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Index number: _____

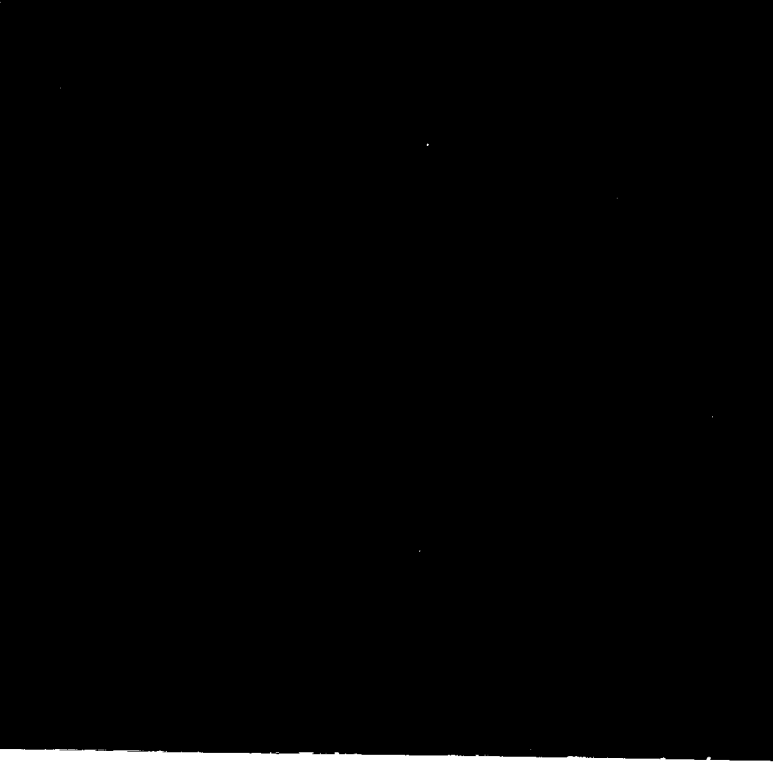
QUESTIONS and ANSWERS BOOKLET

SUBJECT: Taxation Operations
ACADEMIC YEAR: 2020-2021

Read carefully the instructions on page (i) & (ii).

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TVET NATIONAL EXAMINATION, RTQF LEVEL 5, 2020-2021

INSTRUCTIONS TO CANDIDATES: PART I (Answer Booklet)

1. A candidate should fill in the actual names and the index number on the cover of this questions and answer booklet on the provided place (Black Box).
2. It is illegal for a candidate to write any of his/her names, index number or a school name inside the answer booklet.
3. A candidate should check if all pages of the answer booklet are complete. No candidate should remove or tear any pages or part of it from the answer booklet.
4. A candidate should answer in the language in which the examination is set. (See page **(ii)**)
5. A candidate should sign on the sitting plan when submitting the answer booklet. He/she has also to check if the answer booklet is well sealed.
6. No extra paper is allowed in the examinations room. If a candidate is caught with it his/her results will be nullified.
7. No candidate is allowed to write answers not related to the subject being sat for, otherwise it will be considered as a cheating case.
8. Write your answers on the 12 lined pages (From page 1 of 12 to page 12 of 12).
9. Use the last non-lined pages as draft.
10. Results for any candidate who is caught in examination malpractices are nullified. The cheating can be recognized during examinations administration, marking exercise or even thereafter.

TVET NATIONAL EXAMINATION, RTQF LEVEL 5, 2020-2021

OPTION/TRADE: CUSTOMS AND TAX OPERATIONS

SUBJECT: Taxation Operations

DURATION: 3 hours

INSTRUCTIONS TO CANDIDATES: PART II (Question Paper)

The paper is composed of two (2) main Sections as follows:

Section I: Attempt all the Twelve (12) questions (60 marks)

Section II: Attempt any Four (4) questions out of Six (6) (40 marks)

Allowed materials:

- Ruler and square
- Calculator

Note:

Every candidate is required to carefully comply with the provided assessment instructions.

Section I: Attempt all the Twelve (12) questions**(60 marks)**

01. a) What does it mean “taxation”? **(2 marks)**

b) List down any three (3) qualities of a good tax system. **(3 marks)**

02. Match the following tax with its date: **(5 marks)**

Taxes	Dues dates
1. VAT	a) 15 th of the following month
2. Excise duty	b) 30 th June, 31 st September and 31 st December
3. PAYE	c) 31 st March of the following year
4. Income tax	d) 10 th , 15 th , 20 th of the following month
5. IQPs	e) 15 th following month

03. a) Differentiate tax avoidance from tax evasion. **(3 marks)**

b) In Rwanda, there are many entities that have to pay taxes that help in development of the country. Explain documents that help tax administration to correct tax for those entities. **(2 marks)**

04. a) Explain concepts of set-off and carry forward of losses. **(2 marks)**

b) Mention any three (3) elements of notice of assessment. **(3 marks)**

05. a) What does it mean by domestic tax? **(2 marks)**

b) Explain how VAT is indirect tax? **(3 marks)**

- 06. a)** Differentiate zero rated from exemption in taxation. **(2 marks)**
- b)** Kundwa has small business and she wants to register her business on VAT. Encourage her on the benefits of being registered in VAT. **(3 marks)**
- 07.** Tumukunde produces cigarettes. 600 packs are produced (20 cigarettes on one pack) and the pretax selling price is frw 1200 per pack.
- Calculate excise duty to be paid on RRA. **(5 marks)**
- 08. a)** Explain three (3) taxable income of Rwanda. **(3 marks)**
- b)** Mention any two (2) taxes found in decentralized tax. **(2 marks)**
- 09. a)** What are (3) reasons of tax investigation? **(3 marks)**
- b)** What are four (4) elements of professional activities? **(2 marks)**
- 10. a)** List any four (4) rules followed to deduct expenses in tax. **(2marks)**
- b)** Discuss different causes of penalties and fines. **(3 marks)**
- 11.** Outline any five (5) functions of local government. **(5 marks)**
- 12.** Gwiza has a travel company with 5 buses transporting passengers from Nyabugogo to Kicukiro. Each bus carries 25 passengers. He has also a track carrying 6.8 tones. Calculate quarterly motor vehicles income tax of Mr Gwiza if his financial report shows turnover of 234,542,000 Frw on quarterly basis. **(5 marks)**

Section II: Attempt any Four (4) questions out of Six (6) (40 marks)

13. a) Ineza has job at KM Company Ltd, her monthly salary is frw 600,000. The company provides accommodation and car for her transport. Calculate her monthly taxable income. **(4 marks)**
- b) A parent pays frw 300,000 for school fees of his children. That value is 30% of his monthly salary. Calculate his salary and monthly tax liability. **(6 marks)**
14. a) Differentiate direct tax from indirect tax. **(4 marks)**
- b) Mr. Ganza has garage at Muhoza Village, where his annually sales are frw 216,500,000 and expenses equal frw 38,436,000.
- i. On which type of tax regime is Ganza classified?
- ii. Calculate his tax liability if only 50% of expenses are allowed by Rwanda revenue authority (RRA). **(6 marks)**
15. GAF Hotel is importing consignment of tusker beer from Kenya. The HS code is 2203.00.90 beer made from malt, the net weight is 1,400kg and CIF value of consignment equals cost of frw1,100,000; insurance of frw 55,000 and freight of frw 450,000. Import duty rate is 25% and excise duty rate is 60% on value (VAT rate is 18%). Calculate VAT to be paid on import. **(10 marks)**
16. Mr Luc bought raw material to produce beers on frw 1,500,000 VAT excluded and sells those raw material to supply for making finished product on frw 2,500,000 VAT excluded and supply distributes finished products to retailers to give it to the last consumers on frw 3,500,000 VAT excluded.
- Determine values added at each stage of production and VAT.

(10marks)

17. Explain clearly registration and deregistration process of the business.

(10 marks)

18. a) MUKIRE is a business Man in MUHANGA town and he is classified a large taxpayer. During the year end 31/12/2019 he did not withheld tax declared and paid the tax late.

The payment was delayed for two months. He declared and paid 2,000,000FRW. On assessment by the RRA, they found out that he was supposed to pay 6,000,000FRW.

Required:

Determine the amount of tax together with the fines and penalties that MUKIRE must pay to RRA.

(5 marks)

b) Mr. Cyusa designs and manufactures clothes. He sells within Rwanda but also exports same to Mali. The goods sold within Rwanda are subjected to VAT as normal the goods exported to Mali are zero rated. He pays input vat on the material used in manufacturing.

He sells frw 236,000 (VAT inclusive) within Rwanda, with VAT paid on inputs of frw 10,000. He exported frw 300,000 (VAT exclusives) to Mali, with VAT paid on inputs of frw 30,000.

Determine VAT to be paid to RRA.

(5 marks)

