



**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 2 EXAMINATIONS**

F2.4: TAXATION

DATE: MONDAY 25, AUGUST 2025

INSTRUCTIONS:

1. Time Allowed: **3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **seven** questions and **only five** questions are to be attempted.
3. Marks allocated to each question are shown at the end of the question.
4. Show all your workings and assumption if any.
5. 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 (VAT) Rate: 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 machinery	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.

QUESTION ONE

a) VAT is a tax on the consumption of goods and services. It is indirectly paid by the final consumer of the goods or service. However, it is paid on their behalf by taxpayers on the value added at each stage of production. As far as VAT is concerned:

i) Describe the Value Added Tax points. (6 Marks)

ii) What is the VAT refund? Explain the process on how the VAT is refundable for large taxpayers in Rwanda. (5 Marks)

b) Bucuras Ltd is an international private company that produces and sells multiple products at Kigali city market and outside of the country, during the month of January 2023, the following list of goods and services were purchased or sold by Bucuras Ltd;

Date	Activity description
02/01/2023	Imported the bags at FRW 2,500,000
05/01/2023	Exported the fabricated chairs at 4,500,000
11/01/2023	Free donation of tablets to a charitable organization of FRW 3,000,000
13/01/2023	Purchased the raw materials for using in different production from local trader at FRW 1,500,000
14/01/2023	Bucuras Ltd bought an entertainment related products for the CEO at FRW 800,000
20/01/2023	Sold other standard products at FRW 10,000,000
28/01/2023	Paid the electricity and telephone cost of FRW 1,200,000

Additional information:

1. Included in the total cost of bags is FRW 500,000 relating to port charges and other fiscal charges paid by Bucuras Ltd during the importation.
2. It was not easy to separate the consumption of electricity and telephone used by Bucuras Ltd and its staff.
3. Where applicable, VAT is inclusive.

Required:

Show the position of VAT of Bucuras Ltd for the month of January 2023. (9 Marks)

(Total Marks: 20 Marks)

QUESTION TWO

Peter and Paul established a partnership called Triple P and sharing profits and losses at the ratio of 1:2 respectively. The following is the statement of profit/loss of the partnership for the year ended 31st December 2023.

Triple P Statement of Profit/loss for the year ended 31st December 2023:

Description	Amount in FRW	Amount in FRW
Sales		6,000,000
Other income		
Insurance Recovery on stock stolen		300,000
Realized foreign exchange gain		200,000
Total income		6,500,000
Less expenses		
Cost of sales	2,500,000	
Purchase of computer	350,000	
Salary- Peter	400,000	
Repair and maintenance	250,000	
Interest on loan	70,000	
Interest on capital-Paul	80,000	
Stock insurance	120,000	
Audit fees	1,000,000	
Tax- Cleaning fees	120,000	
Tax- Trading license	200,000	
Tax- Prepayment (IQP)	100,000	
General expense	105,000	
Total expense	5,295,000	(5,295,000)
Profit/ Loss		1,205,000

Additional information:

1. Included in the cost of sales is the closing stock of FRW 1,485,000 which was overstated by 10%.
2. Repair and maintenance comprised:

Description	Amount (FRW)
Purchase of furniture	130,000
Installation of sign post of the partnership	80,000
Repainting of business premise	30,000
Repair of office chair	10,000

3. General expenses comprised:

Description	Amount (FRW)
Negotiating cost for an additional plot of land for business expansion	60,000
Office refreshment	55,000

4. Computer purchased had a useful life of 5 years.

Required:

- a) Prepare a statement of adjusted taxable profit/ loss and compute income tax payable for Triple P for the year ended 31st December 2023. (10 Marks)
 - b) Compute the total income for each partner. (3 Marks)
 - c) Explain the treatment of bad debts as per the Rwanda income tax. (3 Marks)
 - d) Differentiate partnership from limited company as far as income tax is concerned (4 Marks)
- (Total: 20 Marks)**

QUESTION THREE

Mr. Emmanuel is a seasoned property investor based in Kigali, Rwanda. Over the past 15 years, he has acquired a portfolio of rental properties spread across residential, commercial, and hospitality sectors. His aim is to generate stable monthly income while growing his investment through property appreciation. The following are the detailed and locations of the assets for the year 2022.

1) Residential apartment block – Kimironko for Business

- Description: 4-storey building with 12 two-bedroom units
- Monthly rent per unit: FRW 350,000
- Estimated market value: FRW 450,000,000

2) Commercial office space – central business district (CBD)

- Description: 5-floor office complex rented to businesses
- Average monthly rent per floor: FRW 2,500,000
- Estimated market value: FRW 1,200,000,000

3) Boutique hotel – Kacyiru

- Description: 15-room hotel with a small restaurant
- Average room occupancy rate: 70%
- Average room rate per night: FRW 60,000
- Restaurant monthly revenue estimate: FRW 5,000,000
- Estimated market value: FRW 950,000,000

4) Retail shops – Nyamirambo

- Description: 8 small shops in a row
- Average monthly rent per shop: FRW 250,000
- Estimated market value: FRW 200,000,000

Additional information:

- There was not bank interest paid in the year 2022.
- Mr. Emmanuel owns a residential building where he lives with his family.

Required:

- a) Calculate the rental income tax payable by Mr Emmanuel for the year 2022. (8 Marks)
 - b) Calculate the immovable property tax payable to the tax administration for the year 2022. (4 Marks)
 - c) Highlight at least FOUR properties exempted from immovable property tax (2 Marks)
 - d) Describe the situations in which the district council may grant a waiver for immovable property tax. (2 Marks)
 - e) Describe the fines and penalties applicable for failure to declare and pay immovable property tax within the prescribed time. (4 Marks)
- (Total: 20 Marks)**

QUESTION FOUR

Mr. Jean Mugenzi is a Rwandan resident working full-time as a Finance Manager at Rwanda Plastic Ltd. For the tax year ended 31 December 2024, he received both employment income and incidental income from various sources as outlined below:

1. Employment contractual terms Income (from Rwanda plastic Ltd)

- i) His monthly basic salary is FRW 3,600,000.
- ii) He receives a monthly housing allowance of FRW 600,000 in cash.
- iii) A monthly transport allowance of FRW 360,000 is also provided.
- iv) The company pays for his medical insurance at a rate of FRW 150,000 per month.
- v) He is entitled to an end-of-year bonus of FRW 4,000,000, paid in December.
- vi) The employer contributes FRW 250,000 per month to the public social security pension fund.
- vii) In addition, the employer contributes FRW 270,000 per month to a qualified pension fund.
- viii) His monthly PAYE of FRW 690,000 is deducted on his employment income.
- ix) In December, Mugenzi received a mission allowance of FRW 1,500,000 for business-related travel.
- x) Furthermore, Mugenzi lives in a house rented at FRW 800,000 per month, and his employer contributes 20% of the rent towards this cost.
- xi) Additionally, the company rented a motor vehicle on behalf of Mugenzi, for both business and personal use for Mugenzi, at a monthly cost of FRW 500,000.

2. Incidental Income (Other Sources)

- i) He received interest on 3 years long term deposit amounting to FRW 2,500,000.
- ii) He earned sitting allowances from board meetings totalling FRW 1,800,000, which is net of withholding tax.

- iii) For his part-time consultancy work, he received FRW 3,200,000, also net of withholding tax.
- iv) Additionally, Mr. Mugenzi earned agriculture income from a farm located in Nyagatare district, amounting to FRW 23,500,600.

Required:

Calculate Mr. Jean Mugenzi's annual total taxable income and tax liability for the year ended 31 December 2024.

(20 Marks)

(Total: 20 Marks)

QUESTION FIVE

a) Tax is the one of sources of revenue to the government to implement different public projects, as the revenue increases, the government also get more capability to implement a lot of projects or activities.

For the government of Rwanda to generate more revenue from taxes has adopted a multiple tax system where taxes have been levied on various items or bases.

As an expert in tax matter, **Classify the taxes as per burden of tax, scope or authority imposing the tax and graduates scale or rate and provide TWO examples of tax or fees for each classification charged here in Rwanda.**

(14 Marks)

b) **Briefly explain 3 theories of taxation**

(6 Marks)

(Total: 20 Marks)

QUESTION SIX

a) In the year ended 31 December 2023, Mr. Jean Bosco, an individual investor, earned income from various investment assets. The details of his income sources are as follows:

1. Equity in NovaTech Ltd: Jean Bosco owns 120,000 shares valued at FRW 300 each in NovaTech Ltd, a company listed on the Rwanda Stock Exchange. During the year, he sold 8,000 shares at a price of FRW 400 per share.
2. Fixed Deposit at Equity Horizon Bank: He deposited FRW 25,000,000 in a fixed deposit account for 10 months at an annual interest rate of 8%.
3. Interest from Treasury Bonds: He earned FRW 10,000,000 in interest income from two-year government bonds.
4. Dividends from Rubavu Holdings: Jean Bosco holds 100,000 shares in Rubavu Holdings, a company listed on the Rwanda Stock Exchange. The company declared a dividend of FRW 250 per share at year-end.
5. ABC Bank Fixed Deposit: Jean Bosco also invested in a three-year fixed deposit at ABC Bank, from which he earned FRW 3,500,000 in interest income during the year.
6. Sale of Intellectual Property: He sold the copyright to a locally produced film for FRW 20,000,000.

7. Interest from Long-Term Government Securities: From a six-year government security investment, he earned FRW 7,000,000 in interest.
8. Sale of Shares in Nyungwe Plc: He holds 30,000 shares valued at FRW 350 each in Nyungwe Plc, a company not listed on the RSE. During the year, he sold 15,000 shares at FRW 450 each.
9. Dividends from Intore Group: Jean Bosco received FRW 3,000,000 in dividend income from Intore Group, a private company not listed on the Rwanda Stock Exchange.

Required:

For each of the above transactions, **calculate the applicable withholding tax payable by Jean Bosco for the year 2023.** (15 Marks)

(Assuming that the amount was received net of withholding tax where applicable)

- b) In the month of June 2023, the date of which Bosco's share was Transferred, Nyungwe Plc failed to withhold and pay the capital gain tax, Nyungwe Plc is classified as Medium taxpayer.

Required:

Calculate the penalties, fines, and interest for late payment that will be payable to the tax administration as per the tax procedure law. Assuming the interest counts up to December 2023. (5 Marks)

(Total: 20 Marks)

QUESTION SEVEN

- a) Customs administration involves the management of imports and exports. Modern customs administrations perform a number of tasks, including revenue collection, trade facilitation and protection of national borders.

Required:

- i) **State TWO laws governing customs administration in Rwanda.** (2 Marks)
- ii) **List at least FOUR responsibilities of the customs services department.** (4 Marks)

- b) Customs duties are defined as all taxes, duties, levies and fees that are required to be paid to Rwanda Revenue Authority (RRA) on imported or exported goods.

Required:

- i) **State taxes paid on imports that are also paid on domestic goods** (2 Marks)
- ii) The protocol on the establishment of the East African Customs union established a common external tariff applicable between the partner states. Actually, common external tariff means an identical rate of tariff imposed on goods imported from foreign countries.

Required:

State **THREE** band common external tariff rate established by this protocol to be applicable between the partner states in respect of all products imported into the Community. (3 Marks)

c) i) Define a tax stamp and provide 3 products requiring tax stamp in Rwanda.

(3.5 Marks)

ii) Muhire Ltd is a dealer of different liquors imported from France and cigarettes at Kigali city market, and during the month of March 2023 he imported the following products

S/N	Description	Quantity	Price per unit (FRW)
1.	Importation of liquors from France	100	150,000
2.	Importation of cigarette	150 packs of 20 cigarettes each	45,000

Additional information:

Muhire Ltd has a pricing policy of retailing 1 pack at FRW 48,000 and FRW180,000 for one liquor and pack respectively. These prices are a pre-tax selling price.

Required:

Compute the total excise duty to be paid Muhire Ltd for the month of March 2023.

(5.5 Marks)

(Total: 20 Marks)

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