
CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.3: TAXATION

DATE: FRIDAY 29, NOVEMBER 2024

INSTRUCTIONS:

1. Time allowed: **3 hours**.
2. This examination has **three** sections: **A, B and C**.
3. Section **A** has **10** multiple choice questions equal to 2 marks each.
4. Section **B** has **2** questions equal to 10 marks each.
5. Section **C** has **3** questions equal to 20 marks each.
6. All questions are compulsory.
7. The question paper should not be taken out of the examination room.

TAX RATES AND ALLOWANCES:

The following rates of tax and allowances are to be used when answering the questions

Personal Income Tax Rates (PIT)

Monthly Taxable Income		Tax Rate	Annual Taxable Income		Tax Rate
From (FRW)	To (FRW)	%	From (FRW)	To (FRW)	%
0	30,000	0	0	360,000	0
30,001	100,000	20	360,001	1,200,000	20
100,001	and above	30	1,200,001	And above	30

Individual's housing benefit: 20% of the employment income excluding benefits in kind

Individual's Car benefit: 10% of the employment income excluding benefits in Kind.

RSSB contribution - Pension

Employer's contribution	5%
Employee's contribution	3%

RSSB contribution – Maternity leave

Employer's contribution	0.3%
Employee's contribution	0.3%

Corporate Income Tax Rate: 30%

Capital gains tax

Net aggregate gains are taxable at the company rate of tax

Gains on sale of shares are taxable at the rate of 5%

Value Added Tax Rate: (VAT)18%

Withholding tax

Standard	15%
Government securities	5%
Import	5%
Public Tender	3%

Gaming tax: 13%

Capital allowance

Description	Rate
Accelerated depreciation	50%
Wear & Tear Allowance	
Buildings, heavy industrial equipment and machineries	5%
Intangible assets	10%
Information and communication systems whose life is over ten (10) years	10%
Computers and accessories, information, and communication systems whose life is under ten (10) years	50%
Other business asset	25%

Your answers should be based on Law N° 016/2018 of 13/04/2018 Establishing Taxes on Income where applicable

SECTION A

QUESTION ONE

Karemangingo owns machines that she rents out to various entrepreneurs. For the year ended 31/12/2022, she earned a gross income of FRW 44,000,000. The machines were purchased for FRW 55,000,000 in 2015, of which FRW 25,000,000 was financed by a bank loan with an annual interest rate of 15%. **Which of the following is the correct taxable income?**

- A FRW 44,000,000
- B FRW 30,900,000
- C FRW 18,250,000
- D FRW 41,900,000

(2 Marks)

QUESTION TWO

Ms. Mukamana holds 40,000 shares at FRW 400 each in Ihoho Limited, a company listed on the Rwanda Stock Exchange. She sold 10,000 shares during the year at FRW 500 each. **Which of the following is the correct withholding Tax?**

- A FRW 50,000
- B FRW 250,000
- C Exempted
- D FRW 150,000

(2 Marks)

QUESTION THREE

The following information details XYZ Ltd.'s profits and losses for the years 2017 up to 2022.

Year	2017	2018	2019	2020	2021	2022
Profit/loss FRW	-600,000	300,000	- 40,000	80,000	- 15,000	- 25,000

How much will be carried forward to 2023?

- A FRW 40,000
- B FRW 80,000
- C FRW 300,000
- D None of the above

(2 Marks)

QUESTION FOUR

Which conditions must be fulfilled for an expense to be deducted from taxable income when determining profits on business activities:

- (i) They are incurred for the direct purpose of the business and they are directly chargeable to the income;
- (ii) They correspond to a real expense and can be substantiated with proper purchase receipts;
- (iii) They lead to a decrease in the net assets of the business;
- (iv) They are used for activities related to the tax period in which they are incurred.

- A i only
- B i and ii
- C i, ii, and iii
- D All of the above

(2 Marks)

QUESTION FIVE

In fiscal year 2022, MNC Ltd began a 3years construction project to build the Mayange bridge. The contract price for the project was set at FRW 65,000,000. MNC Ltd has estimated the total cost of the project as FRW 55,000,000. At 31/12/2022, the bridge was partially completed, the foundation laying stage having been reached. Costs incurred up to this date included wages and salaries for FRW 7,000,000, materials for FRW 18,000,000, administrative and general expenses for FRW 1,600,000, and other miscellaneous expenses for a total of FRW 1,500,000. **What is the income to be declared for the year ending 31/12/2022?**

- A FRW 65,000,000
- B FRW 33,209,091
- C FRW 0
- D FRW 21,666,667

(2 Marks)

QUESTION SIX

Mr, Munyanziza Aimable was employed by D&A Ltd during the month of June 2023 under the following contractual conditions:

- (i) Monthly salary of FRW 1,500,000
- (ii) Overtime allowance of FRW 200,000
- (iii) Communication allowance of FRW 100,000

He uses a company vehicle for personal and business purposes. The motor vehicle was bought FRW 20,000,000 in April 2023.

What is the taxable income for the month of June 2023?

- A FRW 1,980,000
- B FRW 3,800,000
- C FRW 1,800,000
- D FRW 1,500,000

(2 Marks)

QUESTION SEVEN

Which of the following statements is true about the payments exempted from employment income tax?

- (i) The discharge or reimbursement of expenses incurred by the employee or his/her associate wholly for business activities of the employer;
- (ii) Pension payment from the public institution in charge of social security or from a qualified pension fund;

- A (i) is true, (ii) is false
- B (ii) is true, (i) is false
- C Both are true
- D Both are false

(2 Marks)

QUESTION EIGHT

Mr. Habimana owns a property in Gikondo which he rents to various tenants. He receives a monthly rent of FRW 1,300,000. The property was constructed using a loan of FRW 16,000,000 from the bank at an interest rate of 15% per annum. **What is the taxable rental income?**

- A FRW 15,600,000
- B FRW 14,760,000
- C FRW 7,800,000
- D FRW 5,400,000

(2 Marks)

QUESTION NINE

Ms. Umulisa registered her business in 2022. Within that year, she was awarded a public tender by Rulindo District amounting to FRW 15,000,000 (excluding VAT). **What is the amount of income tax withheld by Rulindo District?**

- A FRW 450,000
- B FRW 2,250,000
- C FRW 0
- D FRW 2,700,000

(2 Marks)

QUESTION 10

Which of the following statements is true with regards to the obligations of the user of electronic invoicing system?

- (i) To issue an electronic invoice to the buyer upon request.
- (ii) To notify the Tax Administration of failure of electronic invoicing system within a time not exceeding Twelve (12) hours

- A (i) is true, (ii) is false
- B (ii) is true, (i) is false
- C Both are true
- D Both are false

(2 Marks)

SECTION B

QUESTION 11

Mr Karekezi Innocent is employed by Ukuri Ltd under the following contractual terms:

Basic salary FRW 1,000,000

Housing allowance FRW 200,000

Transport allowance FRW 200, 000

Required:

Compute his PAYE (Pay As You Earn) to be remitted to RRA, as well as Pension, Maternity Leave Benefit and CBHI (Community Based Health Insurance) to be remitted to RSSB.

(Total: 10 Marks)

QUESTION 12

During the year ended 31/12/2023, Ms. Mukeshimana, a Rwandan resident, received income from the following assets:

1. She owns 150,000 shares at FRW 350 each in Everest Holdings, a private company not listed on the Rwanda Stock Exchange. During the year, she sold 10,000 shares at FRW 450 each.
2. She placed FRW 35,000,000 in a fixed deposit account with Sunrise Bank for a period of eleven months at an annual interest rate of 6%.
3. She has received FRW 15,000,000 from investments in a two-year government bond.
4. She holds 120,000 shares in Nexus Group, a company listed on the RSE market. The company declared a dividend of FRW 280 per share at the end of the year.
5. She received dividends of FRW 2,000,000 on his shares in Mbazi Group, a private company listed on the Rwanda Stock Exchange.

Required:

Calculate the corresponding withholding taxes for the year 2023.

(Total: 10 Marks)

SECTION C

QUESTION 13

Kayonza Industries Ltd was registered with RDB in the year 2017 under the Commercial Law of Rwanda and received an investment certificate. The company is located in the Kayonza district and deals in cement production. In the year 2018, the company purchased and built the following assets:

- (i) Plant and machinery FRW 300,000,000
- (ii) Three trucks at FRW 90,000,000 each
- (iii) Laptop computers FRW 25,000,000
- (iv) Office furniture FRW 9,000,000
- (v) Factory building FRW 200,000,000

In 2019, the company purchased additional assets, namely

- (i) Machinery FRW 95,000,000
- (ii) Three cars for managers at FRW 16,000,000 each
- (iii) Extension to factory building at FRW 70,000,000
- (iv) Two accounting software packages at FRW 3,000,000 each

In 2020, three laptops were sold for FRW 3,000,000. An office furniture was sold for FRW 5,000,000.

Required:

Compute Kayonza Industries Ltd's capital allowances for the years ended 31/12/2018, 2019 and 2020. **(Total: 20 Marks)**

QUESTION 14

a) ABC Ltd (Rwanda) is a company registered in Rwanda and is a subsidiary of ABC Corporation based in Angola. ABC Ltd paid management fees to the parent company (ABC Angola) amounting to FRW 50,000,000 per year, however this figure is 15% higher than what other companies in the same sector pays for the same services to their parent companies.

Required:

As per the transfer pricing rule, **calculate the transfer pricing adjustment if any** **(4 Marks)**

b) ABC Ltd carried out the following transactions during August 2023:

- 1) 2/08/2023 Purchased goods on credit from foreign suppliers to the value of 20,000 USD.
- 2) 10/08/2023 Received payments of 10,000 USD from its main customer, the goods were delivered on 03/08/2023.
- 3) 15/08/2023 Paid its supplier USD 20,000.

Exchange rates are as follows (FRW per USD):

2/08/2023: 925.45

3/08/2023: 926.01

10/08/2023: 927.23

15/08/2023: 928.05

Required:

Prepare Journal entries and indicate the exchange difference that would be taxable or deductible for ABC Ltd (6 Marks)

c) During the year ended 31/12/2022 Mr Kalisa Paul had an adjusted taxable income amounting to FRW 165,540,000. He had paid FRW 4,000,000 in the form of withholding tax on his investment in Mozambique, he had also paid in advance the CIT amounting to FRW 2,500,000 in the form of withholding tax on a public tender awarded by Muhanga District. The Personal Income tax paid in 2021 amounts FRW 50,000,000.

Required:

Compute the personal income tax that corresponds to his taxable income as well as the personal income tax liability. Using computations, advise him on the amount of the quarterly prepayments for the year 2023 and when to pay them. (10 Marks)

(Total: 20 Marks)

QUESTION 15

XYZ Ltd is a newly listed company at Rwanda capital market and sold 18% of its shares to the public. The following is the statement of profit or loss for the year ended 31/12/ 2022.

Particulars	FRW "000"	FRW "000"
Sales		825,478
Cost of Sales		(645,789)
Gross Profit		179,689
Other income		
Dividends	24,578	
Farming Income	18,257	
	42,835	42,835
Expenses		
Office Rent	15,000	
Salaries and Wages	24,000	
Bad debt	1900	
Donation	24,510	
Legal and Accounting Fees	12,450	
Repair and maintenance	105,000	
Dividends	7,000	
Communication	13,000	

Particulars	FRW "000"	FRW "000"
Security expenses	1,800	
Entertainment expenses	4,500	
Income Tax	12,560	
Depreciation	45,000	
Interest expense	75,000	
	341,720	(341,720)
Profit/loss before taxation		-119,196

Additional information:

- Dividends were received from investments in Ghana, net of 10% withholding tax.
- Agricultural income is generated by farming activities in the Gicumbi district.
- Of the repair and maintenance expenses, FRW 20,000,000 was allocated to the construction of a new sales outlet in Nyabugogo.
- Income tax paid corresponds to withholding tax on imports.
- Bad debts are those outstanding for more than six months, in line with company policy.
- The donation was used to help street children in Kigali celebrate Christmas.
- Communication expenses are money charged to staff cell phones, with no clear distinction between business and personal use.
- Details of the fixed assets register at January 1, 2022 are as follows:
 - Building: FRW 160,000,000 (this is the cost; the asset was acquired 3 years ago)
 - Plant and machinery: FRW 230,000,000 (this is the cost; the asset was acquired 2 years ago)
 - Computers and accessories: FRW 450,000 (Written down value)
 - Furniture: FRW 15,000,000 (Written down value)
- Corporate income tax paid in 2021 amounts to FRW 16,000,000.

Required:

Compute the taxable income, tax liability, and tax payable for the year ended 31/12/2022
(Total: 20 Marks)

End of Question Paper

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