



**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 2 EXAMINATION**

F2.4: TAXATION

DATE: MONDAY 25, AUGUST 2025

MARKING GUIDE AND MODEL ANSWERS

QUESTION ONE: VAT Computation - VisionTech Ltd

Marking guide

Criteria	Marks
(a)(i)	
Award 1 mark for introduction and 1 mark for each point describing the value added tax point (Maximum 6 marks)	6
(a)(ii)	
1 mark for the meaning of VAT refund and 1 mark for each process of refunding the VAT for large taxpayers (Maximum 5 marks)	5
(b)	
Award 1 mark for each transaction to arrive on total input and output tax (Total 7 marks) and 1 mark for computing allowable input tax and 1 mark for showing the VAT position of Bucuras Ltd (Maximum 9 marks)	9
Do Not Award (DNA) the marks on total	
Total marks for question 5	20

Model answers

a) i)

The valued added tax point for the supply of goods and services is the earliest of one of the following:

- 1) The date on which the invoice is issued.
- 2) The date on which payment of goods and services, including a partial payment is made. However, this Paragraph does not concern the advance payment made to the constructors.
- 3) The date on which goods are either removed from the premises of the supplier or when they are given to the recipient.
- 4) The date on which the service is delivered.
- 5) The date on which a taxpayer applies for deregistration from the value added tax.

ii)

Tax refund is a result of having taxes withheld on earnings that amount to more than what a person owes in income taxes for a calendar year. There are times when a taxpayer pays more than what he/she is required to pay.

If during a particular prescribed taxation period, the input tax exceeds the output tax, the Commissioner General shall refund the supplier the due amount to which the supplier stands in credit by reason of the excess.

For the large taxpayer in Rwanda, VAT is refundable in the following process.

- ✓ When the amount to be refunded is less than FRW 200,000, the taxpayer shall deduct that amount during the next filing period.

- ✓ When the requested refund is between FRW 200,000 and FRW 2,000,000, as well as the money that was retained in the Office of the treasury, the taxpayer shall be refunded that money by the Rwanda Revenue Authority before any audit is carried out.
- ✓ When a taxpayer requests for refund of more than FRW 2,000,000, or between FRW 200,000 and FRW 200,000,000 for more than three consecutive times or even suspected of not rightfully demanding for the VAT refund, the RRA carries out an audit to verify the validity of refund request.
- ✓ Prior to the refund, the auditor is required to carry out desk audit without going to the taxpayer's premises.

b)

It is obvious that Bucuras Ltd deals with standard, zero and exempted products and in this case all the input tax will not be deducted against the out put tax, there must be a computation of allowable input tax by taking.

Total Input tax* Vatable or Taxable sales/ Total sales

Input Tax					
Date: 2023	Description	Amount in FRW	VAT Rate	VAT	Comment
02/01	Imported bags	2,500,000	18%	450,000	FRW 500,000 of port charges and other fiscal charges is the part that should be included in the value of import, hence no effect on the value of imported bags.
13/01	Purchased raw materials for using in different production	1,500,000	18/118	228,814	Because it was bought from local trader, the value was inclusive with VAT and that is why we used 18/118 to compute the input VAT
14/01	Bought of an entertainment related products for the CEO	800,000	Not allowed	-	Product bought for entertainment purpose is not allowed the input tax unless the taxpayer's business involves providing entertainment and the entertainment is

					provided in the ordinary course of that business and was not entrusted to a partner or employee
28/01	Paid the electricity and telephone	1,200,000	18/118 at 60%	109,831	The value is inclusive of VAT that is why we used 18/118 and the 60% of VAT is because the the electricity and telephone paid were not separable with one of the business and personal use.
Total input tax				788,645	
Output Tax					
05/01	Fabricated chairs exported	4,500,000	0%	0	Export is classified under zero rate products that is why its VAT rate is Zero
11/01	Free donation of tablets to a charitable organization	3,000,000	Exempted	Exempted	No VAT on Free donation of tablets to a charitable organization
20/01	Sold other standard products	10,000,000	18/118	1,525,424	The standard product should pay VAT at normal rate
Total output tax				1,525,424	

Allowable input tax = $109,831 * (4,500,000 + 8,474,576) / (4,500,000 + 8,474,576 + 3,000,000)$
= $109,831 * 12,974,576 / 15,974,576 = 89,205$ FRW

Total Input VAT: $(788,645 - 109,831) + 89,205 = 768,019$

Total output VAT: 1,525,424

VAT payable: $(1,525,424 - 768,019) = 757,405$

QUESTION TWO: Partnership Tax

Marking guide

Description	Marks
Part (a)	
Reported Profit	0.5
Add back non allowable expenses	
Salary- Peter	0.5
Interest on capital -Paul	0.5
Prepayment (IQP)	0.5
Award 2 marks for calculating profit after tax distributed to each partner	2
Less allowable expense	
Overstated closing stock	1
Annual Income Tax	0.5
Less IQP	0.5
Income tax payable	0.5
Adjusted profit/loss	
Working 1	
Award 0.5 Marks for each asset classified well (Maximum 1.5 marks)	1.5
Award 0.5 marks for each asset expenses conclusion (Maximum 1.5 marks)	1.5
Total marks for Section a	10
Part (b)- Total Income for each Partner	
Salary	0.5
Interest on capital	0.5
Profit share- 1 mark for each partner (Maximum 2 marks)	2
Total marks for Section b	3
Part (c)- Treatment of bad debt	
Award 1 mark for each condition provided	3
Total marks for Section c	3
Part (d)- Different between Partnership and Limited company	
2 marks for each point (Maximum 4 marks)	4
Do Not Award (DNA) the marks on total	
Total marks for question 1	20

Model answers

a) A statement of adjusted profit /loss of Triple P for the year ended 31st December 2023.

Description	Amount (FRW)	Amount (FRW)
Reported Profit		1,205,000
Add back non allowable expenses		
Salary - Peter	400,000	
Interest on capital -Paul	80,000	
Tax- Prepayment (IQP)	100,000	
	580,000	580,000
		1,785,000
Less allowable expense		
Overstated closing stock	(1,485,000*10/110)	-135,000
Adjusted taxable profit/loss		1,650,000
Annual Income Tax @ 30%		495,000
Less IQP		-100,000
Income tax payable		395,000

Profit allocated to partners before adjustment	1,205,000
Add back IQP (Correction of error)	100,000
Adjusted profit allocated to partners	1,305,000
Less tax	-495,000
Profit after tax allocated to the partners	<u>810,000</u>

Working

Asset Name	Class of assets			Total
	Land	Computer	Other	
	FRW	FRW	FRW	FRW
Computer		350,000		350,000
Furniture			130,000	130,000
Sign Post			80,000	80,000
Cost for an additional plot of land	60,000			60,000
Depreciation Base	60,000	350,000	210,000	620,000
Depreciation rate	<500,000	<500,000	<500,000	
Capital Allowance	All items are treated as expenses			

b) The total income for each partner

Description	Peter	Paul	Total
	FRW	FRW	FRW
Salary	400,000	-	400,000
Interest on Capital	-	80,000	80,000
Profit share (1:2)	270,000	540,000	810,000
Total Income	670,000	620,000	1,290,000

c) Treatment of Bad Debts

In the determination of business profit, a deduction is allowed for bad debts if the following conditions are fulfilled:

- 1° if an amount corresponding to the debt was previously included in the income of the taxpayer;
- 2° if the debt is written off in the books of accounts of the taxpayer;
- 3° if the taxpayer has taken all possible steps in pursuing payment and has shown a court decision declaring the insolvency of his/her debtor.

However, for an individual whose debt is less than three million Rwandan francs (FRW 3,000,000) in addition to the conditions referred to in items 1° and 2° of Paragraph One, the taxpayer provides proof that he has taken all reasonable steps over a period of three (3) years to recover the debt.

d) Different between partnership and Limited company as far as income tax is concerned.**Under partnership:**

✓ Income from partnership is taxed on each partner after sharing the total income from partnership plus other partner's income at the Personal Income Tax (PIT), while

Under limited company:

✓ Income from limited company is taxed at the corporate income tax (CIT) rate of 28% there is no sharing of profit to each shareholder because of a legal personality of the company but the company may share the profit to its shareholders in form of dividend and this occur after paying Tax.

QUESTION THREE: Rental & Property Tax - Mr. Emmanuel**Marking Guide**

Descriptions	Marks
Award 0.5 for computation of revenue for each type of asset	2
Award 0.5 for computation of allowed expenses for each asset	2

Award 0.5 for computation of rental taxable income for each asset	2
Award 1 for total taxable income	1
Award 1 for Rental income tax payable	1
Award 1 for correct computation of immovable asset tax payable	4
Award 0.5 Mark for each property stated	2
Award 1 Mark for each waiver situation provided	2
Award 1 Mark for interest for late payment	1
Award 1 Mark for late payment penalty	1
Award 2 Marks for non-declaration penalty	2
Total Marks	20

Model Answer

a) Rental Income Tax – 2022

1. Residential:

$$\text{FRW } 350,000 \times 12 \text{ units} \times 12 \text{ months} = 50,400,000$$

$$\text{Allowable deduction (50\%)} = 25,200,000$$

$$\text{Taxable income} = (50,400,000 - 25,200,000) = \text{FRW } 25,200,000$$

2. Commercial:

$$2.5\text{M} \times 5 \times 12 = 150,000,000$$

$$\text{Allowed deduction (50\%)} = 75,000,000$$

$$\text{Taxable Income} = 150,000,000 - 75,000,000 = \text{FRW } 75,000,000$$

3. Boutique Hotel:

$$15 \text{ rooms} \times 70\% \times 30 \times 60,000 \times 12 = \text{FRW } 226,800,000$$

- Restaurant: $5\text{M} \times 12 = \text{FRW } 60,000,000$

$$\text{Total Revenue} = \text{FRW } 286,800,000$$

$$\text{Allowed expenses Deduction (50\%)} = 143,400,000$$

$$\text{Taxable income} = 286,800,000 - 143,400,000 = \text{FRW } 143,400,000$$

4. Retail shops:

$$250\text{K} \times 8 \times 12 = \text{FRW } 24,000,000$$

$$\text{Allowed Deduction (50\%)} = \text{FRW } 12,000,000$$

$$\text{Taxable income} = 24,000,000 - 12,000,000 = \text{FRW } 12,000,000$$

$$\text{Total taxable income} = 25,200,000 + 75,000,000 + 143,400,000 + 12,000,000 = \text{FRW } 255,600,000$$

$$\text{Rental income tax payable: } (255,600,000 - 1000,000) \times 30\% + 164,000 = \text{FRW } 76,544,000$$

b) Immovable Property Tax (Assume 0.1%)

- Residential: $(450,000,000 \times 1\%) * 50\% = \text{FRW } 2,250,000$
- Commercial: $1,200,000,000 \times 0.5\% = \text{FRW } 6,000,000$
- Hotel: $950,000,000 \times 0.5\% = \text{FRW } 4,750,000$
- Retail shops: $200,000,000 \times 0.5\% = \text{FRW } 1,000,000$

Total = FRW 14,000,000

c) Immovable properties exempted from immovable property tax

- 1) One building intended by the owner to be occupied as his or her dwelling and its annex buildings located in a residential plot for one family. That building remains considered as his or her dwelling even when he/she does not occupy it for various reasons;
- 2) Immovable property determined by the district Council or the Council of the City of Kigali as owned by vulnerable persons;
- 3) Immovable property owned by the State, decentralized entities and public institutions, except if they are used for profit-making activities or for leasing;
- 4) Immovable property belonging to foreign diplomatic missions in Rwanda if their countries do not levy tax on immovable property of Rwanda's diplomatic missions;
- 5) Land used for agricultural, livestock or forestry activities whose area is equal to or less than two hectares;

d) Waiver Situations

According to Article 31 of the Law 75/2018, the concerned District Council can only waive the due immovable property tax in the following cases:

- a. The taxpayer has provided a written statement of an inventory of his property justifying that he/she is totally indebted so as a public auction of his/her remaining property would yield no result;
- b. The taxpayer proves that he/she is not able to pay immovable property tax. The taxpayer applying for waiver of immovable property tax liability must write to the tax administration. When the request is found valid, the tax administration makes a report to the executive committee of the competent decentralized entity which also submits it to the District Council for decision. The waiver of immovable property tax liability cannot be granted to a taxpayer who understated or evaded taxes.

d) Fines for Late Declaration

Interests and penalties for late payment

- 1) The tax not paid on time bears an interest of 1.5%. The interest is calculated on a monthly basis, non-compounding, counting from the first day after the date the tax should have been paid until the day of payment, which is included. Every month started will count as a complete month.

(2) Except the interest payable, a surcharge equivalent to 10% of the tax due must be paid. However, such a surcharge cannot exceed an amount of FRW100,000.

(3) Any taxpayer who fails to file a tax declaration on time and the one who files a false declaration are liable to a penalty of 40% of the tax due.

QUESTION FOUR: Mr. Jean Mugenzi – Individual Tax

Marking Guide

Description	Marks
Salary	1
Housing allowance	1
Transport	1
Bonus	1
Employer contribution to pension (exempt)	1
Employer contribution to qualified pension	1
Medical (exempt)	1
Mission allowance	1
Vehicle benefit	1
Housing benefit (20% of 800K × 12)	1
Interest on deposit	1
Sitting allowance	1
Consultancy	1
Agriculture (exempt under 12M)	1
Total Taxable income	0.5
Tax payable	0.5
Less: Advance tax paid	
Withholding tax on interest (Exempted)	1
Withholding tax on sitting allowance	1
Withholding tax on consultancy services	1
PAYE paid	1
Net tax payable	1
Total Marks	20

Model Answer

Employment Income (Annual)

Description	Amount	Annual
Salary	$3.6M \times 12$	43,200,000
Housing allowance	$600K \times 12 = 7,200,000$	7,200,000
Transport	$360K \times 12 = 4,320,000$	4,320,000
Bonus	4,000,000	4,000,000
Employer contribution to pension (exempt)	Not taxable	-
Employer contribution to qualified pension	$270k \times 12$	3,240,000
Medical (exempt)	Exempt	-
Mission allowance	Exempt if documented	-
Vehicle benefit	$500K \times 12 = 6,000,000$	6,000,000
Housing benefit (20% of 800K \times 12)		1,920,000
Total		69,880,000

Total Gross Income = 69,880,000

Incidental Income

Descriptions	Workings	Amount
Interest on deposit	2,500,000	2,500,000
Sitting allowance	$1.8M \div (1-0.3) = 2,117,647$	2,571,428
Consultancy	$3.2M \div (1-0.15) = 3,764,706$	3,764,706
Agriculture (exempt under 12M)	23.5M, Taxable above 12M: 11.5M	11,500,600
Total		20,336,734

Tax taxable income: FRW 69,880,000 + 20,336,734 = **FRW 90,216,734**

Total Tax Payable = FRW (90,216,734-1200,000)*30%+168000 = FRW 26,873,020

Less: Tax paid in advance

Descriptions	Amount
Withholding tax on sitting allowance	771,428
Withholding tax on consultancy services	564,706
PAYE paid	8,280,000
Net tax payable	17,256,886

Assumed medical allowance is common for all employees

QUESTION FIVE:

Marking guide

Criteria	Marks
(a)	
Classification of tax according to the burden of tax:	
✓ Direct tax (1 mark) and 0.5 marks for each example i.e., 1mark for 2 examples (Maximum 2 marks)	2
✓ Indirect tax (1 mark) and 0.5 marks for each example i.e., 1mark for 2 examples (Maximum 2 marks)	2
Classification of tax according to the scope or authority imposing the tax	
✓ Centralized (1 mark) and 0.5 marks for each example i.e., 1mark for 2 examples (Maximum 2 marks)	2
✓ Decentralized (1 mark) and 0.5 marks for each example i.e., 1mark for 2 examples (Maximum 2 marks)	2
Classification of tax according to the graduates' scales or rate	
✓ Proportional (1 mark) and 0.5 marks for each example i.e., 1mark for 2 examples (Maximum 2 marks)	2
✓ Progressive (1 mark) and 0.5 marks for each example i.e., 1mark for 2 examples (Maximum 2 marks)	2
✓ Regressive (1 mark) and 0.5 marks for each example i.e., 1mark for 2 examples (Maximum 2 marks)	2
(b)	
1 mark for listing and 1 mark for a well explanation for each theory (Maximum 6 marks)	6
Total Marks for question 2	20

Model answers

a)

Tax can be classified in the following ways:

1. According to who bear the burden of tax

Here there are 2 mainly type of taxes, **which is direct and indirect tax.**

Under direct tax, this is the tax imposed on taxpayer who also bears the burden of tax, i.e., here the burden of tax can not be shifted to another person.

The example of tax base applicable here in Rwanda are:

- ✓ Business Income- Corporate Income Tax (CIT)
- ✓ Employment Income- Pay As You Earn (PAYE)
- ✓ Rental Income- Rental income tax

- ✓ Dividend and Interest Income- withholding tax

Under the indirect tax, this is the tax imposed on a taxpayer who is not the bearer of the burden, this taxpayer we consider him/her as not the last consumer of the goods or services and it is obvious here that the burden can be shifted to another person.

The example of tax base applicable here in Rwanda is:

- ✓ Tax on domestic Consumption of goods and services or Imported- Value Added Tax (VAT)
- ✓ Tax on local manufactured goods or imported equivalents- Excise tax/duty.

2. According to the scope or authority imposing the tax

Under here we **classify the tax as centralised and decentralised**

- ✓ The example of tax imposed under centralised manner, actually are those are taxes imposed at the national level like Personal Income Tax (PIT), Corporate Income Tax (CIT), Pay As You Earn (PAYE).
- ✓ The example of tax and fees imposed under decentralized tax are, actually those are taxes and fees imposed at the local government level such as districts. The examples here are: Fixed asset tax, cleaning fees, Rental Income tax, Trading license tax, market fees, cleaning fees, parking fees.

3. According to graduated scale or rates

Here we have 3 categories: proportional, progressive and regressive.

- ✓ **Under proportional**, the tax rate remains fixed irrespective the taxable amount. For example, VAT and CIT. Here the taxpayer charged at the same rate but pays different tax amount as per taxable amount.
- ✓ **Under progressive**, the tax rate or amount increases and the tax base or bracket increases also. For example, (1) under PAYE and PIT in Rwanda, the rate of tax increases as the taxable income increases as illustrated below:

Taxable income/ Bracket in FRW	Tax rate
From 0 to 60,000	0%
From 60,001 to 100,000	10%
From 100,001 to 200,000	20%
From 200,001 and above	30%

(2) under income tax on micro enterprises under flat tax regime, the tax amount increases as the taxable income or level of income/ turnover increases as illustrated here below also:

Taxable income/ Bracket in FRW	Tax amount in FRW
Up to 2,000,000	NIL
From 2000,000 to 4000,000	60,000
From 4,000,000 to 7,000,000	120,000

From 7,000,000 to 10,000,000	210,000
From 10,000,000 to 12,000,000	300,000

Under regressive, the tax rate or amount decreases or remain constant as the taxable amount or level of income/turnover increases.

✓ A typical example here in Rwanda is trade license tax imposed on the taxpayer who earns FRW 50,000,000,000 and above of turnover who pays FRW 2,000,000 as trading license tax per year irrespective the turnover above that like:

Taxpayer	Turnover in FRW	Trade license tax in FRW
A	60,000,000,000	2,000,000
B	800,000,000,000	2,000,000
C	300,000,000,000	2,000,000
D	120,000,000,000	2,000,000

✓ Another example here is the Corporate Income tax (CIT) of 28% applicable to all companies, irrespective the level of income for each company.

b)

Theories of taxation are:

- ✓ Benefit theory
- ✓ The cost-of-service theory and
- ✓ Ability to pay theory

Under benefit theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he/she should pay to the government. For example, road toll paid by transporter who benefit the use of public road, infrastructure Development Levy (IDL) paid specifically on imported goods from outside of EAC for contribution to regional trade facilitation infrastructure projects and Strategic Reserves Levy (SRL) paid specifically on imported fuel and petroleum products.

Under the cost of service theory, the state should charges actual cost of the service rendered to the people to satisfy the idea of equity or justice in taxation.

Under the ability to pay, the state should charge or the people of the country should pay the tax according to their ability to pay. For example, in Rwanda in the micro enterprises taxed under flat rate, whoever earn more pays also the high tax.

QUESTION SIX: Investment Income - Mr. Jean Bosco

Marking Guide

Descriptions	Marks
Sale of NovaTech shares (Unlisted)	2
Fixed Deposit @ Equity Horizon Bank	2
Interest from Treasury Bonds	2
Dividends – Rubavu Holdings (Listed)	2
Interest – ABC Bank FD	2
Sale of Intellectual Property	2
Interest – Long-Term Gov't Securities	1
Sale of Shares – Nyungwe Plc (Unlisted)	1
Dividends – Intore Group (Listed)	1
Sub total	15
b) Fines computation	
Tax due	1
Fixed fines	1
Non-payment penalty: 60%	1
Interest (6 months @ 1.5%/month): $75,000 \times 1.5\% \times 6 = 6,750$	2
Sub total	5
Total Marks	20

Model Answer

a) Withholding Tax Calculations

Source	WHT Rate	Gross Income	Tax Payable FRW
Sale of NovaTech shares (Unlisted)	N/A	$(8,000 \times (400 - 300)) = 800,000$	Exempted
Fixed Deposit @ Equity Horizon Bank	15%	$25M \times 10/12 \times 8\% = 1,666,667$	250,000
Interest from Treasury Bonds	15%	11,764,706	1,764,706
Dividends – Rubavu Holdings (Listed)	5%	$100,000 \times 250 = 25,000,000$	1,250,000
Interest – ABC Bank FD	15%	3,500,000	Exempted
Sale of Intellectual Property	15%	20,000,000	3,000,000
Interest – Long-Term Gov't Securities	5%	7,368,421	368,421
Sale of Shares – Nyungwe Plc (Unlisted)	5%	$15,000 \times (450 - 350) = 1,500,000$	75,000
Dividends – Intore Group (Listed)	15%	3,529,412	529,442

b) Penalties for Failure to Withhold

Capital Gain on Nyungwe Plc (Unlisted Shares):

Descriptions	Amount
Tax due	75,000
Fixed fines	300,000
Non-payment penalty: 60%	45,000
Interest (6 months @ 1.5%/month): $75,000 \times 1.5\% \times 6 = 6,750$	6,750
Total tax due	426,750

QUESTION SEVEN:

Marking guide

Criteria	Marks
(a)(i)	
Award 1 mark for each law stated (Maximum 2 Marks)	2
(a)(ii)	
Award 1 mark for each responsibility stated (Maximum 4 Marks)	4
(b)(i)	
Award 1 mark for each type of tax stated (Maximum 2 marks)	2
(b)(ii)	
Award 1 mark for each band common external tariff rate stated (Maximum 3 Marks)	3
(c)(i)	
Award 1 mark for a well-defined tax stamp and 0.5 marks for each product stated that require the tax stamp in Rwanda (Maximum 3.5 Marks)	3.5
(c)(ii)	
Award 1 mark for each total selling price computed on Liquors and cigarette, 1 mark for each excise duty computed and 0.5 marks for the total excise duty to be paid by Muhire Ltd (Maximum 5.5 Marks)	5.5
Do Not Award (DNA) the marks on total	
Total marks for question 6	20

Model answers

a)(i)

Customs administration in Rwanda is governed by two laws that are;

1. East African Customs Act and
2. Rwanda customs Act

(ii)

Customs Services department is responsible for the following:

- i. Enforcement of Customs legislation and other relevant laws;
- ii. Facilitation of legitimate trade;
- iii. Protection of society from illegal entry and exit of prohibited goods; iv. Compilation of trade statistics for economic planning;
- iv. Take all actions necessary to identify and combat evasion of duties and to combat fraud in its many forms;
- v. Ensure efficiency and effectiveness of the Customs Services department through enhanced management controls, training and increased accountability

b)(i)

Taxes paid on imports that are also paid on domestic goods

- 1. Value Added Tax (VAT) and
- 2. Excise Duty

(ii)

Three (3) band common external tariff rate established by this protocol to be applicable between the partners states are:

- 1. A minimum rate of 0 per centum
- 2. A middle rate of 10 per centum and
- 3. A maximum rate of 25 per centum

c) (i)

A tax stamp is a sign affixed on a product indicating that the product will be sold and tax collected in Rwanda. Products are regarded as locally manufactured if the manufacturing or processing factory is in the Rwandan territory; or

A tax stamp is a sign affixed on a product subject to Excise Duty to show retailers and consumers that tax has been paid.

The products requiring tax stamps are:

- 1. Cigarettes (each pack of 20 individual cigarettes)
- 2. Wines and
- 3. Liquors (each bottle).

(c)(ii)

Description	Quantity	Cost per unit	Total
Importation of liquors from France	100	150,000	15,000,000
Importation of cigarette	150	48,000	7,200,000

Computation of excise duty, *Hint:* here we use a pre-tax selling price.

On imported liquors= FRW 15,000,000*70%= FRW 10,500,000

On imported cigarette,

Then the excise tax will be $(\text{FRW } 7,200,000 \times 36\%) + (150 \text{ packs} \times \text{FRW}130/\text{Pack}) = \text{FRW } 2,592,000 + \text{FRW } 19,500 = \text{FRW } 2,611,500$.

Thus, Muhire Ltd will pay the total excise duty= $\text{FRW } 10,500,000 + \text{FRW } 2,611,500 = \text{FRW } 13,111,500$

End of marking guide and model answers