

# CPA

**Certified Public Accountant Examination**

**Stage: Foundation F2**

**Subject Title: F2.4 Taxation**

**Revision Guide**



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF RWANDA  
*Driving Sustainable Performance*

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# STUDY TECHNIQUES

## What is the best way to manage my time?

- Identify all available free time between now and the examinations.
- Prepare a revision timetable with a list of “*must do*” activities.
- Remember to take a break (approx 10 minutes) after periods of intense study.



## What areas should I revise?

- Rank your competence from Low to Medium to High for each topic.
- Allocate the least amount of time to topics ranked as high.
- Allocate between 25% - 50% of time for medium competence.
- Allocate up to 50% of time for low competence.

## How do I prevent myself veering off-track?

- Introduce variety to your revision schedule.
- Change from one subject to another during the course of the day.
- Stick to your revision timetable to avoid spending too much time on one topic.

## Are study groups a good idea?

- Yes, great learning happens in groups.
- Organise a study group with 4 – 6 people.
- Invite classmates of different strengths so that you can learn from one another.
- Share your notes to identify any gaps.

# EXAMINATION TECHNIQUES

## INTRODUCTION

Solving and dealing with problems is an essential part of learning, thinking and intelligence. A career in accounting will require you to deal with many problems.

In order to prepare you for this important task, professional accounting bodies are placing greater emphasis on problem solving as part of their examination process.

In exams, some problems we face are relatively straightforward, and you will be able to deal with them directly and quickly. However, some issues are more complex and you will need to work around the problem before you can either solve it or deal with it in some other way.

The purpose of this article is to help students to deal with problems in an exam setting. To achieve this, the remaining parts of the article contain the following sections:

- Preliminary issues
- An approach to dealing with and solving problems
- Conclusion.

## Preliminaries

The first problem that you must deal with is your reaction to exam questions.

When presented with an exam paper, most students will quickly read through the questions and then many will ... **PANIC!**

Assuming that you have done a reasonable amount of work beforehand, you shouldn't be overly concerned about this reaction. It is both natural and essential. It is natural to panic in stressful situations because that is how the brain is programmed.

Archaeologists have estimated that humans have inhabited earth for over 200,000 years. For most of this time, we have been hunters, gatherers and protectors.

In order to survive on this planet we had to be good at spotting unusual items, because any strange occurrence in our immediate vicinity probably meant the presence of danger. The brain's natural reaction to sensing any extraordinary item is to prepare the body for 'fight or flight'. Unfortunately, neither reaction is appropriate in an exam setting.

The good news is that if you have spotted something unusual in the exam question, you have completed the first step in dealing with the problem: its identification. Students may wish to use various relaxation techniques in order to control the effects of the brain's extreme reaction to the unforeseen items that will occur in all examination questions.

However, you should also be reassured that once you have identified the unusual item, you can now prepare yourself for dealing with this, and other problems, contained in the exam paper.

## **A Suggested Approach for Solving and Dealing with Problems in Exams.**

The main stages in the suggested approach are:

1. Identify the Problem
2. Define the Problem
3. Find and Implement a Solution
4. Review

### **1. Identify the Problem**

As discussed in the previous section, there is a natural tendency to panic when faced with unusual items. We suggest the following approach for the preliminary stage of solving and dealing with problems in exams:

#### **Scan through the exam question**

You should expect to find problem areas and that your body will react to these items.

#### **PANIC!!**

Remember that this is both natural and essential.

#### **Pause**

Take deep breaths or whatever it takes to help your mind and body to calm down.

Try not to exhale too loudly – you will only distract other students!

#### **Do something practical**

Look at the question requirements.

Note the items that are essential and are worth the most marks.

Start your solution by neatly putting in the question number and labelling each part of your answer in accordance with the stated requirements.

#### **Actively reread the question**

Underline (or highlight) important items that refer to the question requirements. Tick or otherwise indicate the issues that you are familiar with. Put a circle around unusual items that will require further consideration.

## **2. Define the Problem**

Having dealt with the preliminary issues outlined above, you have already made a good start by identifying the problem areas. Before you attempt to solve the problem, you should make sure that the problem is properly defined. This may take only a few seconds, but will be time well spent. In order to make sure that the problem is properly defined you should refer back to the question requirements. This is worth repeating: Every year, Examiner Reports note that students fail to pass exams because they do not answer the question asked. Examiners have a marking scheme and they can only award marks for solutions that deal with the issues as stipulated in the question requirements. Anything else is a waste of time. After you have re-read the question requirements ask yourself these questions in relation to the problem areas that you have identified:

### **Is this item essential in order to answer the question?**

Remember that occasionally, examiners will put ‘red herrings’ (irrelevant issues) into the question in order to test your knowledge of a topic.

### **What’s it worth?**

Figure out approximately how many marks the problem item is worth. This will help you to allocate the appropriate amount of time to this issue.

### **Can I break it down into smaller parts?**

In many cases, significant problems can be broken down into its component parts. Some parts of the problem might be easy to solve.

### **Can I ignore this item (at least temporarily)?**

Obviously, you don’t want to do this very often, but it can be a useful strategy for problems that cannot be solved immediately.

Note that if you leave something out, you should leave space in the solution to put in the answer at a later stage. There are a number of possible advantages to be gained from this approach:

- 1) It will allow you to make progress and complete other parts of the question that you are familiar with. This means that you will gain marks rather than fretting over something that your mind is not ready to deal with yet.
- 2) As you are working on the tasks that you are familiar with, your mind will relax and you may remember how to deal with the problem area.
- 3) When you complete parts of the answer, it may become apparent how to fill in the missing pieces of information. Many accounting questions are like jigsaw puzzles: when

you put in some of the parts that fit together, it is easier to see where the missing pieces should go and what they look like.

### **3. Find and Implement a Solution**

In many cases, after identifying and defining the problem, it will be easy to deal with the issue and to move on to the next part of the question. However, for complex problems that are worth significant marks, you will have to spend more time working on the issue in order to deal with the problem. When this happens, you should follow these steps:

#### **Map out the problem**

Depending on your preferred learning style, you can do this in a variety of ways including diagrams, tables, pictures, sentences, bullet points or any combination of methods. It is best to do this in a working on a separate page (not on the exam paper) because some of this work will earn marks. Neat and clearly referenced workings will illustrate to the examiner that you have a systematic approach to answering the question.

#### **Summarise what you know about the problem**

Make sure that this is brief and that it relates to the question requirements. Put this information into the working where you have mapped out the problem. Be succinct and relevant. The information can be based on data contained in the question and your own knowledge and experience. Don't spend too long at this stage, but complete your workings as neatly as possible because this will maximise the marks you will be awarded.

#### **Consider alternative solutions**

Review your workings and compare this information to the question requirements. Complete as much of the solution as you can. Make sure it is in the format as stipulated in the question requirements. Consider different ways of solving the problem and try to eliminate at least one alternative.

#### **Implement a solution**

Go with your instinct and write in your solution. Leave extra space on the page for a change of mind and/or supplementary information. Make sure the solution refers to your workings that have been numbered.

### **4. Review**

After dealing with each problem and question, you should spend a short while reviewing your solution. The temptation is to rush onto the next question, but a few moments spent in



reviewing your solution can help you to gain many marks. There are three questions to ask yourself here:

### **Have I met the question requirements?**

Yes, we have mentioned this already. Examiner Reports over the years advise that failure to follow the instructions provided in the question requirements is a significant factor in causing students to lose marks. For instance, easy marks can be gained by putting your answer in the correct format. This could be in the form of a report or memo or whatever is asked in the question. Likewise, look carefully at the time period requested. The standard accounting period is 12 months, but occasionally examiners will specify a different accounting period.

### **Is my solution reasonable?**

Look at the figures in your solution. How do they compare relative to the size of the figures provided in the question?

For example, if Revenue were 750,000 and your Net Profit figure was more than 1 million, then clearly this is worth checking.

If there were some extraordinary events it is possible for this to be correct, but more than likely, you have misread a figure from your calculator. Likewise, the depreciation expense should be a fraction of the value of the fixed assets.

### **What have I learned?**

Very often in exams, different parts of the solution are interlinked. An answer from one of your workings can frequently be used in another part of the solution. The method used to figure out an answer may also be applicable to other parts of your solution.

### **Conclusion**

In order to pass your exams you will have to solve many problems. The first problem to overcome is your reaction to unusual items. You must expect problems to arise in exams and be prepared to deal with them in a systematic manner. John Foster Dulles, a former US Secretary of State noted that: *The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year.* We hope that, by applying the principles outlined in this article, you will be successful in your examinations and that you can move on to solve and deal with new problems.

# ASSESSMENT STRATEGY

## Examination Approach

Students are required to display a knowledge of the system of administration of the various taxes, including requirements for compliance and corresponding penalties with regard to submissions and payment of taxes. Questions are mainly scenario based and students are expected to demonstrate the correct application of the practical aspects of the subject matter being examined.

Descriptive answers are also required to some questions to indicate an understanding of the relevant law and administrative procedure. It is necessary to demonstrate an ability to answer questions in a logical and coherent fashion.

## Examination Format

Examination Duration: 3 Hours

The examination is unseen, closed book.

Students are required to answer 5 out of 6 questions (with questions 1 to 4 being compulsory). Each of the compulsory questions mainly, but not exclusively, addresses one of the main taxes or tax heads on the syllabus.

Students have a choice of answering either question 5 or 6. The selected question carries 15 marks and general, but not exclusively, addresses areas of tax administration. It can be of a computational or theoretical nature or both.

## Marks Allocation

<b>Question</b>	<b>Marks</b>
Question 1	25
Question 2	20
Question 3	20
Question 4	20
Question 5 or 6 (Choice of Question)	<u>15</u>
<b>Total</b>	<b>100</b>

# LEARNING RESOURCES

## Core Texts

### Manuals

Institute of Certified Public Accountants of Rwanda – F2.4 Taxation

### Supplementary Texts and Journals

Global Tax Revolution – Chris Edwards and Daniel J Mitchell

Sell Globally Tax Locally – Michael S Greve

Fundamentals of International Tax Planning – Chris J Finnerty, Paulus Merks, Mario Petriccione, Raffaele Russo.

### Useful Websites (as at date of publication)

<http://www.icparwanda.com/services.php>

[http://www.rra.gov.rw/rra\\_section86.html](http://www.rra.gov.rw/rra_section86.html)

[www.tax-news.com](http://www.tax-news.com)

<http://www.imf.org/external/index.htm>

<http://www.worldbank.org/>

<http://www.doingbusiness.org/data/exploreeconomies/rwanda/paying-taxes/>

<http://www.nationmaster.com/country/rw-rwanda/tax-taxation>

<http://newsofrwanda.com/ibikorwa/4249/rwanda-gatsibo-district-businessmen-learn-tax-policies/>

[http://www.amategeko.net/display\\_rubrique.php?ActDo=ShowArt&Information\\_ID=907&Parent\\_ID=3070353&type=public&Langue\\_ID=An&rubID=3070362](http://www.amategeko.net/display_rubrique.php?ActDo=ShowArt&Information_ID=907&Parent_ID=3070353&type=public&Langue_ID=An&rubID=3070362)

## **F2.4 TAXATION**

### **REVISION QUESTIONS AND SOLUTIONS**

## REVISION QUESTION 1

- a. Who what should pay Income Tax?
- b. What obligations does each have?
- c. What are the Tax bands?
- d. And CSR contribution due by each type of income tax payer?

## SOLUTIONS

a. Persons who should pay income tax are people who earn incomes as an employee or as a self-employed person such as a tradesman, craftsman (musician, actor etc) or professional person such as an accountant, lawyer or doctor.

b. An employee is paid by an employer and the employer has the obligations to pay the CSR levies and withholding taxes within 15 days of the month end to which the pay relates. If the employee is paid by more than one employer the employee must tell each employer and the Rwandan Revenue Authority which is her/his main employer.

The self-employed person, i.e. persons who do not have an employer, sets up a voluntary scheme with RSSB(Rwandan Social Security Board). But the self-employed person has to pay expenses some of which can be deducted from the monthly income before calculating the withholding tax.

The income is calculated by detailing all the income which includes all expenses. The “allowable” expenses are the detailed and deducted from the total receipts. Contributions to RSSF (CSR) and to recognised Pension Funds

This net figure is the taxable income.

- c. Tax bands and Rates

Monthly earnings	Annual earnings	Rate
1 – 30,000	1 – 360,000	0%
30,001 – 100,000	360,001 – 1,200,000	20%
More than 100,000	More than 1,200,000	30%

d. The CSR contribution is 3% from the employee and 5% from the employer. The employer withholds the 3% from the employee’s pay and within 15 days of the end of the month submits the total of 8% to the CSR.

## REVISION QUESTION 2

- a. What is the importance of tax?
- b. Who should pay tax?
- c. What types of tax are there?

## SUGGESTED SOLUTIONS

- a. Taxation has been around a long time. The Romans collected taxes to pay for their Army and for the people who administered the Roman Empire and Caesar

Nowadays Taxation is spent on the central government, members of Parliament and the administration of the actions of the laws passed by Parliament.

But not only are taxes collected to pay for the administration of the country, but also to pay for infrastructure such as roads, hospitals, schools and other buildings and associated activities run for the general population by the government whether central or district.

In many countries, taxation is also looked on as means of “distributing wealth”. In other words, those who earn more pay more to allow those who do not earn enough to send their children to school or may be hospital.

Taxes, where this happens, are generally known as Progressive. The more you earn, the greater the marginal tax. In Rwanda, the first Rwf30,000 earned in a month is not taxed. The next band is taxed at 20% and the highest band (those who earn more than Rwf 100,000 each month pay 30%

Taxes and tax incentives are often used to encourage or discourage certain economic activities.

For instance, a capital allowance of 40% is permitted to be deducted from profits before tax for investment in New and Second-hand equipment by registered businesses.

On the other hand, the excise duty on cigarettes is 150% on the selling price payable by the manufacturer or importer. Not only can the excise duty be said to help towards the cost of dealing with diseases induced by smoking but also the consumer will hopefully be discouraged from smoking.

Similarly there are excise duties on what might be termed luxury drinks such as Juices (5%), Beer (60%) and others.

There also taxes on vehicles and on the fuel and oils they consume – see Law 57/2011 of 31/12/2011 which details the rates of taxation which will apply in 2012.

These rates have to be approved annually by Parliament

b. Who should pay tax.

One could argue: All those who can afford to. This is the approach adopted by many countries and in some cases where there are other taxes such excise duties tax or VAT, is paid by those who want to consume the relevant good.

c. Types of Tax.

There two types of tax – Direct Taxation and Indirect taxation

Direct – paid directly to the RRA out of earnings. Income tax on earned income or dividends. Indirect – paid at the time of sale to the next in the chain. The final consumer pays the tax to the seller/supplier/producer and so on down the line.

Excise duty is added to the cost paid by the wholesaler/agent and the producer/importer pays the duty to the RRA. The final consumer pays the tax in the end but this is really to refund the person who sold him/her the good.

VAT – value added tax. Each person in the chain pays VAT to the RRA which is calculated as a % of the value he adds to the processes he employs. He hands to the RRA the VAT he adds to his invoice less the VAT on any allowable invoices which he has had to pay in the making or acquiring of the good.

The final consumer pays an invoice which includes the vat in total and so the tax is effectively levied on the total consumer, but the RRA collects portions of the final tax in elements along the line.

**Local taxes.**

Nowadays Rwanda is divided into District and Divisions. The Central Government has allocated certain tasks to “local authorities” and has allocated them the task of collecting the funds to do these tasks. Such local taxes may be property taxes which are calculated as a Rwf x per square metre or per hectare of land. And there are trading and business licences administered by the local district or urban authority and the taxes are payable to them.

**Parafiscal taxes.** A tax on a specific product or service by which a government raises money for a specific purpose. The money raised is usually paid to a body other than the national tax authority.

These probably do not exist in Rwanda yet except the contributions to FARG (Funds for Assistance to Genocide Survivors) could be considered a Parafiscal tax.

## **REVISION QUESTION 3**

**What characteristics of tax distinguish it from other payments?**

### **SUGGESTED SOLUTION**

It is pecuniary; i.e. consists of money. You cannot pay with eggs or sticks of furniture as you might pay a farmer for milk. But having said that the VAT law has the following clause:

Sub-section 3: Taxable value of supplies and tax imposition

Article 16 :

The taxable value of each supply shall be, for the purpose of this Law, determined as follows:

1. The taxable value of a taxable supply is the consideration paid in money or kind by all persons for that supply, except as otherwise provided by or under this Law.
2. the taxable value of the taxable supply is the open market value of the supply, exclusive of the tax, where goods or services are supplied:
  - a. for a non-monetary consideration; or
  - b. for both a monetary and non-monetary consideration; or
  - c. for consideration that is less than the open market value of the goods or services.

It is a sum of money payable to the authority who assess it or as directed by central government for a general purpose. One cannot earmark to which department your tax will go or even a percentage of it.

It is obligatory. Everybody pays tax of some sort or another even if it is only VAT.

Tax is not necessarily paid to the Government by the person on whom the tax is charged. An employer pays withholding tax on behalf of the employee based on what he/she pays the employee(s)

A shop keeper pays to the RRA the VAT the customer paid him (less the VAT the shopkeeper paid to his supplier)

Non-payment of tax is a breach of the parliamentary law. Non-payment of an invoice might be considered a breach of contract and recompense is sort through the commercial laws.



## **REVISION QUESTION 4**

**What obligations are imposed on a person who is or should be registered for VAT?**

### **SUGGESTED SOLUTION**

In Rwandan law a person includes individuals and entities such as limited companies or partnerships.

Any person (or business) whose turnover exceeds or is expected to exceed 20,000,000 RWF in a year or 5,000,000 Rwf in a quarter must within 7 days of the end of the relevant period register with the tax authority

The business registered for VAT must issue invoices in a prescribed format and on such an invoice there must be:

1. The Name of the Taxpayer, client and the name of the Business
2. The TIN, Taxpayer's Identification Number and that of the purchaser if applicable
3. No. and date of VAT certificate
4. Description of goods sold or service rendered.
5. Value of taxable goods or services
6. Date the invoice was issued
7. The serial number of the VAT invoice.

The return shall be lodged together with any tax due within fifteen days after the end of the prescribed accounting period to which it relates or within such other time as the Commissioner General may determine by notice.

## **REVISION QUESTION 5**

**What is an Audit or Investigation?**

### **SUGGESTED SOLUTION**

An audit or investigation may be required by the Tax Administration if there are reasons to suspect illegality occasioned by attempt to evade tax or because books of account have not been properly kept or that the tax payer is trying to delay payment.

## REVISION QUESTION 6

### Income tax computation

Joseph joins Workalot Construction Ltd which has an annual turnover in excess of 100,000,000 Rwf per year.

He joins on 1 May 2011. He is site foreman and his remuneration package is:

Annual Salary           Rwf6,000,000

A house – he has to be available quickly to attend the site

A car to enable him to get around the building sites and he can use it at the weekend.

- a) What is paid into Joseph's bank account each month and how much does Workalot pay the RRA each month and when?
- b) What would happen if Workalot did not its due to the RRA on time?

## SUGGESTED SOLUTION

### a) Computation

Joseph's annual salary is 6,000,000 so each month he is paid 500,000

Tax: on 1-30,000 tax is	0%	0
Tax on 30,001 to 100,000	20% x 70,000	Rwf 14,000
Tax on 500,000-100,000 = Rwf400,000 x 30%		<u>Rwf120,000</u>
		Rwf134,000
Plus House 20% of 500,000		Rwf 100,000
Plus Car 10% of 500,000		Rwf 50,000
Plus 3% RSSB deduction		<u>Rwf 15,000</u>
Total deductions		<u>Rwf299,000</u>
Paid into Joseph's bank account each month will be		Rwf 201,000

Workalot must pay within 15 days of the end of each month Rwf 299,000 to the RRA together with 5% of Joseph's salary as their contribution to RSSB.

So workalot will pay 5% Rwf 500,000	Rwf 25,000
Plus withholding tax and RSSB for Joseph	<u>Rwf299,000</u>
Total paid to RRA in respect of Joseph	<u>Rwf324,000</u>

*Incidentally you could also add that the cost of employing Joseph is his salary, plus the cost of running the car and maintaining the house and the 5% RSSB contribution. The income tax payable by Joseph and his 3% to RSSB is included in the Rwf500,000 each month.*

**b)** The question does not say if Workalot is a “large” business or taxpayer.

For a business with a turnover in excess of Rwf20,000 the fine for late payment is Rwf300,000.

However if the Minister decides that Workalot is a “large” taxpayer, the fine could be Rwf500,000

Both fines are enhanced by interest which is calculated as the BNR Interbank rate plus “%

## REVISION QUESTION 7

### Sole Trader – Annual Tax Computation

Robert has a grocery store. His turnover for the year ended 31 December 2011 is Rwf10,500,000. This excludes items he has taken off the shelves for his own and his family's use. Robert does keep good records and the items amounted to Rwf1,500,000 at cost.

In May 2012 Robert's turnover had exceeded Rwf 10m and things were looking very good. His detailed records show his monthly "drawings" from the shelves amount to Rwf330,000.

Assuming his average monthly sales and taking remain unchanged for the rest of the year, What is Robert's tax liability for the year ended 31 Dec 2011 and what will it be for the year ended 31 Dec 2012?

### SUGGESTED SOLUTION

In 2011, Robert's turnover was less than 20m so he should pay tax to the sum of 4% of this turnover, i.e. 4% of Rwf 12m

But in 2012 his turnover will exceed Rwf20m and so this rule does not apply and tax must be calculated by assessing his net income and computing the tax due from each band.

The Computation for the 2 years:

	Actual Year to 31 Dec 2011	Actual for 5 Months to 31 May 2012	YTD per month	Forecast for 12 months ending 31 Dec 2012
Sales excluding "drawings"	10,500,000.00	10,000,000.00	2,000,000.00	24,000,000.00
Items off the shelf sale price	1,500,000.00	1,650,000.00	330,000.00	3,960,000.00
Total sales (T/O)	12,000,000.00	11,650,000.00	2,330,000.00	27,960,000.00
Mark up %	20			
Cost of goods sold	10,000,000.00	9,708,333.33	1,941,666.67	23,300,000.00
Robert's turnover is less than Rwf20m				
Tax at 4% of T/O	480,000.00			

IN 2012 Robert's T/O will be more than > Rwf20m. He cannot use 4% rule	Tax Bands – Rwf	Tax Rwf	Rwf
Robert's income = Sales less cots			4,660,000.00
1 - 360,000	360,000.00	0.00	
360,001 to 1,200,000	840,000.00	168,000.00	
More than 1,200,000	3,460,000.00	1,038,000.00	
	<u>4,660,000.00</u>		<u>1,206,000.00</u>
Income after Tax	<u>1,520,000.00</u>		<u>3,454,000.00</u>

## REVISION QUESTION 8

Foreign nationals working In Rwanda for a UK company

Fred Walker is employed by a UK company which has operations in Rwanda. He comes over to Rwanda for 2 weeks ever month. He arrives on Monday morning and leaves on Friday of the following week. He has only 1 week-end in Rwanda.

In 2011, on one visit he brought his wife and on the Friday when he would normally go home he took his wife to a resort near Lake Kivu, went on a Nature Tour and after 2 weeks of holiday went straight home. He did not come to Rwanda the next month, but returned as normal the month later.

His annual income is £35,000 plus expenses when in Rwanda supported by receipts.

Fred has a colleague, George, who works 2 weeks alternate months and the other months he stay for 3 weeks. Like Fred he arrives on a Monday and departs on Friday. In 2011 he followed this routine for every month. None of his holidays impinged on his visits to Rwanda.

George's annual pay in UK is GBP25,000 pa.

The rate of exchange is Rwf1,000 = GBP1 (£1.00)

What are the Rwandan tax liabilities for Fred and George?

## SUGGESTED SOLUTION

For each, their expenses are allowable to be deducted as fair expenses from any salary assessable in Rwanda. So the effect of these is assumed to be nil.

Fred spends 12 days every 30 in Rwanda. His holiday does not count and in any case he missed a month.

Days in Rwanda working = 12 days for 11 months 132 days.

Fred is not assessable to tax in Rwanda.

George spends 12+ (12 + 7) days every 2 months

so effectively spends 31 days \* 6 = 186 days in the year working in Rwanda.

The threshold is 183 days, so George is treated as resident in Rwanda and is taxable on all his earnings in the year

His annual salary is GBP25,000. In UK he pays 10% National Insurance Contributions so his taxable income in UK is GBP23,000 and this is treated as being earned in Rwanda.

In UK George pays tax at 20% after the first GBP6,000.

His UK tax would be 20% of GB22,500 less Allowance 6,000 = GBP £3,300

George's Income in Rwanda is GBP22,500 = Rwf22,500,000

His tax in Rwanda is 0% on 1 <sup>st</sup>	Rwf360,000	0
20% on	Rwf3,601 – 1,200,000	168,000
30% on balance above 1,200,000	Rwf 21,300,000	<u>6,390,000</u>
	Tax due	<u>6,558,000</u>

Less tax paid in UK as above

GBP3,400	Rwf 3,300,000
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Tax payable in Rwanda –	Rwf 3,258,000
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## **REVISION QUESTION 9**

What is the difference between being Zero rated, Exempt and not registered.

## **SUGGESTED SOLUTION**

All goods and services supplied in Rwanda are subject to VAT except where specified in Article 86

Note in Article 15, The Minister can decide whether a Good or Service is to be Zero rated or Exempt.

If there is doubt, the Article 15 says that Article 87 takes precedence.

Article 87 lists the goods and services which are Zero rated.