER NO	26,164,200
Quarterly prepayments		PAR NO 3 H 202 R 2	3,500,000
WHT on public tenders	(15,463,918 *3/100)	ENDOVENOVE 10,202	463,918
PAYE on tuition income	4,285,714 *30/100	OC3 VENBER VENE VEN	1,285,714
PIT due	2 O PAR SPACE NEED REPART OF SCREET CHARTEN CR	CPA CPASICPARENTEMPS	20,914,568

Workings:

W1: Rental Income

Gross Income	5,000,000 * 12	60,000,000
Allowable expense	65,000,000*10%	6,000,000
Depreciation	25% of 100,000,000	25,000,000
Interest expense	100,000,000*15%	15,000,000
Taxable income from the rent of machinery	52 ENPOLE NO CONTRACTOR CONT	14,000,000

- b) The law N° 016/2018 of 13/04/2018 establishing taxes on income has the following definitions:
- **Employee:** any person who undertakes to work for another person for payment, under the supervision and in accordance with directives of his/her employer in relation with his/her work.
- **First employer:** is defined by the income tax law as an employer who pays to an employee an annual professional income arising from a permanent work or from a longer contract than other employers may offer.
- Liberal professional: is a professional who exercises any duties on the basis of special skills, in an independent manner, in offering services to the clients.

QUESTION FIVE Marking Guide

	Marks
Cooking oil	0.5
Sugar	NEW CPALS C 2023 LEWED VEW ON 1
Exports	0.5
Transport	0.5
Soap	NOAR 2023EF 20BER 2 NOPAR 1
Desktops	0.5
Mineral supplements for animal feeding	2023 VENBENEN OVEN OPP 2023 P 213
Disposal of a commercial house	0.5
Beans	MEER NO PAR CRAFT COMERCIENT
Disposal of a residential house	0.5
Marketing	0.5
Security services	0.5
Electricity	0.5
Laptops and tablets	0.5
Generators	0.5
Legal service	0.5
Accounting services	0.5
Tax advisory services	0.5
Telephone expense	0.5
Technical services	2013ER MEER NORME CRAFT
Management service	0.5
Software	0.5
Purchase of Land	0.5
Returned (cooking oil)	0.5
Returned (soap)	0.5
VAT Payable	CP 2023 2023 LEME OVE NOV 3 LE 102
Interpretation of the tax consultant's view	01/23 102 2023 12023 121/25 101/25 100 1 100 1 100 1 100 1 100 1 100 1 100 1 100 1 100 1 100 1 100 1 100 1 100 1
Interpretation of the CFO's view	ENREVENED RECORDS CONBERVEL
Computation of penalties as per the tax consultant's view	AR TOPSET WEEKS NO AR CPAT
Computation of penalties as per the CFO's view	NONE POSSER MEER NOVES T
Total	20

Model Answers

Details	Sales FRW "000"	Purchases FRW "000"	Input VAT@18%- FRW "000"	Out VAT@18%- FRW "000"
Cooking oil	370 000	2023 EP 2022 2012 VEN	NOR ROLLER 202 RANGER 100	66 600
Sugar	136 000	30 000	5 400	24 480
Exports	86 000	MBEN EMB VENCPATS	2023 JEMBE VE NOVE 1013 10	23 202 VEW NOVE NO 33
Transport	11 000	23 COMBER ENBENENIENDER	23,2023 VEMBE VEMV0123	2023 P2023 WEMPOVER
Soap	18 000	20 000	3 600	3 240
Desktops	30 000	AR NOVAR CPAR 200	EPENBER NOPAN OPPER	EMELYENDEAR 10023 101
Mineral supplements for animal feeding	14 500	10 000	202 EFEMBER NOPAR S	SELEMBERNBERGERGOPA
Disposal of a commercial house	40 000	23 67 2023 2010 VENINC 23 68 2019 ER 2 NOVENINC	NP NO 2013EP 201EP 2 NOV	7 200
Beans	75 000	40 000	2 Nove NO 2023 EP 2020 201	PAR NOAR 2023ER 2015
Disposal of a residential house	100 000	OVENIOVENICPPS 10.	OVENNE VENOVE COLORS	2012 IEN NOVE NOV2 E
Marketing	201 BEH MBELAR NO PAR	5 800	1 044	023 R 2020 VEMP NOVE NO
Security services	APP 2020 EP INBER NO	2 200	396	1082023 2023 EMBLYEN
Electricity	A NOR NO 23 P 2010 ER	7 300	1 314	OVENOPAR OF 2023 VENBER
Laptops and tablets	OVERNOVERNOVERNOVER	27 800	BEFEMBER AR LOPARION	12 MBEFEMBERAR HOPPING
Generators	2 2020 VENDOUR NOVE	35 000	6 300	PAR 2020ER MBER NOP
Legal service	2023 2023 VENDOVEN	3 500	630	R NOAR 12022 ER 2018 EN BEAT
Accounting services	NOPAR 10101 101181	1 500	270	WENNO RACIOS ROLL
Tax advisory services	BETENBERG COPASION	2 4 5 0	441	P 2023 EMP NO 10 NO 13 10 P 2023 EMP NO 10 NO 13 10
Telephone expense	P 2018ER INBER NOPA	5 560	600	2013 R 2013 LEMBOUE 10
Technical services	PAR A 2023 FR 20 BER N	15 000	2 700	2 700
Management service	AR BOAR ADDING PROVIDER WEE	12 000	0	2 160
Software	DUVENNOVE NOUS IN	3 000	OPARE AND AR CPAR CPAR	ENERGIAN CPAR NOPAR
Purchase of Land	3 12 023 VENIDOVENION	50 000	R NOVE ENDER TO NOVER	CART 2020 R CHEER NO
Returned (cooking oil) 20,000,000 *18/100	PART 0773 001819 1001819 2023 2023 001819 100181 2018 002 001819 100181 2018 002 002 001819 100181	014107203 C223 HM 2023 E1 2028 H 10742 16105 E1 2028 F 10742 16105 E1 2028 F 10742	1012 1012 1012 1012 1012 1012 1012 1012	- 3 600
Returned (soap)	023 FR 201 ER NOVER N	PAR 202 FR MBER NO	-5400	23 2023 JENBER WENDWEN
Total	100 23 10 2023 R 202 W	R NO RAP 12023EP 20BEF	17,295	102 780

a) VAT payable by ABC Ltd (October 2022)

Taxable sales= 725,000 Exempted sales= 155,500 General Input= 13,695 Input VAT apportionment=Taxable sales/Total sales*General input VAT =725,000/880,500*13695=11,276 Total Input claimable=11,276+3,600+5,400-5,400=14,876

VAT payable = (FRW 102,780,000 - FRW 14,876,000) = FRW 87,904,000

b) The Tax Consultant recommended the company to rectify the submitted return before being notified of the imminent audit. This is in line with the article 79 (Administrative fine for understatement of tax levied after audit or investigation) of the la no N° 026/2019 du 18/09/2019 on tax procedures, which says that a taxpayer who rectifies his or her tax declaration and pays relevant tax before he or she is notified of imminent audit of his or her tax is not subject to the administrative fine referred to in this Article.

The The CFO's suggestion for leaving the return as it is and wait for the RRA audit could attract the administrative fine for understatement of tax above mentioned. The law provides that if an audit or investigation shows that there is the understatement of the amount on a tax declaration is at least ten percent (10%) but doesn't exceed twenty percent (20%) of the tax liability, the taxpayer must pay the non-paid tax and also be subject to an administrative fine of ten percent (10%) of the amount of the understatement.

Additional tax liability is computed as follows in both cases:

Tax Consultant:

VAT declared	87,904,000
VAT not declared before (45,000,000 *18/100)	8,100,000
Total VAT Due	96,004,000
Late payment interests (8,100,000 1.5/100*2)	243,000
Total tax liability	8,343,000

CFO's view

Total tax liability	8,343,000
Late payment interests (8,100,000 1.5/100*2)	243,000
Administrative fine for understatement of tax	0
% of understatement	8.4%
Total VAT on sales	96,004,000
VAT not declared (45,000,000 *18/100)	8,100,000
VAT on sales declared	87,904,000

END OF MARKING GUIDE AND MODEL ANSWERS