



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.3: TAXATION

DATE: FRIDAY,01 APRIL 2022

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. Question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

Which of the following is example of exempted employment income?

- A Emery has to take three days off work due to the flue and receive sick pay.
- B Marie Merci is reimbursed for the purchase of some stock she made on behalf of her employer.
- C Julius received a bonus for being the employee of the year
- D Tumaini is paid an extra month salary as compensation for being redundant.

(2 Marks)

QUESTION TWO

Mr Murage Ismael is a member of the board of directors of Mount Blue, a public entity headquartered at Kigali. At the end of the month of August 2020, he received a gross remuneration amounting to FRW 1,345,400.

How much of tax was paid to Rwanda Revenue Authority for Mr Murage for the month ended 31st August 2020?

- A FRW 201,810
- B FRW 403,620
- C FRW 373,620
- D FRW 387,620

(2 Marks)

QUESTION THREE

From the question above, state the declaration and payment due date of Mr. Murage Ismail' tax.

- A 31/03/2021
- B 15/08/2020
- C 31/12/2020
- D 15/09/2020

(2 Marks)

QUESTION FOUR

Which two of the following are conditions to be met by a taxpayer to use a tax period that is not 31 December?

- i. The taxpayer must write to the Minister in Charge of Finance for permission.
- ii. The taxpayer must be a company.
- iii. The taxpayer must notify Rwanda Revenue Authority of the change.
- iv. The taxpayer must be an individual.

- A (i) and (ii)
- B (i) and (iii)
- C (ii) and (iii)
- D (ii) and (iv)

(2 Marks)

QUESTION FIVE

Which two of the following is not considered as a person's permanent establishment?

- i. A place of management.
- ii. A mine, a quarry, or any other place for an exploitation of natural resources.
- iii. A place of operation aimed purposely at purchasing goods or merchandise or collecting information related to his/her business.
- iv. He carries out activities through a broker, general commission agent or any other private agent in accordance with procedures of the ordinary course of the activities of such an agent.

- A (i) and (ii)
- B (i) and (iii)
- C (iii) and (iv)
- D (i) and (iv)

(2 Marks)

QUESTION SIX

Which of the following is a condition requiring a taxpayer to certify his/her financial statements?

- A A taxpayer who has been notified by the Tax Administration that he or she is registered among large taxpayers.
- B A taxpayer who is having an Electronic Billing Machine.
- C A taxpayer whose an annual turnover of or above FRW 400,000,000.
- D None of the above

(2 Marks)

QUESTION SEVEN

Which of the following person is qualified as a resident of Rwanda for the tax purposes for the period of 2020?

- A Von Got Zen, a German citizen who owns a hotel business in Kigali but has only visited Rwanda for one month in July 2020, and he does not own a home in Rwanda.
- B Mukarubuga Epiphanie an individual whose habitual abode is in Rwanda but is currently travelling around the world and will be away the whole year.
- C Jameson bond, a South African citizen, who is seconded to Rwandan by his employer for the period of 1 September 2020 to 30 April 2021. He stays in hotel while in Rwanda, and he has never visited Rwanda prior to his secondment
- D Adams Balthelemy a colleague of Jameson, who was seconded to Rwanda for the period of 1 September 2019 to 31 January 2020 and 20 November 2020 to 31 July 2021, but has now returned to the South Africa (his home land)

(2 Marks)

QUESTION EIGHT

The following relates to Bambu company for the year ended December 2020.

Description	Dr	Cr
	FRW	FRW
Sales		850,000,000
Gross profit		55,000,000
Dividends paid	8,250,000	
Salaries and wages	7,980,000	
Communication	1,200,000	
Charity donations	3,860,000	
Advertising	2,400,000	
Depreciation	1,870,600	
Bad debts	800,000	
Electricity	4,200,000	
Income tax	1,750,000	-

Additional information:

- (1) Communication charge related to airtime loaded in the Chief Finance Officer's phone for private use.
- (2) 30% of the salaries and wages relates to director's remunerations.
- (3) The bad debt was a provision that was made at the end of the year.
- (4) Income tax relates to the unpaid tax arrears charged by Rwanda Revenue Authority

What is the total deductible expenses for Bambu Ltd for the year ended December 2020?

- A FRW 20,670,600
- B FRW 20,430,600
- C FRW 20,550,600
- D FRW 17,190,600

(2 Marks)

QUESTION NINE

Which one of the following entities are not exempted from corporate income tax?

- A Cooperative societies and their branches.
- B Non-Governmental Organizations (NGOs)
- C Qualified pension funds.
- D Development Bank of Rwanda (BRD)

(2 Marks)

QUESTION 10

Which two of these Rwandan taxes would be considered as direct taxes?

- i. Withholding for an interest
- ii. Excise tax on alcohol
- iii. Personal income taxes
- iv. Import duties paid on goods acquired from outside

- A (i) and (iv)
- B (i) and (iii)
- C (ii) and (iv)
- D (iii) and (iv)

(2 Marks)

SECTION B

QUESTION 11

(a) Romeo a USA citizen, and Johnathan a Rwandan resident formed a partnership in 2019 of trading the Made in Rwanda clothes, during the year ended 31 December 2020, the partnership made a taxable profit of FRW 100,000,000. Romeo and Jonathan share the partnership profit in the ratio 40:60 and has agreed to distribute all the profits after tax.

Required:

- i. Calculate the tax due on the partnership profit. (1 Mark)
- ii. Calculate the distribution payable to each partner (3 Marks)
- iii. Explain whether there are any further taxes that are due to the Rwanda tax authority on these distributions. (4 Marks)

(b) Define the term flat tax regime and identify business entities that are subject to flat tax regime (2 Marks)

(Total: 10 Marks)

QUESTION 12

Mwongenu engineering Ltd is a private company incorporated under the Rwandan company act since 2019. The company received the investment certificate and is engaged in manufacturing of cement and road construction. The company started its operations on 01 January 2020. The following information was provided by the chief accountant:

Assets at cost	Amount in FRW "000"
Land	200,000
Building	420,500
Plant & machinery	600,000
Motor vehicle	114,360
Furniture and fittings	69,800
Computer & accessories	92,800

Required:

Compute Mwongenu engineering Ltd capital allowance for the year ended 31 December 2020 (10 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

The following financial information relates to Malimingi company Ltd, a registered a medium taxpayer in Rwanda, for the year ended 31 December 2020, the following transaction occurred:

Details	Amount in FRW
Sales	470,000,000
Cost of sales	120,000,000
Selling and Distribution	15,000,000
Administration	30,000,000
General expenses	20,000,000

Required:

- (a) **Compute Malimingi Company Ltd' tax liability for the year ended 31 December 2020.** (3 Marks)
- (b) **When should Malimingi Company Ltd file its tax declarations?** (2 Marks)
- (c) **Malimingi Company Ltd failed to declare and pay on time. The company submitted the financial returns one month after the due date. Calculate all penalties, fine and interests applicable to Malimingi Company Ltd for failure to meet tax obligations.** (5 Marks)
- (d) **Explain the term self-disclosure, its advantages and taxpayers qualified to make self-disclosure** (8 Marks)
- (e) **Explain the concept of transfer pricing in the context of Rwandan tax law.** (2 Marks)

(Total: 20 Marks)

QUESTION 14

Kazeneza Douce is a Certified Accounting Technician since December 2015. Recently, she got employed as a Chief accountant of Ineza a non-governmental organization on 01 January 2020 with the following contractual terms:

- (1) Monthly salary of FRW 3,000,000
- (2) Communication allowance of FRW 100,000 per month
- (3) Overtime allowance of FRW 250,000 per month
- (4) A company car which she uses for both private and business activities.
- (5) A furnished house
- (6) During the month of January 2020, Kazeneza Douce received a loan of FRW 15,000,000 at an interest rate of 6%. The interbank interest rate was 12%
- (7) Kazeneza Douce employs a house girl who is paid by the company. The house girl receives a monthly salary of FRW 80,000
- (8) The company contributes FRW 300,000 per month as a statutory pension for Kazeneza Douce, and FRW 150,000 per month in a private recognized pension fund.

(9) The company paid FRW 200,000 per month as PAYE to the tax administration.

Required:

- (a) **Determine Kazeneza Douce taxable annual income** (15 Marks)
 - (b) **Determine Kazeneza Douce's Tax liability and the Tax Payable** (4 Marks)
 - (c) **State any advantage of on-time declaration and payment of taxes to the tax administration.** (1 Mark)
- (Total: 20 Marks)**

QUESTION 15

a) Agenecor Ltd is a company registered in Rwanda Development Board (RDB). They have been notified by Rwanda Revenue Authority that they are among large taxpayers. The company presented the following financial information to Rwanda Revenue Authority for the year ended 31 December 2020

Items	Amount FRW "000"	Amount FRW "000"
Sales		726,422
Cost of sales		(387,000)
Gross profit		339,422
Other income		
Net Profit from abroad		234,200
Net interest received		89,400
Total income		663,022
<u>Operating expenses</u>		
Salaries and wages	(79,000)	
Administration expenses	(40,600)	
Rent	(84,000)	
Bad debts	(284,000)	
Depreciation	(145,200)	
Value Added Tax	(95,000)	
Legal fees	(24,000)	
Technical fees	(128,000)	
Marketing costs	(82,000)	
Repair and maintenance	(119,000)	
Other expenses	(10,896)	
Total expense		(1,091,696)
Net Profit / Loss		(428,674)

Additional information:

- (1) 20% of salary and wages was director's remuneration for the monthly meeting allowances
- (2) 50% of the rent was erroneously duplicated and therefore overpaid
- (3) The bad debts related to unclaimed losses from the period of 2010

- (4) Repair and maintenance is a major expenditure that involved the construction of an additional room for offices
- (5) Other expenses related to communication money loaded on the mobile phone of the staff. It is difficult to separate the private and business transactions
- (6) The legal fees related to a legal case regarding inheritance from the director's mother.
- (7) The profit received from abroad was net of income tax at the rate of 28%
- (8) The interests were received on deposits in financial institutions for the period of one year;
- (9) The allowable capital allowance for tax purposes was fixed at FRW 53,500,000.
- (10) The prepayment of income tax for the year ended 31 December 2020 was FRW 58,000,000

Required:

Compute Agenecon Ltd's taxable income and tax liability for the year ended 31 December 2020. (20 Marks)

(Total: 20 Marks)

End of question paper

