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**CERTIFIED ACCOUNTING TECHNICIAN**  
**STAGE 3 EXAMINATIONS**  
**S3.3 TAXATION**  
**DATE: FRIDAY 29, NOVEMBER 2024**  
**MARKING GUIDES AND MODEL ANSWERS**

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## **SECTION A**

### **Marking guide**

<b>Question one –10</b>	<b>Description</b>	<b>Marks</b>	<b>Total Marks</b>
	Award 2 Marks on each correct answer		
1	B	2	
2	C	2	
3	B	2	
4	D	2	
5	B	2	
6	A	2	
7	C	2	
8	D	2	
9	A	2	
10	D	2	
	<b>Total Marks</b>		<b>20</b>

### **Model answers**

#### **QUESTION ONE**

**Correct Answer is B**

Annual income		44,000,000
Less:		
10% expenses	-	4,400,000
Finance costs	-	3,750,000
Depreciation (Working 1)	-	13,750,000
<b>Taxable Income</b>		<b>22,100,000</b>

#### **Working 1**

<b>Description</b>	<b>Workings</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Gross income	FRW	44,000,000	44,000,000	44,000,000	44,000,000
less allowable expenses	(10% x 44,000,000)		-4,400,000	-22,000,000	4,400,000
less depreciation	(25% x 55,000,000)		-13,750,000	-	-2,750,000
less interest expenses	(15% x 25,000,000)		-3,750,000	-3,750,000	-3,750,000
Taxable rental income	FRW	44,000,000	22,100,000	18,250,000	41,900,000

**Note: Depreciation rate is 25% at reducing balance**

- A is incorrect because it treats gross rent as taxable income without any deductions.
- C is incorrect because it applies the deemed expense of 50% and doesn't consider depreciation. This treatment would apply in the case of the rental income from the building.
- D is incorrect because it uses a depreciation rate of 5% instead of the correct rate of 25%

## QUESTION TWO

**The correct answer is C.**

	<b>Workings</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Proceeds from sale of shares	10,000 x 500	5 000 000	5 000 000	Exempt	5 000 000
Cost of the shares	10,000 x 400	4 000 000	-	-	4 000 000
Capital gain		1 000 000	-	-	1 000 000
<b>WHT</b>	<b>1,000,000 x 5%</b>	<b>50 000</b>	<b>250 000</b>	<b>-</b>	<b>150 000</b>

**A** is incorrect because listed companies are exempt by law.

**B** is incorrect because it applies the tax rate to the total sale proceeds.

**D** is incorrect because it applies to the WHT rate of 15%.

## QUESTION THREE

**The correct answer is B**

2,017	2,018	2019	2020	2021	2022	2023
- 600,000	300,000	- 40,000	80,000	- 15,000	- 25,000	
- 600,000	- 300,000	- 340,000	- 260,000	- 275,000	- 300,000	- 80,000
					220,000 EXPIRED	

**A** is incorrect because it does not consider the 5-year expiry period for a loss.

**C** is incorrect because it does not consider the loss for the year 2017.

**D** is incorrect because it only considers the 2017 loss.

## QUESTION FOUR

**The correct answer is D.**

As stipulated by the law no 016/2018 of 13/04/2018 establishing taxes on income in its article 25 regarding the deductions from taxable income, for an expense to be deductible shall fulfil all the conditions above.

## QUESTION FIVE

The correct answer is B

Particulars	Working	Amount	A	B	C	D
Contract price		65 000 000	65 000 000	65 000 000		
Estimated cost		55 000 000		55 000 000		
<b>Cost Incurred:</b>				-		
Salaries	7 000 000			-		
materials	18 000 000			-		
administrative expenses	1 600 000			-		
Miscellaneous expenses	1 500 000			-		
<b>Total</b>	<b>28 100 000</b>			-		
Percentage of completion	28,100,000/55,000,000*100	51%		0,51		
<b>Revenue to declare</b>	<b>65,000,000 * 51%</b>	<b>33 209 091</b>	<b>65 000 000</b>	<b>33 209 091</b>	<b>0</b>	<b>21 666 667</b>

A is incorrect because it considers the entire contract price as the income to be declared in the first year.

C is incorrect because it does not consider any income.

D is incorrect because it divides the contract price evenly over the 3-year duration of the contract.

## QUESTION SIX

The correct answer is A.

FRW 1,500,000+FRW 200,000+FRW100,000 plus 10% of (FRW 1,500,000+FRW 200,000+FRW100,000) = FRW 1,980,000

B is incorrect because it considers 10 % of the value of the motor vehicle as the benefit in kind.

C is incorrect because it does not consider any benefit in kind.

D is incorrect because it does not consider the overtime and communication allowance, as well as the benefit in kind.

## QUESTION SEVEN

The correct answer is C

As per article 16 of the law no 016/2018 of 13/04/2018 establishing taxes on income both statements are true.

## QUESTION EIGHT

The correct answer is D

		A	B	C	D
Gross Rent	1,300,000 x 12	15 600 00 0	15 600 000	15 600 00 0	15 600 000
Less Allowable expenses	15,600,000 x 50%		1 560 000	7 800 000	7 800 000
Less interest expenses	15% x 16,000,000		- 2 400 000		- 2 400 000
<b>Taxable income</b>		<b>15 600 00 0</b>	<b>14 760 000</b>	<b>7 800 000</b>	<b>5 400 000</b>

A is not correct because it doesn't consider any allowable expense

B is not correct as it uses a deemed expense of 10% instead of 50%

C is not correct as doesn't include the interest expense

## QUESTION NINE

The correct answer is A

	Contract amount	WHT	
A	15 000 000	450 000	A is correct as it considers the WHT of 3%
B	15 000 000	2 250 00 0	B is incorrect because charged 15% as WHT , yet Umulisa is registered.
C	15 000 000	0	C is not correct as it doesn't consider any WHT
D	15 000 000	2 700 00 0	D is not correct because it uses the rate of 18%

## **QUESTION 10**

### **The correct answer is D**

As per article 18 (Obligations of the user of electronic invoicing system) of the law no 026/2019 of 18/09/2019 on tax procedures, says that any user of electronic invoicing system is bound by the following obligations:

- To issue an electronic invoice to every buyer regardless request thereof
- To notify the Tax Administration of failure of electronic invoicing system within a time not exceeding six (6) hours, etc.

## **SECTION B**

### **QUESTION 11**

#### **Marking Guide**

<b>Particulars</b>	<b>Marks</b>
PAYE	2
Pension contribution (employee)	1.5
Pension contribution (employer)	1.5
MLB employee	1.5
MLB employer	1.5
CBHI	2
<b>Total</b>	<b>10</b>

#### **Model Answers**

<b>Description</b>	<b>Amount</b>	<b>Workings</b>
Basic salary	1,000,000	
Housing allowance	200,000	
Transport allowance	200,000	
<b>Gross salary</b>	<b>1,400,000</b>	
PAYE	404,000	$((1,400,000 - 100,000) \times 30/100) + 14,000$
Pension base	1,200,000	
Pension contribution (employee)	36,000	base times 3%
Pension contribution (employer)	60,000	base times 5%
MLB employee	3,600	base times 0.3%
MLB employer	3,600	base times 0.3%
CBHI	4,782	Net salary times 0.5%

### **QUESTION 12**

#### **Marking guide**

<b>WHT on</b>	<b>Marks</b>
Capital Gain	2
Interest Income	2
Interest Income	2
Dividend Income	2
Dividend Income	2
<b>TOTAL</b>	<b>10</b>

### Model answers

Income Type	Workings	WHT IN FRW
1. Capital Gain	Proceeds from the sale of shares $(10,000 \times 450) = 4,500,000$	
	Cost of the shares $(10,000 \times 350) = 3,500,000$	
	Capital Gain: 1,000,000	
	Capital Gain Tax $(1,000,000 \times 5\%) = 50,000$	50,000
2. Interest Income	$(35,000,000 \times 6\% \times 11/12) = 1,925,000$	
	Interest Income: 1,925,000	
	Withholding Tax $(\times 15\%) = 288,750$	288,750
3. Interest Income	$(15,000,000 \times 100 / 85) = 17,647,058$	
	Interest Income (gross): 17,647,058	
	Withholding Tax $(17,647,058 \times 15\%) = 2,647,059$	2,647,059
4. Dividend Income	$(280 \times 120,000) = 33,600,000$	
	Dividend Income: 33,600,000	1,680,000
	Withholding Tax $(33,600,000 \times 5\%) = 1,680,000$	
5. Dividend Income	$(2,000,000 \times 100 / 95) = 2,105,263$	
	Dividend Income: 2,105,263	
	Withholding Tax $(2,105,263 \times 5\%) = 105,263$	105,263



## SECTION C

### QUESTION 13

#### Marking guide

Particulars	Marks
Accelerated Dep	2.5
DEP. VALUE	2.5
W & T	2.5
additional assets	2
Accelerated Dep	1
Dep. Value	3
W & T	3
disposal	0.5
W & T	3
<b>Total</b>	<b>20</b>

#### Model Answers

<b>2018</b>	<b>Descriptions</b>	<b>Plant and Machinery 000</b>	<b>Trucks 000</b>	<b>Laptop computers 000</b>	<b>Office furniture 000</b>	<b>Factory building 000</b>	<b>Software</b>
	COST	300,000	270,000	25,000	9,000	200,000	
	Accelerated Dep	150,000	135,000			100,000	
	Disposal	-	-	-	-	-	
	Dep base	300,000	135,000	25,000	9,000	200,000	
	Depreciation charge	15,000	33,750	12,500	2,250	10,000	
	Closing Balance	135,000	101,250	12,500	6,750	90,000	
<b>2019</b>	Opening NBV	135,000	101,250	12,500	6,750	90,000	
	Acquisition Value	95,000	48,000			70,000	<b>6,000</b>
	Accelerated Dep	47,500				35,000	
	Disposal	-	-	-	-	-	-
	Dep Base	395,000	149,250	12,500	6,750	270,000	6,000
	Depreciation charge	19,750	37,313	6,250	1,688	13,500	600

	Closing Bal	162,750	111,938	6,250	5,063	111,500	5,400
2020	Opening NBV	162,750	111,938	6,250	5,063	111,500	5,400
	Acquisition Value	0	0	0	0	0	0
	Accelerated Dep	0	0	0	0	0	0
	Disposal			3000	5000		
	Dep Base	395,000	111,938	3,250	63	270,000	6,000
	Depreciation charge	19,750	27,984	1,625	63	13,500	600
	Closing Bal	143,000	83,953	1,625	-	98,000	4,800

## QUESTION 14

### Marking Guide

Particulars	Marks
a)	
Adjusted management fee	2
Increase in taxable income	2
b)	
2 marks for a well posted date (max 6)	6
c)	
Adjusted Profit	0.5
Corresponding Tax	2
Less:	
Foreign tax credit	0.5
WHT 3%	0.5
Quarterly prepayment	2
NET TAX liability	1
Computation of the IQP	2
Advise on when to pay them	1.5
<b>Total</b>	<b>20</b>

### Model Answer

a) ABC Ltd paid FRW 50,000,000 in management fees to the parent company. This amount is 15% higher than that paid by other companies in the same sector.

$$X + 0.15X = 50,000,000$$

$$1.15 = 50,000,000$$

$$X = 50,000,000 / 1.15 = \text{FRW } 43,478,260$$

The tax administration will increase ABC Ltd's taxable income by 50,000,000 - 43,478,260 = FRW 6,521,740

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

**02/08/2023**

Dr Purchases	18,509,000
Cr Account payable	18,509,000

(This being a purchase of goods from a foreign supplier)

**03/08/2023**

Dr Account receivable	9,260,100
Cr Sales	9,260,100

(This being a sale to a customer)

**On 10/08/2023**

Dr Bank	9,272,300
Cr Account receivable	9,260,100
Cr Exchange gain/loss	12,200

(This being payment from a customer)

**August 15, 2023**

Dr Account payable	18,509,000
Dr Foreign exchange gain/loss	52,000
Cr Bank	18,561,000

(This being payment to the supplier)

c)

Description	FRW "000"
Adjusted Profit	165,540
Corresponding Tax	49,470
<b>Less:</b>	
Foreign tax credit	4,000
WHT 3%	2,500
Quarterly prepayment (50,000*25%*3)	37,500
<b>Net Tax Liability</b>	<b>5,470</b>

Quarterly prepayments for 2023 = 49,470,000 \* 25% = 12,367,500 \* 3 = 37,102,500

Payable not later than 30 June, 30 September and 31 December 2023

W1: Personal income tax computation

From	To	Tax rate	Tax
-	360 000	0%	-
360,001	1 200 000	20%	168 000
1,200,001	165,540,000	30%	49,302,000
<b>Total PIT</b>			<b>49,470,000</b>

## QUESTION 15

### Marking Guide

	Marks
Loss before tax	0.5
Repair and Maintenance	1
Income tax	1
Bad debts	1
Donation	1
Communication	1
Depreciation	1
Dividends	1
Entertainment	1
Dividend net	1
Add Dividend Gross	1
Agriculture income	1
Capital Allowance	1
Less Advance tax	1
10% WHT on Dividend	1
WHT on import	1

Building	1.5
Plant and Machinery	1
Computer and Accessories	1
Furniture	1
<b>Total</b>	<b>20</b>

### Model Answers

		FRW 000
Loss before tax		- 119,196
Add back non allowed expenses		
Repair and Maintenance	20,000	
Income tax	12,560	
Bad debts	1,900	
Donation	24,510	
Communication	2,600	
Depreciation	45,000	
Dividends	7,000	
Entertainment	4,500	
<b>Total Additions</b>		<b>118,070</b>
Less:		
Dividend net	- 24,578	
Add Dividend Gross	27,309	
Agriculture income	- 12,000	

		<b>FRW 000</b>
Capital Allowance	- 24,700	
<b>Total Deductions</b>		<b>- 33,969</b>
<b>Taxable income</b>		<b>- 35,095</b>
Less Advance tax		
10% WHT on Dividend		- 2,731
WHT on import		- 12,560
<b>Tax credit</b>		<b>- 15,291</b>

#### Working on Capital allowance

		Additions	Dep base	Depreciation
Building	160,000	20,000	180,000	9,000
Plant and Machinery	230,000		230,000	11,500
Computer and Accessories	450		450	450
Furniture	15,000		15,000	3,750
				24,700

**End of marking guides and model answers**