

CERTIFIED PUBLIC ACCOUNTANT FOUNDATION LEVEL 2 EXAMINATIONS F2.4: TAXATION

DATE: MONDAY 27, NOVEMBER 2023
MARKING GUIDE AND MODEL ANSWERS

F2.4 Page 1 of 16

QUESTIONONE

Marking guide

| Items | Marks |
|---|---------------|
| Reported profit | 0.5 |
| Add: Non-allowable deductions: | MINOVENCE |
| Value added tax | TER ZENBELLE |
| Withholding tax on imports | PRICEPER 201 |
| Noah's rent | JEN NOVER |
| Interest paid to: | 2023 TEMBE |
| Leon | 21 CP 1023 10 |
| Gabis | BERR NOPP |
| Noah | PR 2018 PR |
| Dividend paid to: | MONE 10 505 |
| Leon | ENEWE NO |
| Gabis | OF BER EMBER |
| Noah | ON CPARR 20 |
| Noah' salary | 0.5 |
| Shareholders annual retreat with families | 0.5 |
| Partners Christmas gifts | 0.5 |
| School fees for partners' kids | 0.5 |
| Staff communication | 13 ER 2022 |
| Provision for doubtful debts | 0.5 |
| Total add backs | BER ZNBENOVEN |
| Adjusted taxable income | ICPAR 201 |
| Tax liability @30% | 0.5 |
| Less withholding tax on imports | 0.5 |
| Tax to be payable | 123 2023 ICM |
| Profit after tax | MEER NO PAY |
| Computation of the profit to each partner, award 0.5 Marks to each response | 5 20 BER N |
| Total Marks | 20 |

F2.4 Page 2 of 16

Model answers

Computation of LGN Ltd taxable income and tax liability for the year ended 31 December 2019.

| Items | Workings | FRW "000" | FRW "000" |
|--|---|------------------|--|
| Reported profit | R 2020 VEW HOVE NO 23 | 2 202 R 20 VER N | 177,100 |
| Add: Non-allowable deductions: | PAR ICTOS TEMBEVENTO | 12 CP 2023 2023 | EMPONE HOUSE |
| Value added tax | ENERAR CPAT CHEER | 110,809 | OS JEWBENEWO |
| Withholding tax on imports | WEEL WEEL WOLVE CON | 41,400 | CPAT ICHTER |
| Noah's rent | MONSH SOSON SONORE | 6,000 | BER NOVER CPA |
| Interest paid to: | OVE NOVE 108 2023 1202 | JEWENONE MOSS | A 2022 R 2010 VE |
| Leon | THE PENEL VENE LOPAR | 37,800 | 13 CP 2023 2023 |
| Gabis | AR CPAH 20 BERNBE | 37,800 | ENBUENE AR |
| Noah | NOVERNOAR NOORS | 50,400 | ER SOMBER MBE |
| Dividend paid to: | 23 12 2023 VENT NOVE NOVE | R 2025 20 VEN | CRAP R 2023 ER 2 |
| Leon | CPAR ICHTS ICHBETVEN | 60,000 | NEWBOAR MONS |
| Gabis | JEMBERAR NOPAK CPAE | 60,000 | Chy ICHBELLEM |
| Noah | OF REPUBLIED NO PARIO | 80,000 | A MOPAN CPATE |
| Noah' salary | R 4003 CR 2023 202 VE | 24,000 | BER NOVER OF |
| Shareholders annual retreat with families | SEVENDOVENCOPO NOPARA 2023 ER 2023 R. 20 OPARA 2023 ER 2018 ER P. | 10,000 | SER POLICE SER PO |
| Partners Christmas gifts | WENT NO AR 12023 ER 20 | 7,500 | ENBERNBERR |
| School fees for partners' kids | 5055 ENITORE MO13 10 | 6,000 | PAR 2022 PUBER WEE |
| Staff communication (assumed that it is not separable with private and business) | (18,000,000*20%) | 3,600 | |
| Provision for doubtful debts | 2023 FR 2022 R 2010 VEH P | 25,780 | EN HOVER CPAIN |
| Total add backs | MEMONE 108 2023 10 2023 | \$ | 561,089 |
| Adjusted taxable income | MBER ZHIBERNE NE AR IC | × 51 | 738,189 |
| Tax liability @30% | R WPAH 202 ER NBER | CPATICPHER IS | 221,457 |
| Less withholding tax on imports | JOYEN NOVE NO 2013 FR 20 | ER NOVAR CPAP | (41,400) |
| Tax to be payable | R SOS A EMBONE MONTH | 3 2023 202 VEWL | 180,057 |
| Profit after tax | PAR ICPP ICHBERTAND | SIEN CPAS 1023 | 558,132 |

Profit sharing to partners:

Leon at 30%, Gabis at 30% and Noah at 40%

| Details | Leon | Gabis | Noah | Total |
|-------------------------------|----------|------------------|----------|----------|
| | FRW"000" | FRW''000'' | FRW"000" | FRW"000" |
| Interest on partner's capital | 37,800 | 37,800 | 50,400 | 126,000 |
| Dividend paid to partners | 60,000 | 60,000 | 80,000 | 200,000 |
| Salary | 0 | 0 10 10 10 10 10 | 24,000 | 24,000 |
| Profit to be shared | 62,440 | 62,440 | 83,253 | 208,132 |
| Total | 160,240 | 160,240 | 237,653 | 558,132 |

F2.4 Page 3 of 16

QUESTION TWO

Marking guide

| Question two | Marks |
|--|-----------------------------|
| Computation of Safe Tea Factory Ltd capital allowance for the years 2020 and 2021 | ER 202 VENINOVEN 2023 ER 20 |
| Award 1 Mark for each well computed allowance and wear & tear for 2020 (Maximum: 10 Marks) | 10 |
| Award 1 Mark for each well computed allowance and wear & tear for 2021 (Maximum: 10 Marks) | 10 |
| Total Marks | 20 |

Model answers

Computation of Safe Tea Factory Ltd capital allowance for the years 2020 & 2021

| Assets | Land | Factory & office building s | Factory plant and machiner y | Tractors, cultivator s & & harvesters | Motor vehicl e | IT system s | Computer & accessorie s | Furnitur e & fittings | Total |
|---|--------------------------------------|-----------------------------|---------------------------------------|---------------------------------------|----------------------|---|---|-----------------------|---------------|
| ROPATER ZAMBERANISTAN OPAS OF ASSEMBLE OF | FRW ''000'' | FRW "000" | FRW "000" | FRW "000" | FRW ''000'' | FRW "000" | FRW "000" | FRW "000" | FRW "000" |
| Cost 2020 | 320,50 0 | 380,500 | 684,000 | 458,000 | 60,000 | CPAR NOVE | 5,800 | 25,000 | 1,933,80 0 |
| Accelerated depreciation 2020 | 8-5053 ENE | 50% | 50% | 50% | 50% | CPAR CPAR | 2018ERNBERRY | PAR CPARENTEMB | WENDERRY CP |
| Capital allowance expense 2020 | 2023 CH23 2023 R 2023 INBER NO | 190,250 | 342,000 | 229,000 | 30,000 | 20 VEN 40 8 NO VEN 40 023 2023 VE | AN POSSER 20EER ANE POSSER 20EER ANE POSSER 20EER | R NO PAR I CPAR | 791,250 |
| Wear & tear base 2020 | SEP MEER | 380,500 | 684,000 | 229,000 | 30,000 | NEDAR TOPP | 5,800 | 25,000 | 18 NEW OS3 'S |
| Wear & tear rate 2020 | 10013 1CE | 5% | 5% | 25% | 25% | BERZHEER | 50% | 25% | 3 ENBERGENBOY |
| Wear & tear expense 2020 | OVE MOVE | 19,025 | 34,200 | 57,250 | 7,500 | 1023 10 2020 12023 10 2020 | 2,900 | 6,250 | 127,125 |
| Total allowance 2020 | OPATER 20 | 209,275 | 376,200 | 286,250 | 37,500 | 15 HOAS 10 | 2,900 | 6,250 | 918,375 |

F2.4 Page 4 of 16

| Assets | Land | Factory & office building s | Factory plant and machiner y | Tractors, cultivator s & & harvesters | Motor vehicl e | IT system s | Computer & accessorie s | Furnitur e & fittings | Total |
|--------------------------------|-------------|--|---------------------------------------|---------------------------------------|----------------------------------|--|-------------------------|--|---|
| WDV 01/1/2021 | 320,50 0 | 171,225 | 307,800 | 171,750 | 22,500 | COSTEMENT COSTEM | 2,900 | 18,750 | NEMBER 2012 PAR |
| Additions | 100,00 0 | R NO PAR ICP | 478,000 | 122,000 | RAVENBER | 28,000 | PAR CARE | 1 C PAR 1 C PAR 1 C 2 C PAR 2 C PAR 1 C 3 C PAR 2 C PAR 1 C PA | MBER ENEVEN MBOVEN MBOVEN |
| Capital allowance rate 2021 | ET ZOZER | VEEN WOOD | 50% | 50% | VENBERVE 10, BELVE | MOVEMOPA | 3 OUS EMPLOYE | NOV310 2023 20 | TO SAR CRAPE |
| Capital allowance expense 2021 | NO AR NO AR | OVENBER NO OVENBER NO OVENBER 2023 | 239,000 | 61,000 | PATICPH 2023 JENE R NO PAR | PAR HOUSEN | PAT SO SO SENER | CENTOVE ICP PROPOSER 202 PAENEMBER 202 | 300,000 |
| Wear & Tear base 2021 | 2023 ENBE | 380,500 | 1,162,000 | 232,750 | 22,500 | 28,000 | 2,900 | 18,750 | ENBER NO PAR |
| Wear & Tear rate 2021 | 8-108 AF | 5% | 5% | 25% | 25% | 10% | 50% | 25% | SER SOFT SO |
| Wear & Tear expense 2021 | DER NOW | 19,025 | 58,100 | 58,188 | 5,625 | 2,800 | 1,450 | 4,688 | 149,875 |
| Total allowance 2021 | C 2023 2 | 19,025 | 297,100 | 119,188 | 5,625 | 2,800 | 1,450 | 4,688 | 449,875 |

F2.4 Page 5 of 16

QUESTION THREE

Marking guide

| Question three | Marks |
|--|--|
| (a) Computation of Jigija Juru Noella taxable income and PAYE payable for the month of June 2020 | A 2023 A 2023 VENBER 202 VENBER 202 |
| Award 1 Mark for each transaction as follows: (Maximum: 14 Marks) | SHOACULE |
| Salary | STIEMS |
| Communication allowance | THER ? |
| Bonus | PR NOPA |
| Leave pay | JOHN. |
| Entertainment allowances | 1 2023 |
| Reimbursement of expenses | PAR IC |
| Total employment income | ENBER |
| Benefits in kind | 203 |
| Company car | A MONE |
| House allowance | 2 |
| School fees to herself | PIOPALA |
| Tax to pay | 2 |
| (b) Computation of Jigija RSSB contributions both on behalf of employee and on behalf of employer. | R 2023 CPA 2023 CPA 2023 CPA |
| Pension: 1 mark for employee portion and 1 mark of employer portion | 2 |
| Maternity leave: 1 mark for employee portion and 1 mark of employer portion | 2 |
| Medical scheme: 1 mark for employee portion and 1 mark of employer portion | 2 |
| Total Marks | 20 |

Model answer

(a) Computation of Jigija Juru taxable income and her PAYE payable for the month of June $2020\,$

| Particulars | Amount in FRW |
|---|---|
| Salary | 4,000,000 |
| Communication allowance | 250,000 |
| Bonus | 1,000,000 |
| Leave pay | 1,000,000 |
| Entertainment allowances (2,000,000:12) | 166,667 |
| Reimbursement of expenses | MEER CPASICPER ENERENCE AR 3 CPA |
| Total employment income | 6,416,667 |
| Benefits in kind | 1012 1 2023 201 1EN HOVE W 2023 ER 201 ER |
| Company car | 1,200,000 |
| House allowance (6,416,667*20%) | 1,283,333 |

F2.4 Page 6 of 16

| School fees to herself (6,000,000:12) | 500,000 |
|---------------------------------------|-------------------------------|
| Total taxable employment income | 9,400,000 |
| Computation of tax to be paid | PAR OPAR SUBER MERAP SOPAR SO |
| 0 - 30,000 @0% | 0 |
| 30,001 - 100,000 @20% | 14,000 |
| 100,001 and above @30% | 2,790,000 |
| Tax liability | 2,804,000 |

(b) Computation of Jigija RSSB contributions both on behalf of employee and on behalf of employer.

| RSSB Contribution: | Employee | Employer | Total |
|--|----------|----------|---------|
| Pension | @ 3% | @5% | @8% |
| Pension Base = all employment income except transport allowance (FRW 9,400,000-FRW 1,200,000) = FRW 8,200,000. | 246,000 | 410,000 | 656,000 |
| Maternity leave | @ 0.3% | @ 0.3% | @0.3% |
| Basis: all employment income except transport allowance | 24,600 | 24,600 | 49,200 |
| Medical scheme | @ 7.5% | @ 7.5% | @15% |
| Base: Basic salary of FRW 4,000,000 | 300,000 | 300,000 | 600,000 |

Pension Base = Basic Salary + Benefit in Kind House + Benefit in Kind Others + Cash Allowance House + Cash Allowance Others.

QUESTION FOUR

Marking guide

Computation of Mwiza Mugisha's VAT payable or claimable for January, 2020

| Question five (a) | Marks |
|--|--|
| (a) Computation of VAT on sales | 2012 BER 20 VER WOAR TO DEER 20 |
| Award marks as follows: | 13 1CH 2023 R 2020 VENINOV 2 NO 23 N |
| Sales of processed agricultural products | NOAEMICE WAS ICLOS OF THE PARTY OF WO |
| Sales of unprocessed beans | 0.5 |
| Sales of Nido | PAR 2022 ENBER NO AR I OPA |
| Sales of locally processed milk | 0.5 |
| Sale of processed maize flour | 023 TEN NOVE NOVE 10 P 2020 |
| Export of processed fruit juice | NOPATION OF THE VENE VENE TO THE PARTY OF TH |
| Sale of unprocessed avocado | 0.5 |
| Sale of unprocessed banana fruits | 0.5 |
| Total | 0.5 |
| Computation of VAT on purchases | MEET CPAR CPAR 1 CP 3 1C NEET VENT |

F2.4 Page 7 of 16

| Electricity | 0.5 |
|--|------|
| Computers | 0.5 |
| Fuel | 0.5 |
| Purchase of plates and forks | 0.5 |
| Mobile phones | 0.5 |
| Shop rent | 0.5 |
| Purchases of processed milk | 0.5 |
| Purchase of unprocessed agricultural food | 0.5 |
| Total | 0.5 |
| VAT inputs allowed | 2 |
| VAT due | 2 |
| (b) (c) (d) (d) (d) (d) (d) (d) (d) (d) (d) (d | 10 P |
| Award 0.5 Marks on each of the conditions that taxpayers that only sell exempt or zero-rated goods and services can be exempted from VAT registration | 2 |
| (c) 12 Part of the | OVEN |
| Award 0.5 mark on any 6 goods and/or services that are exempt for VAT | 3 |
| Total Marks | 20 |

Model answer

(a) Computation of deductible inputs, and the VAT payable for the month of December 2021.

Output VAT computation in FRW

| Particulars | Standard VAT exclusive | zero rated | exempt | VAT on sales |
|--|---|--|---|--|
| Sales of processed agricultural products | 3,540,000 | CPA ICHBER 2023 VENBUO 20 VENBUO 20 VENBUO | EMBVENICPAN SER 2013 IC PAN SER 2018 IE MBV | 637,200 |
| Sales of unprocessed beans | OSS NEW HOLE HOUSE | OSS SOF VEN | 1,000,000 | MEER NOPARIE |
| Sales of Nido | 9,000,000 | 3 CP 2023 1202 | WENNE WORK HOW | 1,620,000 |
| Sales of locally processed milk | GPAR NOPALOPARED ST | OVENICPAR OVENICPAR 2023 ICP 2020 2023 ICP 2020 | 14,000,000 | NOVENCE NOVENCE ARE |
| Sale of processed maize flour | 6,000,000 | PAR NO 2023 MBER 2021 HOVE MBER VENIBLE | UBER NOVER | 1,080,000 |
| Export of processed fruit juice | BERZEMBEREMBEARS ICP MOVERNOVEMBERZMBERZ NOPARRZ 2018 ERMBEAR | 8,000,00 | OVENIOPARS LO 2023 LER 2023 L ENBER 2018 ER | OZ JEMBOVE NO NOVER CPARES 3 CPAZ CHARES |
| Sale of unprocessed avocado | VENNOVENOSER 2013 CPARICPAREN 2013 ER 2018 CPARICPAREN 2013 ROVENOVENOVENOVENOVENOVENOVENOVENOVENOVEN | PAR NOVER NO PAR NOPAR 10 2023 12023 10 | 800,000 | PARNICPARICPARI PARNICPARICPARI R2023 R2023 VENE R2036 R2004 RP |
| Sale of unprocessed banana fruits | ARNOPATION BEREING 023 1223 JENBER WEND JEER NOPAR OPAR I | EMCPAR 23 CR 2023 PT NBER 2023 PAR | 1,600,000 | 1123 CP 2023 R 2020 023 CR 2023 R 2020 MB CF MB FAR 100 1100 CF MB CR 100 |
| Total | 18,540,000 | 8,000,00 0 | 17,400,000 | 3,337,200 |

F2.4 Page 8 of 16

Input VAT computation in FRW

| Particulars | Standard | zero rated | exempt | Input VAT |
|---|--|---|----------------|----------------|
| Electricity | 180,000 | IBERA ICEA | 3 ICPHER ENENE | 32,400 |
| Computers | EN MORE NO | ER MERRY | 97,000 | MBER MBERAR |
| Fuel | OS3 EMPONE | 1013 C 202 | 1,900,000 | 2 NO 23 ER 201 |
| Purchase of plates and forks | 4,800,000 | JEMB VENIO | 505.3 505.3 EM | 864,000 |
| Mobile phones | SEP NOPAL | IBER ZUBET | 1,200,000 | ICHBER ENB |
| Shop rent | 2,000,000 | SUPPRISO | BER ZIBER NO | 360,000 |
| Purchases of processed milk | 023 R 2023 20 | OVENIGOR | 7,200,000 | SHOPE MO |
| Purchase of unprocessed agricultural food | ENPOYENCE PAR SER 2023 ER 202 SER ENBER VENB | R 2023 ENEME R 2000 ENEME AR 3 OPAR M | 3,100,000 | OPAR NOPAR |
| Total | 7,077,000 | MBERADO MBERADO 13 ICPADA 13 ER 2013 ICP | 13,497,00 0 | 1,256,400 |

| VAT due (C=A-B) | | 2,578,328 |
|---|------------|--|
| VAT inputs allowed=Taxable Sales/Total sales*Input VAT (B) | | 758,872 |
| Total exempted sales | 17,400,000 | EENENE VENCER 2013 |
| Total taxable sales | 26,540,000 | 2023 ER 201ER 20 VE |
| Total sales | 43,940,000 | ER DEEL PHONE OF |
| Total VAT inputs | 1,256,400 | 23 202 VENINOVENI |
| Total VAT outputs (A) | 3,337,200 | 20 VEW NO AR NO 2023 2 NO PAR CPAR R 2023 |

(b) The conditions that taxpayers that only sell exempt or zero-rated goods and services can be exempted from VAT registration.

- a) Taxpayers exclusively making exempt or zero-rated sales may write to the Commissioner General of RRA requesting exemption from the requirement to register for VAT. This letter should:
- Identify the taxpayer's name and TIN, and state the request to be exempted from the requirement to register for VAT.
- Contain all supporting documents proving the taxpayer does not make any taxable sales.
- This exemption from the requirement to register for VAT is only valid when confirmed in writing by the Commissioner General and may be rescinded, also in a letter from the Commissioner General, at any time.

(c) List of goods and/or services that are exempt for VAT

- Goods and services related to health purposes
- Educational materials and services
- Books, newspapers and magazines
- Transportation services

F2.4 Page 9 of 16

- Financial and insurance services
- Energy supply equipment
- Unprocessed agricultural and livestock products
- Locally processed milk
- Industrial machinery
- Mobile telephones and SIM cards.

QUESTION FIVE

Marking guide

| Question six | Marks |
|--|----------|
| (a) The documentation needed on import and export of goods/ product? | SUNFAR |
| Award 1 mark on one document; (Maximum: 5 Marks) | 5 200 |
| (b) Differentiate between border posts and dry ports. (6 marks) | ICPAP IC |
| Award 1 Mark to each well explained dry port, 1 Mark on 2 examples, and 1 Mark capacity threshold. (Maximum: 3 Marks) | 3 |
| Award 1 Mark to each well explained border post, 1 Mark on 2 examples, and 1 Mark capacity threshold. (Maximum: 3 Marks) | 3 |
| (c) Circumstances under customs administration where imported/ exported goods can be seized by the Tax Administration | OVENBER |
| Award 1 Mark to each good response. (Maximum: 5 Marks) | 5 |
| (d) Explain the penalties related to submitting false documentations/ forgery upon customs declaration. | AT ICE |
| Award 1 Mark to each well explained penalty. (Maximum: 4 Marks) | 4 |
| Total Marks | 20 |

Model answer

(a) The documentation needed on import and export of goods/ product.

On exporting goods, taxpayers must provide valid documents. The mandatory documents within the EAC are:

- Commercial invoice, or equivalent documents

Which shows the values and description of all goods within the consignment.

- Packing list which list all the goods being transported within the consignment.

Additional documents from taxpayers importing goods from outside EAC.

- Freight invoice showing the cost of transportation and insurance for the consignment if not included on the commercial invoice.
- Bill of lading / Airway bill, which is a contract between the owner of the ship / plane transporting the consignment and the importing taxpayer.

The only document that taxpayer exporting goods must provide to RRA.

- Commercial invoice, or equivalent documents showing the values and description of all goods within the consignment Additional documents include the certificate of origin.

F2.4 Page 10 of 16

(b) Nzabonimpa Fely may not be familiar of with where products pass through during imports and export of products. With a help of two tangible examples, differentiate between border posts and dry ports.

Importing and/ or exporting goods can only be done at authorized RRA border posts, customs offices outside Rwanda and dry ports.

✓ Border posts are the RRA offices at the border with a neighboring country. They are capable of handling imports of small value. RRA has a threshold import that can be processed using border posts depending on the capacity of a border posts. Normally the threshold is between FRW 3,000,000 and FRW 01.

Examples:

- Gatuna, Kagitumba, Cyanika, Buziba neighboring with Uganda
- Rusumo neighboring Tanzania
- Akanyaru, Nemba, Ruhwa Neihboring Burundi
- La Corniche, Bugarama, Rusizi, neighboring DRC
- ✓ Dry ports are RRA inland customs offices. Not all imports and exports are processed at border posts. Some consignments are declared and processed at dry ports, because of the nature and the value of the products. Dry ports are capable of handling high value consignments without associated warehouse. Examples of dry ports:
- Masaka, Gikondo, Customs HQ, Rubavu inland Office, Mutara
- Airports: Kigali & Rusizi
- Oil Depots in Gatsata, Kabuye, Rusororo, & Jabana

(c) Elaborate circumstances under customs administration where imported/ exported goods can be seized by the Tax Administration.

RRA has the right to seize any of the following types of goods.

- 1. Prohibited goods.
- 2. Restricted goods dealt with contrary to regulations.
- 3. Uncustomed goods, where goods have not followed full and correct customs procedure.
- 4. Concealed goods or goods mislabeled or contained in any way likely to deceive any offer goods
- 5. Goods subjected to customs control which are without authorization moved, altered, or interfered with
- 6. Smuggled goods
- 7. Falsely documented or declared.

(d) Explain the penalties related to submitting false documentations/ forgery upon customs declaration.

- Pay unpaid customs duties
- Imprisonment not exceeding three years
- Fines not exceeding USD 10,000 (ten thousand dollars)
- Additional fines provided under VAT and excise duty laws.

F2.4 Page 11 of 16

QUESTION SIX

Marking guide

| Question six | Marks |
|--|---|
| (a) Compute the tax payable; the tax administration fines and penalties applicable to Mugemanyi Julia. | CPAR ICY CP 2023 ICY CR 2023 ICY CR 2023 ICY |
| Award 1 mark on the following; (Maximum: 12 marks) | 2023 EP 201 |
| Flat tax to be paid 2019 | E NOW T |
| Administrative fine for non-declaration 2019 | BEHVEND |
| Fines for non-declaration and payment 2019 | CPATER I |
| Total tax, fines and penalties (excluding interests) 2019 | CRAP CRAP |
| Flat tax to be paid 2020 | SOSTIENT |
| Administrative fine for non-declaration 2020 | 023 202] |
| Fines for non-declaration and payment 2020 | MERAR A |
| Total tax, fines and penalties (excluding interests) 2020 | BERNBEL |
| Flat tax to be paid 2021 | 2023 ERT |
| Administrative fine for non-declaration 2021 | NEW ONE |
| Fines for non-declaration and payment 2021 | MBERVENT |
| Total tax, fines and penalties (excluding interests) 2021 | A ICPAIR |
| (b) Advise the taxpayers on the conditions to be allowed to pay the tax due in installments | JOVE NO JOPAR JOPA JOSEPH JOSEPH |
| Award 1 Mark to each well explained condition. (Maximum: 4 Marks) | 4 |
| (c) Outline the content of application letter for instalment payment | EMBERARIO |
| Award 0.5 Mark to each content of the application letter. (Maximum: 2 Marks) | 2 |
| (d) Identify the circumstances under which the instalment contract between RRA and the taxpayer may be terminated. | ER 2023 ER ? |
| Award 0.5 Mark to each well explained reason. (Maximum: 2 marks) | 2 |
| Total Marks | 20 |

Model answer

(a) Computation of the tax payable, the tax administration fines and penalties applicable to Mugemanyi Julia.

Because Mugemanyi Julia, turnover is between FRW 2,000,000 and 12,000,000, He is supposed to pay a flat tax as follows:

| Particulars | 2019 | 2020 | 2021 |
|---|-----------|-----------|-----------|
| 2023 JEMPS VENOVE 10 123 C 2022 ER 200 VEN NOVE 12 22 ER 201 ER 1 | FRW | FRW | FRW |
| Sales | 4,600,000 | 6,800,000 | 8,000,000 |
| Flat tax to be paid | 120,000 | 120,000 | 210,000 |
| Administrative fine for non-declaration | 100,000 | 100,000 | 100,000 |
| Fines for non-declaration and payment- more than sixty (60) days | 72,000 | 72,000 | 126,000 |
| Total tax, fines and penalties (excluding interests) | 292,000 | 292,000 | 436,000 |

F2.4 Page 12 of 16

(b) The taxpayer who requests for payment in instalment, must fulfil the following conditions:

- 1. Request submitted to the Commissioner General.
- 2. Provide proof of payment of an amount worth at least 10% of the amount to be paid.
- 3. Should not have implicated in tax evasion.
- 4. Provide a guarantee acceptable to the Tax Administration. The Commissioner General may allow a taxpayer to pay in instalments without necessarily executing a guarantee provided in item four of paragraph one of this article.

(c) The content of application letter for instalment payment

- The application letter to pay in instalments should indicate the following elements:
- The type of tax;
- The tax amount;
- The instalment payment plan requested;
- Tax period;
- Reasons for not being able to pay the whole tax due at once.

(d) The contract may be terminated by the law, and without other notice, by the administration, under the following circumstances:

- Payment is not made as per the pre-fixed schedule.
- Any current return is not filed on time or any current tax is not paid on time while this instalment contract is in effect.
- The tax administration discovers information provided by taxpayer as the basis for this contract was not accurate.
- Updated information requested by the tax administration is not provided on time:
- Collection of the tax debt is in jeopardy for example, assets are shifted, or transferred, the taxpayer is fleeing Rwanda, there is risk to the guarantee, or there is risk to the taxpayer's solvency.

F2.4 Page 13 of 16

QUESTION SEVEN

Marking guide

| Question seven | Mark |
|--|-------------------|
| Question seven | S |
| | Chickey 3 CPAT |
| Import duty | NEE INT |
| Handling fee | R 202 |
| VAT | 2 |
| WHT 5% | EMBLOY |
| IDL | 023 END |
| AUL | MO PAR |
| Computer processing fee | EP RAT |
| Total Duties | C12023 12 |
| (b) | VENTOPAT |
| i. Duty Drawback Schemes | ENERENT |
| ii. Manufacturing under Bond Schemes | 8 6 505 JE |
| iii. Export Processing Zones | MOVE TO |
| iv. Harmonized System (HS) Codes | VENBE VI |
| (c) Award 1 Mark on definition of a Special Economic Zone | P NO P |
| (d) Award 1 mark on one economic benefit from special economic zones (Maximum: 3 marks) | 3 |
| (e) Award 1 mark on one explanation of the functions of the free ports. (Maximum: | OVENDE |
| 3 marks) | 3 |
| Total Marks | 20 |

Model answer

(a) Computation of the customs taxes and duties are applicable to Uwamurera Pie.

| Description | USD | ER 200VER NO AR | Exchange | FRW |
|-------------|-------------------|-----------------|------------------------|------------|
| Cost | 25,500 | 5053 SONEWHO | 1,000 | 25,500,000 |
| Insurance | RICPATIONSERVENIE | 1,200 | 1,000 | 1,200,000 |
| Freight | 3500 | MBEIENBEAR TOPP | 1,000 | 3,500,000 |
| CIF | 30,200 | ER 202 BER WBER | CEAR CPARE 20 BET ENBE | 30,200,000 |

F2.4 Page 14 of 16

Thus,

| Details Workings in FRW | | Amount FRW |
|-------------------------|---|------------|
| Import duty | 30,200,000*25% | 7,550,000 |
| Handling fee | FRW 10/1kg *75kg | 750 |
| VAT | (30,200,000+7,550,000+750)*18% | 6,795,135 |
| WHT 5% | 30,200,000*5% | 1,510,000 |
| IDL 30,200,000*1.5% | | 453,000 |
| AUL 30,200,000*0.2% | | 60,400 |
| Computer proce | ssing fee | 3,000 |
| Total duties | 23 R 20 ER NO PAR TO PAR 20 TER MEET PAR TO PAR | 16,372,285 |

(b) Explain the following concepts as used in customs administration.

(i) Duty Drawback Schemes

The Partner States agree that, upon exportation to a foreign country, drawback of import duties may be allowed in such amounts and on such conditions as may be prescribed by the competent authority.

Duty drawback is paid:

- (a) Upon submission of an application to the competent authority within such a period from the date of exportation or performance of the conditions on which drawback may be allowed as the competent authority may prescribe; and
- (b) On goods or any material used in the manufacture or processing of such goods may be granted in accordance with and subject to such limitations and conditions as may be prescribed by the competent authority.

(ii) Manufacturing under Bond Schemes

The Partner States agree to support export promotion by facilitating manufacturing under bond schemes within their respective territories. The procedure for manufacturing under bond allows imported goods to be used in a customs territory for processing or manufacture. Duty and taxes are payable on compensating products at the rate of import duty appropriate to them.

(iii) Export Processing Zones

The Partner States agree to support the establishment of export processing zones. Entry into an export processing zone allow total relief from payment of duty on imported goods used directly in the production of goods for export by a person authorised to carry out that activity in the zone.

(iv) The Harmonized System (HS) Code

F2.4 Page 15 of 16

The Harmonized System (HS) Code is an internationally standardized to classify traded products. The taxpayer provides a description of the type of goods to the clearing agent, who is trained to select the correct HS code, in the customs declaration system.

(c) Define a Special Economic Zone?

Special Economic Zone (SEZ) refers to a geographically specified and physically secured area administered by a single body, offering certain incentives including more liberal and simplified economic regulations for businesses to physically locate and operate within it.

(d)Explain the main economic benefits from a special economic zone?

- Increase foreign and domestic private sector investment
- Job creation
- Income generation both direct (within the zone) and indirect through backwards and forwards linkages with businesses outside the zone
- Export growth and diversification and increase in foreign exchange
- Industrial development and other sectors requiring serviced, specialized infrastructure
- Skills upgrade and technological transfer
- Increased tax revenue through expanded tax base hence reducing the budget deficit
- Environment protection
- Import substitution due to increase in manufacturing of products for local consumption
- Reduced balance of payment deficit

(e) The functions of free ports include the following.

- 1. Promotion and facilitation of trade in goods imported into free ports;
- 2. Provision of facilities relating to free ports including storage, warehouses and simplified customs procedures; and
- 3. Provision for the establishment of international trade supply chain centres, where persons from within and outside the Community access and harness market opportunities and enhance competitiveness in import and export trade within the global setting.

END OF MARKING GUIDE AND MODEL ANSWERS

F2.4 Page 16 of 16